

**THE ROLE OF NATIONAL CULTURE IN THE EMERGENCE OF
FINANCIAL STATEMENT FRAUD: COMPARISON OF JAPANESE AND
BRITISH CULTURE IN THE CASES OF OLYMPUS AND TESCO**

A THESIS

Presented as a Partial Fulfillment of the Requirements to Obtain the Bachelor
Degree in Accounting Department



By:

Muli Wening Utami

Student Number: 14312603

DEPARTMENT OF ACCOUNTING

INTERNATIONAL PROGRAM

FACULTY OF ECONOMICS

UNIVERSITAS ISLAM INDONESIA

YOGYAKARTA

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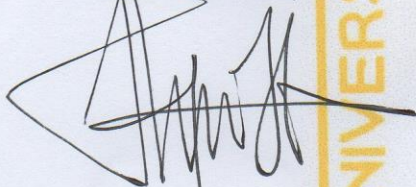
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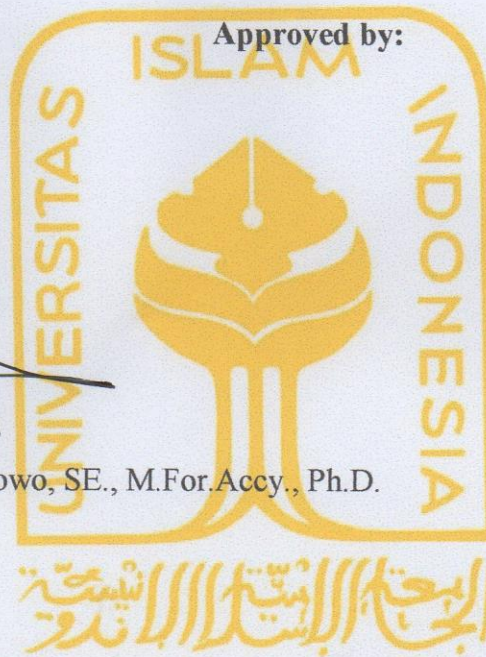
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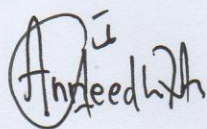


Hendi Yogi Prabowo, SE., M.For.Accy., Ph.D.



August 15th, 2018

Language Advisor,



Annida Asni, S.Pd.

August 15th, 2018

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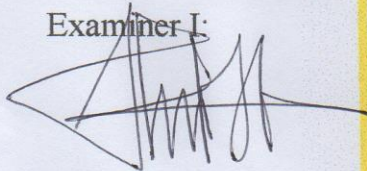
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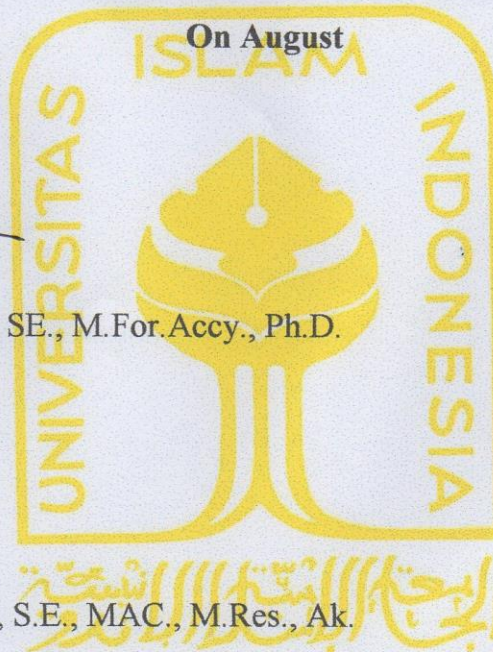


Hendi Yogi Prabowo, SE., M.For.Accy., Ph.D.

Examiner II:



Ayu Chairina Laksmi, S.E., MAC., M.Res., Ak.



Yogyakarta, 27 August 2018

International Program

Faculty of Economics

Universitas Islam Indonesia

Dean,



Jaka Sriyana, Dr., S.E., M.Si.

DECLARATION OF AUTHENTICITY

Hereby I declare the originality of the thesis; I have not presented someone else's work to obtain my university degree, nor I have presented someone else's words, ideas or expectations without any of the acknowledgments. All quotations are cited and listed in the bibliography of the thesis. If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, August 15th, 2018



Muli Wening Utami

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Assalamu'alaikum Warahmatullahi Wabarakatuh.

All perfect praise to Allah SWT, the Lord of the World. I bear witness that none is worthy of worship but Allah, alone with no partners. And I bear witness that Muhammad SAW is His Messenger, may Allah exalt his mention. *Alhamdulillahirabbil'alamin*, the thesis which entitled **THE ROLE OF NATIONAL CULTURE IN THE EMERGENCE OF FINANCIAL STATEMENT FRAUD: COMPARISON OF JAPANESE AND BRITISH CULTURE IN THE CASES OF OLYMPUS AND TESCO** as a partial requirement to obtain the bachelor degree in Accounting Department, International Program, Faculty of Economics, Universitas Islam Indonesia is finally finished.

I realize that this research is far from perfect, however, I had been devoted all the efforts to achieve the maximum result. The author also realizes that this research will not work if not supported and guided by several parties, which they had helped me both morally and spiritually. For this reason, I would like to address my appreciation and regards to:

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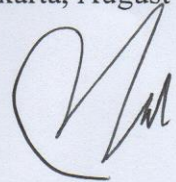
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Yogyakarta, August 15th, 2018

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a smaller 'U' and a final flourish.

Muli Wening Utami

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ABSTRACT

This study has the purpose to determine the role of national culture in the emergence of financial statement fraud. The object of this study is the case of the Olympus Corporation and Tesco Plc financial statement fraud and the national culture of Japan and the U.K. This research was conducted using qualitative method by using Miles and Huberman data analysis technique in order to obtain a clear, detailed, and in-depth description of the problem under research. Data collection methods used was through document study. Using Hofstede six cultural dimensions to identify each national cultures, and three fraud triangle elements to identify the causal factors of each case, the result of this research shows that, although the contrast cultures that Japan and the UK have, each national culture still have a role in the emergence of financial statement fraud in Olympus and Tesco case. To be specific, Japanese culture has a very strong role in the emergence of Olympus financial statement fraud but not for the case of Tesco Plc which cultures has not strong influence in the emergence of the case.

Keywords: Financial statement fraud, national culture, Olympus Corporation, Tesco Plc, Hofstede culture dimensions.

ABSTRAK

Penelitian ini bertujuan untuk mengetahui peran budaya sebuah negara dalam munculnya kecurangan laporan keuangan. Objek penelitian ini adalah kasus kecurangan laporan keuangan Olympus Corporation dan Tesco Plc, serta budaya Jepang dan Inggris. Penelitian ini dilakukan dengan menggunakan metode kualitatif dengan menggunakan teknik analisis data Miles dan Huberman untuk mendapatkan data yang jelas, rinci, dan mendalam tentang masalah yang diteliti. Metode pengumpulan data yang digunakan adalah melalui studi dokumen. Dengan menggunakan enam dimensi budaya Hofstede untuk mengidentifikasi setiap budaya nasional, dan tiga elemen segitiga penipuan untuk mengidentifikasi faktor penyebab setiap kasus, hasil penelitian ini menunjukkan bahwa, meskipun budaya kontras yang dimiliki Jepang dan Inggris, masing-masing budaya nasional memiliki peran dalam munculnya penipuan laporan keuangan di kasus Olympus maupun Tesco. Untuk lebih spesifik, budaya Jepang memiliki peran yang sangat kuat dalam munculnya penipuan laporan keuangan Olympus tetapi tidak untuk kasus Tesco Plc, yang mana budaya berpengaruh kuat dalam munculnya kasus ini.

Kata Kunci: *Kecurangan Laporan Keuangan, budaya nasional, Olympus Corporation, Tesco Plc, dimensi budaya Hofstede.*

CHAPTER I

INTRODUCTION

1.1. Background of Study

Globalization has brought business into the different multidimensional business environment within the contemporary society. One of the most striking manifestations of globalization is the use of technology, that is why technology plays a vital role in shaping and shifting business operating process into more complex than it was a century ago. Internet, digital data, and e-commerce are few examples of new technologies that are dealt with today's big company. Nevertheless, this situation is not only opening up business opportunities but also significantly increase business competition. Thus, it impels every company to improve their performance in order to maintain their existence in the market.

The complexity of modern business process leads to more convoluted of accounting, not to mention about the creative accounting which allows management to establish numbers as desired by stakeholders using accounting knowledge within the jurisdiction of accounting rules and law (Yadav, 2013). When the reality has not captured the expectation of stakeholders, some parties use the lack of knowledge in the accounting of average investors or other stakeholders as a chance to paint a rosy picture of their financial statement. According (PSAK) No.1 year 2014 the purpose of financial statement is to deliver information about financial position, financial performance and cash flow which benefit for interested parties

in economic decision-making, as well as demonstrate management accountability for the use of resources entrusted to them. On the other words, financial statement is believed by many as a valid and reliable source of information about the company's condition. The reason for it is that the owners of companies, investors, creditors, and governmental institutions make decisions regarding the development of the company on the basis of the information provided in financial statements.

Looking back at Enron, one of the world's biggest accounting scandal, the firm continued to hide its liabilities and inflate it's earning through the use of off-balance sheet as special purpose vehicles. To increase the performance of its stock, in 1999 Enron created a limited partnership with the aim to purchase Enron shares. That year, the company returned 56% to its shareholders which was followed by another 87% appreciation at the onset of the new millennium. What had been done by Enron in manipulating financial statement with the aim to make the company looks more successful or any other motive like achieving a personal goal, receiving a bonus, inflating purchase price, or keeping the bank to calling a loan, are considered as financial statement fraud.

Basically, Association of Certified Fraud Examiners has characterized fraud into three, i.e. an asset misappropriation, a corruption which occurs more frequently and a financial statement fraud which makes the biggest losers among those three. A survey showed financial fraud by 73%, followed by corruption at 18% and misappropriation 9% as the most disadvantage frauds (Association of Certified Fraud Examiners, 2014). Financial statement fraud is mostly committed by management, while misappropriation of asset is committed against an organization,

frequently by employees (2015, p. 45). This statement explains the difference between financial statement fraud and other frauds.

The increasing number of financial statement fraud cases for the last two decades - Enron, Tyco International, WorldCom, Satyam, Olympus, Toshiba, Tesco - make financial statement fraud as a topic of conversation that had caught the attention and interest of regulators, academics, and practitioners globally. Frequently seen as a victimless crime because of the less dramatic than violent crime such as rape or murder, many now perceive fraud as a serious or even more dangerous than street crime (Rebovich & Kane, 2002). The loss and damage caused by financial statement fraud are varied such as ruin the reliability, quality, transparency, and integrity of financial reporting process, decrease the efficiency of capital market, weaken the reliability of financial information, destroy careers of individuals involved in fraud, jeopardize the integrity and objectivity of the auditing profession, raise serious doubt the efficacy of financial statement audit and erode public confident and trust in the accounting and auditing profession (Nguyen, 2010). Moreover, the Association of Fraud Examiners from their investigated cases from January 2010 to December 2011 found that 5 percent of organization's annual revenue and US\$3.5 trillion of the global economy are lost due to fraud (Association of Certified Fraud Examiners, 2016). Specifically, financial statement fraud had highest in a median loss of \$ 975.000 in 2016. This study demonstrates the huge amount of financial losses from fraud that companies face today.

A common thread, fraud interprets as an intentional criminal act which involves dishonesty in the action or omission or the making of the false statement,

orally or in writing in order to obtain benefits or gain over another (Vaisu, Warren, & Mackay, 2003). In the book *Other People's Money: A Study in the Social Psychology of Embezzlement* (1953, p. 30) Dr. Donald Cressey found the theory analyzing the motivation why people commit fraud in general, which now has been widely recognized and developed, called Fraud Triangle. Cressey's fraud triangle consists of pressure, opportunity, and rationalization. All of those elements should be present in order for a crime to be committed.

However, in reality, defining fraud could be a problem because it appears to be natural that people will construe fraud based on what they believe in constituting fraud. On the other words, fraud differs by region. What may be considered legitimate in one culture may be considered bad and vice versa. For example, exchange gift between business colleagues (even the expensive one) in Japan is a common tradition while it can be construed as a bribe in the U.S. or many Western's cultures (Donaldson, 1996). Therefore, the motivation and elements of fraud are culturally relative (Zhuang, Thomas, & Miller, 2005).

"... the collective programming of the mind which distinguishes the members of one group or category of people from another" is a definition of culture by Hofstede (2001). Lindholm (1999) argued that a culture of the organization is highly shaped by the national culture of a country where they run. As said by Hofstede (1991, p. 14) "behavior at work is a continuation of behavior learned earlier". In a competitive environment, these cultures can affect the individuals and performance in the organization (Omar, Johari, & Hasnan, 2015). It may even give greater influence than strategy, organizational structure, management system and

leadership. The reason is that national culture is deeply rooted linkage with the values, entrenched in our everyday life in each individual since we learn it from childhood. Various researchers had investigated the impact of culture in other financial crimes, such as Tsakumis, Curatola and Porcano (2007), Richardson (2006) and Bame-Aldred, Cullen, Martin and Parboteeah (2013) whom studied the impact of culture on tax evasion; Sanyal (2005) who examined the impact of culture on bribery. Unfortunately, based on the researcher knowledge, the impact of culture on a specific country on financial statement fraud case received little research attention.

“ Out of all the countries we have visited so far, Japan’s business culture has got to be the most uniquely different”, is an impression given by some western businessmen after visiting Japan (Miller, 2013). Japan and the United Kingdom are known to be the countries with completely different cultural roots. East Asian countries, including Japan, tend to have a more holistic view of causality, place more weight on situational factors and are less likely to explain behavior in terms of individual traits or agree to punitive measures (Wong-On-Wing & Lui, 2007). Additionally, current financial statement fraud happened in two gigantic companies, Tesco and Olympus, which headquarter located in UK and Japan respectively.

Therefore, the motivations to conduct this research besides to fill the gap is to find what are the national cultures that are able to influence the emergence of financial statement fraud in an organization within Japan and U.K. is appealing to be conducted. It is supported by the concept that national culture dimensions by

Hofstede, namely power distance, individualism, uncertainty avoidance, long-term orientation, and masculinity, are able to give valuable contribution in building up the fraud theory which involves cultural factors in understanding fraud triangles; pressures, opportunities, and rationalizations (Getie Mihret, 2014). A deeper understanding of potential motivations for fraud cultural context can as well be achieved.

Thus, the researcher conducted a research entitled “**The Role of National Culture in the Emergence of Financial Statement Fraud: A Comparison of Japanese and British culture in the case of Olympus and Tesco**”.

1.2. Problem Formulation

1. What are the causal factors behind Olympus’s Financial Statement Fraud?

This research question aimed to understand why Olympus was committed to financial statement fraud from the Fraud Triangle’s perspective. Each element (pressure, opportunity, and rationalization) was used by the researcher in elaborating the case.

2. What are the causal factors behind Tesco’s Financial Statement Fraud?

This research question aimed to understand why Tesco was committed to financial statement fraud from the Fraud Triangle’s perspective. Each element (pressure, opportunity, and rationalization) was used by the researcher in elaborating the case.

3. What are the elements of Japanese culture that may have influenced the causal factors of Olympus Financial Statement Fraud?

This research question aimed to find and identify the Japanese Culture using the value of 6 national culture dimensions from Hofstede, namely power distance, uncertainty avoidance, individualism, long-term orientation, masculinity, and indulgence.

4. What are the elements of British culture that may have influenced the causal factors of Tesco Financial Statement Fraud?

This research question aimed to find and identify British Culture using the value of 6 national culture dimensions from Hofstede, namely power distance, uncertainty avoidance, individualism, long-term orientation, masculinity, and indulgence.

5. How the national cultures of each country affect the financial statement fraud in each case?

This research question aimed to answer the way of each national culture (Japan and U.K.) influenced the emergence of financial statement fraud in each case (Olympus and Tesco) by analyzing the similarity and differences between the causal factors for both cases, analyzing the similarity and differences between the national cultures, and analyzing the relationship between the causal factors and national culture.

1.3. Research Focus

As what has been discussed in the background of study, this research focus in identifying the aspect of each national culture in two countries, Japan and U.K., that have been rotted, which influence the motive of perpetrators in conducting financial statement fraud in the case of Olympus and Tesco.

In order to make this research more specific and direct, hence the writer gives some limitations in on the material related to the topic. In connection with the problem formulations above, then the focus of research is directed to:

1. In identifying causal factor, the writer uses three elements of fraud triangles, namely opportunities, pressure, rationalization, as a framework
2. In identifying the national culture of Japan and U.K., the researcher uses 6 of Hofstede's national culture dimensions, namely power distance, masculinity, uncertainty avoidance, individualism, long-term orientation, and masculinity, as a framework.

The references will be obtained from the company's documents that are available to the public, such as, investigation report, company's website, book, news, newspaper, magazine and any other e-resources.

1.4. Research Objectives

Generally, this research is aimed to see how cultural aspect of Japan and U.K. can impact the emergence of financial statement fraud in each case, Olympus, and Tesco. Specifically, this research has objectives:

1. To know the causal factors behind Olympus's Financial Statement Fraud.
2. To know the causal factors behind Tesco's Financial Statement Fraud
3. To know the elements of Japanese culture that may have influenced the causal factors of Olympus Financial Statement Fraud.
4. To know the elements of British culture that may have influenced the

causal factors of Tesco Financial Statement Fraud.

5. To know the way national cultures of each country, affect the financial statement fraud in each case.

1.5. Research Contribution

This research is expected to give some contributions as follows:

1. Providing an overview of the extent to which national culture in Japan and U.K. influence the occurrence of financial statement fraud.
2. Providing a better understanding of cultural differences between Japan and U.K. will, therefore, benefit multinational companies and professionals.
3. Providing a better understanding of the motives, pattern, and technique of Fraud in the perspective of social-economy, which will aid the counter-fraud professional in tailoring their response.
4. Providing additional treasures of science and make this paper as a reference material in making other papers.

1.6. Systematic of Writing

In preparing this thesis, it consists of five chapters that are interconnected between chapter one and other chapters and arranged in detail to provide an overview and facilitate discussion. The systematic of each chapter can be explained as follows:

CHAPTER I : INTRODUCTION

In this chapter, the researcher discusses background

research, problem formulation, research focus, research objectives, research benefits and systematics writing. This chapter consists of a general overview of the study.

CHAPTER II : REVIEW OF RELATED LITERATURE

The second chapter of this study encompasses the literature review that is used as the basis of research. This chapter includes the discussion about fraud, financial statement fraud, fraud triangle, national culture concept, and national culture influences on financial statement fraud. It also contains review from the previous studies.

CHAPTER III : RESEARCH METHOD

In this chapter, the researcher discusses the research method conducted in conducting research, ranging from the type of research, research focus, research base, collection techniques data and data sources, selection of informants, research objects, validity of data testing, to data analysis techniques. All the set of methods from this chapter will relate to chapter four to answer the formulation of existing problems.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter contains the explanation about the result of research findings and the discussion regarding research analysis.

CHAPTER V : CONCLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusions of the results of research conducted, the limitations that exist during the research, and suggestions for better research in the future.

CHAPTER II

REVIEW OF RELATED LITERATURE

2.1. Introduction

In this chapter, the researcher describes the theories that support the research and it is used as the guide in the preparation of the researcher. Theoretical studies are used as the basis for supporting the answer of problem formulation, which will be developed during the research process. This chapter also contains previous studies related to financial statement fraud and national culture.

2.2. Literature Review

The theories described in this section are the concept of fraud in general, financial statement fraud, theory of fraud triangle, and the concept of national culture.

2.2.1. Fraud

Taking someone's belonging illegally can be done either by forcibly taking it with a weapon so that the item is given or use shifty way (deceptive). The first way is known as robbery and the second one is called fraud. The impact and loss given by fraud are usually bigger than robbery.

In a broader view, Black's Law Dictionary gives a definition of fraud as:

"Embracing all multifarious means which human ingenuity can devise, and which are the resorts by the false suggestions or suppression of the truth, and dissemination of all surprise, trick, cunning, or dissembling, and any unfair way by which another is cheated".

According to the Association of Certified Fraud Examiners (2016), fraud is any intentional or deliberate action to deprive other's property or money by guile, deception or other unfair means. U.S. Government Audit Office in Government Audit Standard also similarly defined fraud as an intentional illegal act to get something valuable.

In researcher point of view, fraud is perceived as a false representation or concealment of material fact to induce someone to part with something value (Sawyer, Sumners, & Sawyer, 1988). Wallace (1995) added that fraud is a scheme designed to deceive, the act can be in the form of fictitious documents and representation that support the fraudulent financial statement. In other words, fraud is any form of artifice, contrivance, guile, treachery, concealment, or disguise intended to induce another to part with money, property, or other legal rights, unjustly or unfairly as argued by (Stamler, Marschdorf, & Possamai, 2014).

Furthermore, Albrecht et al. in the book *Fraud Examination* (2012) mentioned 7 elements of frauds (1) a representation, (2) material fact, (3) which is false, (4) intentionally or recklessly, therefore, (5) which is believed, (6) acted upon the victim, (7) to the victim's damage. However, fraud is different from an unintentional mistake like an error in the account's nominal in the financial statements.

Stamler et al. in the book *Fraud Prevention and Detection: Warning Signs and the Red Flag System* (2014) also states the elements found in fraud, namely:

1. There must be two parties in a fraud - the fraudster (the perpetrator) and the deceived party (the victim).
2. Fraudster must make false representations, consciously or unconsciously.
3. There must be an objective of a fraudster in order for a false representation to be used or acted upon by the victim.
4. The victim must have the legality to rely on his belief in the representation.
5. There must be either actual injury or a risk of injury to the victim as a result of the reliance.

Frequently in conducting fraud, individuals will do 3 steps, (1) the act of fraud itself, (2) they will try to conceal their wrongdoing, (3) the conversion or the time when they enjoy the result of the fraud. Even though the harm inflicted by fraud mostly is a monetary loss, it is not always the case. Collateral damage like the breach of a business relationship, the breakdown of employee morale, loss of reputation and branding. In fact, some of the effects can be long term. From the Uniform Scheme of Occupational Fraud, types or typologies based on deeds (Tuanakotta, 2010) namely:

1. Asset Misappropriation

Asset misappropriation involves the misappropriation/theft of assets or the company's properties or another party. It involves third parties or employees in an organization who abuse their position. It can also be known as insider fraud. Typically, the assets stolen are cash or cash equivalents, such as credit notes or vouchers. However, the fraud can extend to include company data or

intellectual property. At one end of the scale, asset misappropriation fraud may be limited to isolated cases of expense fiddling or an employee lying about his or her qualifications to get a job. At the other end, it might involve organized crime groups infiltrating organizations to take advantage of weak processes and inadequate internal systems and controls. Asset misappropriation is the most easily detected form of deception due to its tangible or measurable (exact) value.

2. Financial Statement Fraud

This type of fraud involves the actions taken by an officer or executive of a company or government agency to perform actual financial activities by performing financial engineering in presenting its financial statements to obtain advantage or may be analogous to the term window dressing.

3. Corruption

This type of fraud is the most difficult to detect because it involves cooperation with others such as bribery and corruption, which is the most prevalent in developing countries where law enforcement is weak and lacks awareness of good governance so that the integrity factor is questionable. This type of fraud is often undetectable because the collaborating parties enjoy the benefits (symbiotic mutualism). These include abuse of authority/conflict of interest, bribery, illegal gratuities, and economic extortion.

This research will focus on financial statement fraud or “cooking the book” because it is known as the most expensive yet rare type of fraud. According to the data from The Association Certified Fraud Examiners’ 2014 report, the median loss from the financial statement was \$1 million among

nearly 1,500 cases of occupational fraud was being investigated (2014). The rationale behind it is that the consequences of financial statement are huge and significant, such as punitive harms, tainted corporate and brand image, lost revenue, dipping shareholder value, and inability to attract and retain human capital.

2.2.2. Financial Statement Fraud

Technically, accounting practices are considered to be fraudulent when it intended to deceive has been alleged in an administrative, civil, or criminal proceeding. Rezaee (2005) specifically defines financial statement fraud:

“... a deliberate attempt by corporations to deceive or mislead users of published financial statements, especially investors and creditors, by preparing and disseminating materially misstated financial statements”.

He argues that financial statement fraud can only be done by highly skilled and knowledgeable individual or group with a set of well-planned plans and execution. The other definition is given by American Institute Certified Public Accountant (AICPA,1998) which defines fraudulent financial reporting is a deliberate act or omission that results in a material misstatement of financial statement misleading. In addition, Australian Auditing Standard (AAS) defines it as a deliberate omission or misappropriation of certain amounts or disclosures in financial reporting to delude financial statement users (Manurung & Hadian, 2013).

Elliot and Willingham (2018) give a different view of financial statement fraud. He states that financial statement fraud is a fraud management, namely, "the deliberate fraud committed injuries that investors and creditors

through misleading materiality". Thus, the term fraud management and financial statement fraud are often used interchangeably, but in general, fraud is a deliberate act to harm others.

Financial statements fraud can be attributed to some of these schemes: (1) falsification, alteration, or manipulation of material financial records, supporting documents, or business transactions; (2) material intentional misstatements, omissions, or misrepresentations of events, transactions, accounts or other significant information from which financial statements are prepared; (3) deliberate misapplication, intentional misinterpretation, and wrongful execution of accounting standards, principles, policies and methods used to measure, recognize, and report economic events and business transactions; (4) intentional omissions and disclosures or presentation of inadequate disclosures regarding accounting standards, principles, practices, and related financial information; (5) the use of aggressive accounting techniques through illegitimate earnings management; and (6) manipulation of accounting practices under the existing rules-based accounting standards which have become too detailed and too easy to circumvent and contain loopholes that allow companies to hide the economic substance of their performance (Rezaee, 2005).

2.2.3. Theory of Fraud Triangle

In the 1950s and 1960s, an American criminology named Donald Cressey found a theory of the fraud triangle. He interviewed two hundred fraudsters and developed 3 factors, which must be presented in order, that he

believed every fraudster has when he/she conducts fraud. First, the fraudster had the opportunity to commit fraud. Second, the individual perceived a non-shareable financial need or pressure. Third, the fraudster involved in a fraud rationalized the act as being consistent with their personal code of ethics. These 3 factors are named as “Fraud Triangle”, which is explained in detail below:

Figure 2. 1 Fraud Triangle



Source: Albrecht et al. (2011)

a. Pressure

Pressure is incentives arising from addictions to alcohol, gambling, or drugs, or from desiring a lifestyle that is not commensurate with earning ability and financial means (Cressey, 1953). Cressey (1953) theorized that people commit fraud because of non-shareable financial pressure and defines as financial strain experienced by individuals, which he or she does not intend to share with others. The individual's inability to communicate financial pressures serves as a motivation for transmitting legislation to solve problems, which, fortunately, frequent to happen among fraudsters.

Financial pressure, vices, work-related pressures, and other pressures are the main group of pressure according to most fraud experts. SAS No. 99

added that four more common types of conditions on the pressure that can lead to cheating. The condition is financial stability, external pressure, personal financial need and financial targets (Manurung & Hadian, 2013). Studies propose that roughly 95 percent of all frauds include either financial or vice-related pressures (Albrecht, 2012). General financial pressure related to fraud that profits perpetrators directly (Bartlett, Endo, Tonkin, & Williams, 2004) unforeseen financial needs (Albrecht, 2012).

In the organizational context, the pressure can be in the form of the failure of the company in meeting stakeholder expectation, the inability of a company to compete, and failed market investment. In work-related pressures context, Hollinger and Clark (1983) chronicled that workers dissatisfaction can be used as the major indicator in predicting fraudulent behavior within the organization as well as the reason why workers commit fraud. In other studies of Bartlett et al. (2004) unfair treatment related to promotion, remuneration, and lacks of work appreciation, could be the reason as well.

b. Opportunity

Opportunity is perceived as the absence of sufficiently strong controls and/or oversight that provide an individual with the ability to commit a fraud. This element happens when someone has adequate knowledge and technical skills of “assets, people, information, and computer systems that enable him or her not only to commit the fraud but to conceal it” (Coenen, 2008, p. 12).

Based on a study by Cressey (1953), there are two components of

opportunity. First, general information, which is the knowledge positions that have trust, can be violated without consequences. This knowledge is generated from what he hears and sees. Second, the technical skills or skills required to carry out the crime. This is usually the skill that the person possesses and which causes him to get the position. The position of those who gain trust, especially in finance, enabling them to take advantage of the general information and technical skills they have.

Albrecht et al. (2012) mention at least six major factors increase opportunities for individuals to commit fraud within an organization. The following list of these factors is not exhaustive, but it provides a sufficient number of settings to illustrate the role of opportunities in the fraud triangle. (1) Lack of controls that prevent and/or detect fraudulent behavior. (2) Inability to judge the quality of performance. (3) Failure on discipline fraud perpetrators. (4) Lack of access to information. (5) Ignorance, apathy, and incapacity. (6) Lack of an audit trail.

c. Rationalization

Rationalization is the absence of emotions, feeling, and indifference portrayed by the perpetrator to justify any error or guilt arising from their misconduct (Dellaportas, 2013, p. 32). In other words, this is the mechanism when a perpetrator thought if the fraudulent activity that is being conducted is “okay” or permissible in her or his mind. It happens before the fraudulent action is conducted. For people with deficient moral, doing rationalization is easy, but

for those with higher morale, the process may be quite tough since they have to make some “excuses” inside their head (Coenen, 2008, p. 12).

“Everyone is doing it; it’s only fair; I’ve (they’ve) no choice; it’s just a loan; no one is hurt; I’ve (they’ve) earned it; they deserve it; it’s not a crime; they don’t mind; it’s for a good cause” are some examples of common rationalization excuses made to justify illegal act by fraudsters (Brytting & Minogue, 2016, p. 56).

Frequently, employees who conduct fraudulent activity is a first timer which claims their selves as honest. Thus, fraud will not be committed without this element because they should have the capacity to legitimize their activities as an option that is other than criminal. Excuses to ethically accept their immoral act is needed to aid them to feel less guilty and makes it simpler to perpetuate their wrongdoing.

2.2.4. The Concept of National Culture

The word “culture” originally comes from social anthropology. Culture reflects norm, value, and character of the society that embrace those cultures. Other than that, culture also defines as a “way of life of society” (Siegel & Ramanauskas-Marconi, 1989). Different conceptual model and perspective of cultural analysis have been provided from House et al. (2004), Schwartz (1992, 1994), Hofstede (2001), Inglehart (1997), Hampden-Turner and Trompernaars (1994), Hall (1977) and Kluckhohn and Strodtbeck (1961). However, Hofstede’s cultural dimension has served as a basis for a considerable amount of research and also the one who focus on national culture concept.

Geert Hofstede is a Dutch social psychologist who focuses his work on the study of cultures across nations. According to Hofstede (2010, p. 9) national cultures refers to “a collective programming of the mind that distinguishes the member of one group or category of people from another”. He was trying to point out that people are not the same, different culture means different perspective and way of life and business. One of his most notable accomplishments is the establishment of the cultural dimensions theory, which provides a systematic framework for assessing the differences between nations and cultures. Originally, in 1980 Hofstede developed solely four dimensions, namely power distance, uncertainty avoidance, individualism vs collectivism, masculinity vs femininity. The four dimensions are based upon a comprehensive research involving 160,000 participants (managers and employees) from 53 countries around the world. The feedback rate 117,000 questionnaires over a period of 15 years. In 1991, he added one more dimension which is long-term versus short-term orientation. Presently, indulgence was added to the model in 2010. Such dimensions represent the elements of a general structure in a cultural framework. It was additionally exposed how nations could be gathered into culture areas, on the basis of their scores on those dimensions, using cluster analysis and taking into consideration of geographical and historical factors (S. J. Gray, 1988). The six dimensions are examined further below:

a. High Power Distance versus Low Power Distance

There is inequality in society. Even in the least complex hunter-gatherer band, certain individuals are bigger, stronger, or smarter than others. Further, people have more power than others: they are more able to determine the behavior of others than vice versa. Some people acquire more wealth than others. Some people are given more status and regard than others. Inequality within a society is visible in the existence of different social classes: upper, middle, and lower, or however one wants to divide them and this varies by country. Thus, power distance dimension relates to the concept of how society deals with inequality.

Wealth, educational background, status, and power are some elements that can determine the rank of individuals. In the certain community, being seen as dominant is not a problem but a good thing. This dimension also reflects the answer to a basic question of “how to handle the fact that people are unequal?” which leads to a variety of leadership style. As Islan and Starosta (2005, p. 52) write, “the dimension of power distance specifies to what extent a culture adapts to inequities of power distribution in relationships and organizations”. In other words, it refers to how power is being distributed and the degree to which less powerful accepts that power is being unequally distributed.

The differences between high power distance and low power distance culture have been classified in Hofstede’s research. The major characteristic is a relatively huge hierarchical gap among people based on differentiators such as age, gender, generation, and status. In high-power-distance cultures, power tends to be more centralized and much value is placed on status and rank

(Dainton & Zelle, 2015). These cultures educate the society that people are not equivalent and everyone has a legitimate place, which is clearly marked by countless vertical arrangements. In this circumstance, leaders are expected to settle disputes as well as make all the tough decisions. In contrast, low-power-distance culture tends to be more decentralized as well as less value the status and rank distinction between individuals. So, the discussion between individuals with different levels is preferred and any party will openly express their point of view.

b. High Uncertainty avoidance versus Low Uncertainty Avoidance

Every human being in this world has to face and accept the fact that the future is uncertain. The degree of society's tolerance toward ambiguity or obscure circumstances is the definition of Hofstede's uncertainty avoidance dimension (2010, p. 191). Ambiguity in this term refers to novel, unknown, surprising, and different from the usual situation. This term was taken from American organization sociology. In high uncertainty avoidance societies, people have a tendency to be conservative, prefer tried and true methods, and prefer stability to change (Arasaratnam, 2011, p. 49). Uncertainty avoidance is scored from zero indicating a culture with the weakest uncertainty avoidance to 100 indicating a culture with the strongest uncertainty avoidance. In uncertainty-avoiding society, people tend to diminish the potency of ambiguity which is mentioned above by strict laws and rules, by safety and security measures, and, on the philosophical and religious level, by a belief in absolute

Truth (Hofstede & McCrae, 2004). Also, people in uncertainty-avoiding countries are more emotional and are motivated by inner nervous energy.

A study from Lynn and Hampson (1975) revealed that uncertainty avoidance is correlated with the level of cultural anxiety and neuroticism. Therefore, in further discussions said that in strong uncertainty avoidance culture, the level of anxiety and stress are higher, also seen dissimilarity as a threat. Conversely, in weak uncertainty avoidance culture, individuals have more tolerance for ambiguity, tend to hide their emotion, and seen dissimilarity as a curiosity.

c. Individualism versus Collectivism

The individualism dimension refers to the degree to which individuals are integrated into groups. According to Arasaratnam (2011, p. 45), individualism is a social mentality which focusses on the individual, esteeming and perceiving individual accomplishment and empowering autonomous idea and activity. A detailed definition is given by Hofstede (2010, p. 92) in his book *Culture and organization Software for the Mind* that “Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him- or herself and his or her immediate family”. “Self-concept” notion upholds more than “social framework” in this culture.

The opposite of this dimension is called collectivism. As also being said by Hofstede “Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for

unquestioning loyalty” (2010, p. 92). By far majority of people, the reality live in the environment which group interest apply to personal interest. There are some key differences between collectivist and individualist societies such as in individualist society everybody is taught to grow up to look after their self, while collectivists are taught to look after another in exchange for loyalty (2010, p. 113).

d. Masculinity versus Femininity

This dimension is portrayed by Island and Starosta (2005) as “the extent to which stereotypically masculine and feminine traits prevail in the culture” (p.53). Thus, masculine society reflects preference in society for achievement, heroism, assertiveness, and material reward for success. Meanwhile, femininity stands for reference for cooperation’s, modesty, caring for the weak and quality of life. The terms are relative, a man can behave in a “feminine” way and woman in a masculine way.

Hofstede (2010, p. 140) explained that A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life.

e. Long-term versus Short-Term Orientation

Long-term orientation dimension quantifies the extent to which culture is more emphasized rather than the present (Barkema & Vermeulen, 1997).

“thrift, savings, perseverance, and the willingness to subordinate one’s self to achieve a goal” are some characteristics of long-term orientation culture while in short-term orientation, it is emphasizing more towards immediate gratification (Dainton & Zelle, 2015, p. 187). This dimension is similar to the "time orientation" culture dimension identified by Kluckhohn and Strodtbeck (1961) (Newman & Nollen, 1996). Additionally, people with long-term orientation tends to be more dependent on employers and tend to place more value on the employer than themselves (Lu, Rose, & Blodgett, 1999).

f. Indulgence versus Restraint

The sixth dimension Indulgence versus Restraint is complementary to Long-term versus Short-Term Orientation and is mainly related to national levels of subjective happiness and life control (Hofstede et al., 2010). Indulgence societies tend to allow relatively free gratification of natural human desires related to enjoying life and having fun whereas restraint societies are more likely to believe that such gratification needs to be curbed and regulated by strict norms. According to Hofstede (2010), indulgence dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. This culture will tend to focus more on individual happiness and well-being, leisure time is more important and there are greater freedom and personal control. This is in contrast with restrained cultures where positive emotions are less freely expressed and happiness, freedom, and leisure are not given the same importance.

However, this sixth dimension is quite new and has not yet been widely adopted within the intercultural training and management field and this may simply be because it is still relatively new. There is also fewer data and fewer countries than the previous dimensions. And perhaps it is also due to the ambiguities of focusing on happiness research. Happiness is viewed very differently across cultures and it is represented and discussed quite differently. This might call in to doubt the validity of using data originating from questions asking respondents to describe how happy they are.

Nevertheless, there may well be some interesting application of the sixth dimension to the international workplace. For example, indulgent cultures place more importance on freedom of speech and personal control while in restrained cultures there is a greater sense of helplessness about personal destiny. In the workplace, this is likely to have an impact on how willing employees are to voice opinions and give feedback. In cultures that are perceived as placing a greater importance on personal happiness and freedom, employees may be more likely to leave an organization when they are not happy in their role.

2.2.5. National culture influences on Financial Statement Fraud

Financial statement fraud or known as management fraud is the biggest losses financial fraud (Association of Certified Fraud Examiners, 2016). The falsification of corporate's financial statement is committed by the executive on behalf of the organization in order to make an artificial good-looking picture of a company. There is an old belief "one size fits all", which is no longer valid to

be used in the current business management. The interpretation of this notion is that a good manager in any country will also be a good manager in another country. In fact, managerial attitudes, value, behavior, and efficacy differ across national culture (Newman & Nollen, 1996). It is difficult to discuss the financial statements fraud and culture without mentioning the case of Olympus, the largest financial statement in Japan. In this case, the fraud that occurred more than three decades was revealed after the inauguration of a new CEO named Michael Woodford, which is originating from the UK, that has significant cultural differences.

There is ample empirical evidence that national culture varies and that a variety of management practices, including strategic decision making, leadership style, and human resource management differ by national culture (1996, p. 753). National culture construes that one way of acting or one set of outcomes is preferred to another. At the point when management inconsistent with these rooted values, workers tend to feel disappointed, distracted, uncomfortable and uncommitted, which will result in bad performance (1996, p. 755) or even conducting fraudulent actions. Thus, the concept of fraud cannot be separated from the concept of national culture.

A central for individuals in committing fraud is when there is a combination of elements of fraud triangle, a concept found by Cassey (1953), namely pressure, opportunity, and rationalization. However, the concept of the fraud triangle cannot be detached from the understanding of social economic factors, particularly culture (Button & Gee, 2013, p. 65). Culture defines what

is legitimate, right and desirable in a given society (Deephouse, Newburry, & Soleimani, 2016). Therefore, it influences individuals' preferences and justifications (Chai & Kim, 2009). Disparities in the cultural background will impact how the employees behave in the situations that may be an indication of fraud, and how people judge the severity of fraudulent activities. It is all because there are variations in what form of business misconduct are acceptable and unacceptable. For instance, accountants from the Asia-Pacific countries seen bribes or illegal gratuities as a common thing in doing business compared to other regions (Lloyd Bierstaker, 2009).

There are variations in national culture definition, yet Hofstede's cultural dimensions are the most preferred as it is used widely especially in cross-cultural studies in different fields like management, psychology, and marketing (Soares, Farhangmehr, & Shoham, 2007). Also, Hofstede's dimensions used in 35 published studies in accounting in different fields like reporting policy, auditing and taxation have used Geert Hofstede's cultural dimensions. Therefore, Hofstede's national culture dimensions provide useful perspectives on national culture and how its impact on the motivations and elements of fraud (Zhuang et al., 2005).

The first dimension is Power Distance. This dimension associates with how individual see them self with respect to others. Specifically, power distance relates to relations between individuals embedded in hierarchies. In high power distance cultures, members of a society expect and agree that power should be stratified and concentrated at higher levels of an organization or government

(House, 2004). Some literature state that country with high power distance, the managers have a bigger tendency to influence financial reporting (Doupnik, 2008; Kanagaretnam, Lim, & Lobo, 2011). The concept of power distribution can influence fraud perpetrators' conceived pressures, opportunities as well as rationalization for contemplated fraud (Getie Mihret, 2014). The result of Mihret's (2014) research National Culture and Fraud Risk: Exploratory Evidence confirms the positive association between power distance and fraud risk. He explains that individuals in high power distance circumstance felt like they are being neglected in making paramount decisions (Getie Mihret, 2014), which leads to a non-participating culture that likely to experience more fraudulent act (Albrecht, 2012).

Uncertainty avoidance is the second dimension of Hofstede national culture. It is the degree to which individuals of society feel uncomfortable with uncertainty and the extent to which a society tries to avoid these situations by adopting strict codes of behavior, believing in absolute truths, establishing formal rules, and not tolerating deviant ideas and behaviors (Hofstede et al., 2010). In high uncertainty avoidance society, individuals have higher desire to be more reliance on formal rules and regulation (Brody, Coulter, & Lin, 1999), also less likely to take the risk (Swaidan, 2012). Thus, from an ethical viewpoint, the tendency to take risks is correlated with unethical behavior (Rallapalli, Vitell, Wiebe, & Barnes, 1994). On the contrary, low uncertainty avoidance's society tries to have some rules, more tolerance of opinions and behavior, and from a religious viewpoint are more tolerant of various

convictions (Hofstede, 1991). The findings from (Swaidan, 2012) had confirmed that consumers who score high on uncertainty avoidance reject immoral activities more than in low uncertainty avoidance society.

The third dimension is individualism and collectivism, which have been claimed as one of the important dimensions of culture by Hofstede. Individualism stands for a society in which the ties among individuals are loose and value personal independence, pleasure, expression, and time more than in collectivism society. Cross-cultural research, which is conducted by Bernardi and Long (2011), implied that as individualism increases, individuals perceive unethical problems as being more acceptable. However, the findings from Mihret (2014) showed the empirical test was not able to depict the link between these dimensions and fraud risk but it has conceptual importance. According to Albrecht et al (2012), Fraud happens when perpetrators face non-sharable pressures, which logically refers to an individualistic society (Hofstede, 1991).

The fourth Hofstede's national culture dimension is masculinity versus femininity. Masculinity stands for a society in which gender roles are clearly distinct, meanwhile, femininity stands for a society in which gender roles overlap (Hofstede et al., 2010). The characteristics of masculinity; aggressiveness, competitiveness, orientation toward money, material objects; tends to have relation towards ethically acceptable behavior. Some of the most frequently cited reasons for unethical behaviors were greed and competitiveness, traits that are characteristics of masculine. This association is supported in research findings of Husted (1999) and Kanagaretnam (2011) that

shows corruption increase in high masculinity society and the significant positive association between masculinity and earnings management respectively, which are types of fraud. Therefore, Cohen et al (1995) concluded that feminine individuals are more concerned with ethical issues and less tolerant of aggressive, dollar-driven behavior.

The fifth dimension is long-term orientation which measures the extent to which a culture's emphasis is on a pragmatic, future-oriented perspective rather than focusing on the present (Barkema & Vermeulen, 1997). Long-term-oriented cultures are characterized by patience, perseverance, respect for one's elders and ancestors and a sense of obedience and duty toward the larger good (Hofstede, 1991). Because this dimension is relatively new, there is not much empirical study that supports as evidence in this study. However, there are a major finding of a study that shows a statistically significant association between fraud risk and LTO of cultures (Getie Mihret, 2014). The result supports the argument that individuals in long-term-orientated cultures are more committed to their organizations' values and, thus, are less likely to commit dishonest acts by giving in to short-term pressures or incentives (2014).

Last but not least is the new dimension found in 2010, indulgence versus restraint. There has not been any research that explicitly investigates the relation between indulgence versus restrains dimension with fraud before, however, self-indulgence is negatively associated with people who possess qualities, values, and beliefs which is believed to increase the pressure and rationalization aspect of fraud triangle (Koerber & Neck, 2007).

2.3.Previous Research

This research is related to the results of the study of several other libraries, and previous research that tried to explore the discussion on similar topics include:

The first concept and dimension of national culture were published and developed by Psychologist Dr. Geert Hofstede at the end of 1970's. Since then, this model was recognized as the global standard for understanding cultural difference. This research studied people who worked for IBM in more than 50 countries and identified four dimensions, namely power distance, uncertainty avoidance, individualism, masculinity, that could distinguish one culture from another. As the time goes by, he added fifth and sixth dimension, which are long-term orientation and indulgence, in cooperation with Drs Michael H. Bond and Michael Minkov (Hofstede, 1991, 2001; Hofstede et al., 2010). This research used Hofstede's five national culture dimensions, except indulgence dimension, as the basis of national culture elements.

Subsequently, a research entitled *National culture and fraud risk: exploratory evidence* was conducted by Mihret (2014). The objective of this research is to test the association between national culture dimensions and exposure to fraud with a view to drawing implications for understanding fraud risk. The study used 66 countries for the sample. Regression analysis was conducted using Hofstede's 5 national culture dimensions (power distance, individualism, uncertainty avoidance, long-term orientation, and masculinity) as independent variables and fraud risk as a dependent variable. Transparency International's corruption index was used as a proxy for fraud risk. The finding of this study is high

fraud risk exposure in countries with high power distance and those having limited long-term orientations. On the other word, this study proved if the national culture does affect the level of fraud risk that happens in a certain type of culture. The limitation of this study is the control variable MAS (masculinity) did not exhibit statistical significance or it shows that the variable has little impact on the other independent variables. Thus, larger sample or methodological alterations that enable deeper analysis of the link using case studies of actual frauds is needed to show the link between these variables.

Yamen et al. (2017) conducted a research with the title *“The Impact of National Culture on Financial Crime: A Cross Country Analysis.”*. The aim of the study is to investigate the influence of national culture on financial crimes across 78 countries. Using Hofstede’s cultural framework as a basis for the hypotheses and Basel Anti- Money Laundering (AML) Index as a proxy for financial crimes. The results have shown that the financial crime increases if the country’s profile is characterized by low uncertainty avoidance, low individualism, high masculinity, and low long-term orientation. This study focusses Money Laundering as the basis for measuring the financial crime.

Research conducted by Newman and Nollen (1996) entitled *“Culture and Congruence : The Fit between Management Practices and National Culture”* discussed about the importance of multinational enterprises, which was globally operated, to adapt their management practices based on the national culture of the country that they operate in order to reach the best business performance. Financial performance of eighteen countries in three different continents of European and

Asian work units in one multinational company was being examined as a function of the congruence between management practices and national culture. Using Hofstede's five national culture dimensions and analogous management practices, the finding showed that work unit financial performances higher when management practices in the work unit are congruent with the national culture. Thus, the study depicted the pattern of management practices in accordance with national culture. The limitations of the study are the item used to measure management practices came from a survey designed for another purpose and are not replicated in the empirical literature. Another limitation is the study was reliance on data from employees of one company, multiple companies and industry would add robustness.

Omar, Johari, and Hasnan from their conference paper, International Accounting and Business Conference 2015, IABC 2015, entitled "*Corporate Culture and the Occurrence of Financial Statement Fraud: A review of Literature*". The purpose of the study is to explore the significant impact of corporate culture on the occurrence of financial statement fraud. It provides a holistic view of the concept of culture and its effect on organizational behavior. The findings of the study provide the suggestion for improvement in corporate culture.

Morgan and Burnside (2014) wrote a journal with the title "*Olympus Corporation Financial Statement Fraud Case Study: The Role That National Culture Plays on Detecting and Deterring Fraud*". The study emphasized the impact of Japanese culture on the corporate culture of the Olympus Corporation, and how that corporate culture resulted in financial statement. The Olympus case

provides the opportunity to examine how national culture plays a role in corporate governance and fraud detection.

A master thesis was written by Wiguna (2012): *“The Role Of Corporate Culture and Cultural Background In Olympus Case”* discussed the role of corporate culture and cultural background of the members of the board can prevent accounting frauds in Olympus case, even in aftermath of corporate governance reforms. Therefore, the methodology used a literature review and examination of case law as the main resource. He also reviewed Japan’s legal regulation to regulating corporate governance in Japan and corporate culture in public listed companies in Japan. Moreover, analyzing the literature related current regulations in accordance with the Olympus case and compare it with the other corporate case in the EU and the US. This research was underlining the influence of culture, both corporate and members of the board, to the corporate governance in Japan rather than the influence of culture on the emergence of fraud itself.

“Culture and Consumer Ethics”, a research written by Swaidan (2012), is aimed to explore the varieties of consumer ethics across nation cultural dimensions of Hofstede’s model and Muncy and Vitell consumer ethics model. This is the first study to empirically explore consumer ethics using these two major constructs. The study explained of how each Hofstede’s national cultural dimension; individualism, masculinity, power distance, and uncertainty avoidance; could affect the tendency of individual of conduct and perceive ethical and unethical activities. Seven hundred sixty-one African American consumers were used to test the four major hypotheses developed in this study. The finding showed that there were significant

differences in ethics between consumers who score high and consumers who score low on Hofstede's four cultural dimensions.

Yeganeh (2014) conducted a study entitled "*Culture and Corruption. A concurrent application of Hofstede's, Schwartz's and Inglehart's Frameworks.*" The study aimed to prove the influence of cultural values on corruption using three different cultural dimensions from Hofstede, Schwartz, and Inglehart. The three cultural models were used because it represented large-scale, reliable, innovative studies that improve upon previous research. The methodology of the study: First, corruption is conceptualized and Schwartz's, Hofstede's and Inglehart's cultural dimensions are presented. In the second part, the relationships among concepts are discussed and the hypotheses, variables, and theoretical models are presented. Then, the empirical tests are conducted, the theoretical/managerial implications are discussed, and an integrative model is proposed. The result confirmed that cultural values have considerable effects on the level of corruption.

Based on previous research, research that discussed the role of national culture and fraud is relatively new and receive little attention, particularly the implication of national culture and financial statement fraud. The majority of previous researchers examined the influence of culture on corruption or financial crime in general. Prior research such as Wiguna (2012) : "*The Role Of Corporate Culture and Cultural Background In Olympus Case*" and Morgan and Burnside (2014) "*Olympus Corporation Financial Statement Fraud Case Study: The Role That National Culture Plays on Detecting and Deterring Fraud*" was merely focusing on one case and one national culture. In this study, researchers made a

different discussion with previous research. Researcher rose a topic about the role of a country's national culture and the emergence of financial statement fraud, which as far as the researcher knowledge the research about this topic was still rare, especially the research that examined by comparing two different cultures in two different financial statement fraud case study never been conducted before. Moreover, the researcher used all six dimensions of Hofstede's cultural dimension for analyzing and explaining about the national cultures of each country Japan and the UK, and each case of financial statement fraud was described in detail using fraud triangle elements perspective. Furthermore, the contrast characteristics of British and Japanese cultures would be interesting research to be conducted.

CHAPTER III

RESEARCH METHOD

3.1. Introduction

This chapter describes a series of theoretical and technical activities in conducting the research. This chapter includes the type of research, research process, resource data sources and data collection method, data analysis techniques, research objects, and validity test used by the researcher in conducting research. This chapter has relationships and interrelated with other chapters. The research methodology discussed in this chapter is a methodology, which will be used as a reference in answering the formulation problem in chapter four.

3.2. Type of Research

Generally, there are two types of methods used in conducting a research, namely qualitative and quantitative. Qualitative research allows researchers to study the cases, issues or events selected in depth and detail. Then the qualitative data provides depth and detail through direct quotation and a thorough description of the program situation, events, people, interactions and behavior observed (Patton, 2006). In a book written by Denzin and Lincoln (2005) stated,

“... an interpretive naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them” (p. 3).

Unlike quantitative research, which participants act independently of the researcher, in qualitative research the role of the researcher is an instrument of the

research. The data interviewer, observation grids, or Computer Assisted Qualitative Data Analysis Software (CAQDAS) are only accessories to the principle of data collection tool. As the key instrument in gathering qualitative data, the researcher bears a great deal of responsibility for the outcomes. On the one hand, the researcher-as-instrument reality in qualitative research has the positive effect of enabling the researcher to utilize context and the participant-researcher relationship to discover substantive meaning; yet, it is this closeness and intimacy that potentially threatens the integrity of the data gathered (Roller & Lavrakas, 2015). It is this compromised data that distorts the meaning, interpretations, and ultimate usefulness researchers derive from their research studies.

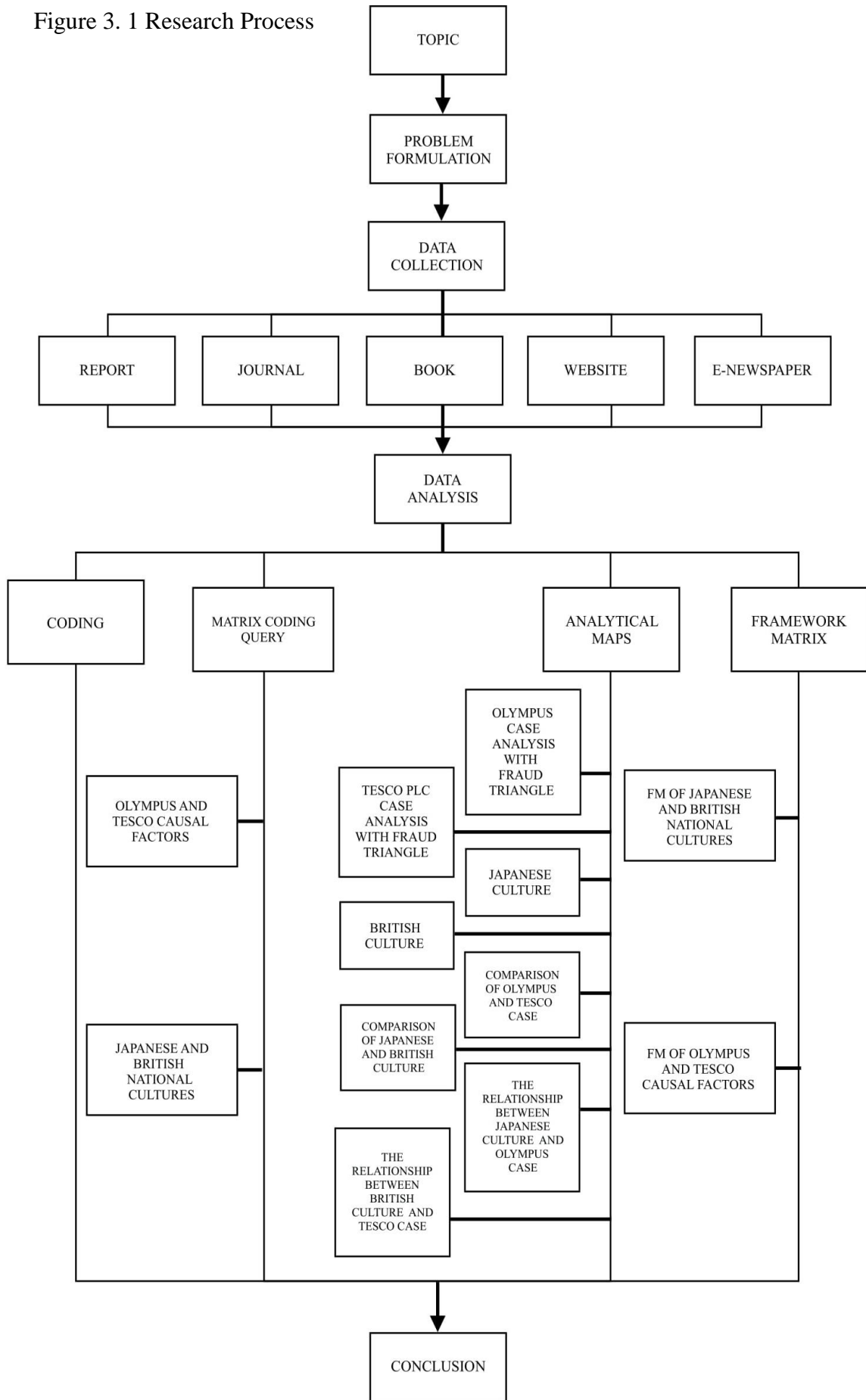
After thoughtful considerations, the researcher was using case study research with qualitative content analysis method. It was used to gain an underlying reasons, process, and motivations of financial statement fraud between two cases. As stated by Woodside (2010), case study research is an inquiry that focuses on describing, understanding, predicting, and/or controlling the individual (i.e., person, organization, group, culture, or nationality). Any composite of the following purposes may serve as the major objective of case study research: description, understanding, prediction, and control. However, we recommend that deep understanding of the actors, interactions, sentiments, and behaviors occurring for a particular process through time should be seen as the principal objective by the case study researcher. Deep understanding in case study research includes:(1) knowledge of “sensemaking” processes created by individuals and (2) systems thinking, policy mapping, and systems dynamics modeling.

Moreover, the qualitative content analysis was not linked to any particular science, and there are fewer rules to follow. Krippendorf (2004, p. 18) proposed that content analysis is “a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use”. Wamboldt and Barbara (1992, p. 314) underlined that content analysis is more than a counting process, as the goal is to link the results to their context or to the environment in which they were produced. The purpose of qualitative content analysis is to make subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns. It used to make sense, in a systematic way, of a large amount of content from documents. Therefore, this method was suitable to researcher current topic, which was comparing the national culture between two countries, Japan, and U.K., and their relationship with the emergence of financial statement fraud in the case of Olympus and Tesco respectively. Because according to Renz, Carrington, and Badger (2018) qualitative content analysis could give significant insight into cultural and historical phenomena through analysis of the text. Other advantages of this method include the ability of the researcher to be “close” to the data, it is highly reliable as it follows systematic procedures/steps, and it is relatively inexpensive to implement, and it is considered unobtrusive as it does not require direct interaction with study participants for analysis.

3.3. Research Process

The research process was the steps undertaken by researchers during conducting the research in order to reach conclusions. The following steps were:

Figure 3. 1 Research Process



First of all, the researcher was looking for some research topics from previous research and current issues that were being discussed in the news or articles. Then, the researcher decided to choose the topic about a case study of financial statement fraud. The topic was chosen because as far as the researcher's knowledge, the research about this topic was rare, especially the research that examined by comparing two different cultures in two different financial statement fraud case studies. From all the financial statement fraud cases around the world, the researcher chose the case of Olympus Corporation and Tesco Plc. The reason for choosing Olympus Corporation because it was the longest, most complex, and biggest fraud that ever happened to a Japanese company. Also, Japan is a country with distinctive cultures that always be interesting to explore and discuss. Meanwhile, the case of Tesco plc was chosen because it was the latest financial statement fraud in the United Kingdom. Furthermore, the contrast characteristics of British and Japanese cultures would be interesting research to be conducted. The first step of the study has been described in chapter 1.

The second step was deciding the problem formulations based on the topic had been chosen. From the predetermined topic, the formed problem formulations were about how national cultures of a country could affect the emergence of a financial statement fraud. The research focused on cases of Olympus Corporation and Tesco plc as well as the national cultures where the case occurred, which were Japanese and British. The second step of the study described in chapter 1 and chapter 2.

The third step was collecting the data related to the selected topic. The main data for each financial statement fraud case was obtained from the official investigation report that was issued by the authorized institution. For the Olympus, investigation report was issued by independent investigation committee called Third Party Committee and Tesco pls investigation report was issued by the UK Groceries Code Adjudicator. About the national culture, researchers got the main data from research conducted by Hofstede because this research used his famous six cultural dimensions. The researchers also used previous studies and book that relate to the topic. Data taken through the website was done using the NCapture feature in NVivo software.

The data that had been collected then analyzed using NVivo, a software used to assist researchers in analyzing qualitative data, such as images, diagrams, audio, web pages, and other document sources (Bazeley & Jackson, 2013). The collected data was then entered to NVivo and into several categories of *sources*.

After the data were grouped in the *sources*, then the researcher did the coding process for the information that was considered important. Coding is the process of labeling data using a code that symbolizes or summarizes the meaning of that data (Saunders, Lewis, & Thornhill, 2015). Other definition said that coding is a systematic way of condensing data sets into smaller units which can be analyzed through the creation of categories and concepts derived from the data. The information was then entered into *nodes*. *Nodes* can contain as many references (as much evidence) as you consider relevant. The group information from different sources according to topics, themes, concepts, theories, empirical evidence, etc.

Thus, it can be used as a reference for every document that has been coded (Bazeley & Jackson, 2013). So, the nodes in this study used to classify each problem formulation that exists in the study.

The following stage was making a query. As indicated by Bazeley and Jackson (2013), queries may be about the occurrence of words, about patterns of coding, comparison of groups, or some combination of these elements. They can be made and run once or stored to be utilized again with more data or with a variation. For this research, the researcher used matrix coding query that has a purpose to find when the same data were coded at both of two codes, such as when an emotion or experience was associated with a particular person or setting or time. In this research, the researcher used the *matrix coding query* to see the comparison between subgroups so it could show how many cases exist in each attribute value (Bazeley and Jackson 2013). *Framework matrices* are used for cross-case analysis in tabular form, with cases in rows and thematic nodes in columns. Meanwhile, the *analytical map* is used to describe the relationship between *nodes* with the data source for easier understanding in the discussion phase.

Eventually, the researchers presented the data that had been processed in NVivo into the form of analytical maps and narration. Then the researchers draw the conclusions of the study based on data that had been analyzed and processed.

3.4. Research Data Sources and Data Collection Method

The researcher used secondary data as the resource of this research. Secondary data sources are data that is obtained indirectly by the object, both orally and written. Saunders et al. (2015) added that secondary data is data that were

initially gathered for some other intent. They can be further analyzed to provide additional or different knowledge, interpretations or conclusions. Emzir (2010) argues that observation, interviews, personal documents, photographs, recordings, pictures and informal conversations are sources of qualitative data. The most commonly used data sources are observation, interviews, and documents.

In this research, the researcher analyzed the financial statement fraud case that had been occurred, namely Olympus and Tesco, and tried to dig what are the Japanese and U.K. culture that influence the occurrence of those cases. The list of data sources used in this research is shown in Appendix 1.

Therefore, secondary data that relevant to these two cases were used, namely:

1. Investigation report

Since this research aims to take a deeper look of the relationship between a national culture which financial statement fraud occurred, the researcher needs to understand and obtain the information from the official investigation report that had been issued by the official authority. For the Olympic Financial Statement Fraud's case, the investigation report was issued by Third-Party Committee, which is an independent investigative committee formed by Olympus that consisted of 5 external lawyers and one certified public accountant. Meanwhile, for the Tesco Financial Statement Fraud, the investigation report was issued by Groceries Code Adjudicator (the GDA) of UK.

2. Journal Articles and Book

Journal article and book were used by the researcher as the foundation to

develop the content for Hofstede's national culture for each country, Japan, and the UK. Moreover, to add information regarding the case of Tesco and Olympus from other's perspective. The researcher aimed to see the pattern of the case and the relationship between the national culture and the case.

3. News and Web Pages

News and Web Pages were used by the researcher to develop the content for Hofstede's national culture and add more information about the financial statement fraud case for both Tesco and Olympus. Moreover, the researcher aimed to see the pattern of the case and the relationship between the national culture and the case.

The next process was collecting the data about each case, Olympus, and Tesco, as well as the national cultures of Japan and the UK. The method used by the researcher was through documents study. The main sources for the financial statement fraud's case were the official investigation report that had been issued from an authorized party and supported by other documents such as journal article, website, e-news, and books. For the national culture data, the researcher mostly finds the data from Hofstede insight's website, journal article, books, and website. The list of data sources used in this research is shown in **Appendix 1**.

3.6. Data Analysis Technique

In order to answer problem formulations, data analysis was performed by the researcher. In this study, researchers used content analysis techniques in conducting research. Content analysis is a research technique for making replicable and valid conclusions from the text (or other material) to the context of its use

(Krippendorff, 2004). Content analysis is not just data collection but the main method in data analysis, therefore, the content of the analysis is a process that integrates from data collection to data analysis (Leavy, 2014). Data analysis techniques used in this study using Miles and Huberman model. According to Miles, Huberman, and Saldana (2014), activity in qualitative data analysis is done interactively and lasts continuously until complete, until the data is saturated. The researcher used inductive analysis techniques by Computer Assisted Qualitative Data Analysis Software (CAQDAS), namely NVivo to perform the coding process. The process of inductive analysis is the process of discovering themes, patterns, categories of analysis sourced from the data, not looking for proof of the data before collecting and analyzing data. The activity of data analysis technique is data reduction, data presentation, and withdrawal of conclusion / verification.

1. Data Reduction

The first step taken in analyzing data was data reduction. Reducing data means summarizing, choosing the essentials, focusing on the things that matter, looking for themes and patterns and removing unnecessary ones.

Based on the above understanding, the researcher sought for information in Olympus and Tesco investigation report that related to the causal factors in the perspective of fraud triangle and eliminated the information that did not match the category of information needed. In addition, the researchers also eliminated previous research that could not support research on Japanese and British national cultures and the causal factors of the case. The researchers also eliminated the data collected through website, e-newspaper, and book and selected only useful data. So

that the data used was the data related to the formulation of the problem so it could be used to answer the problem formulations that had been prepared. Then, the data that had been selected were grouped based on research needs.

2. Data Presentation

The second step in performing data analysis was the presentation of data. In qualitative research, the presentation of this data can be done in the form of tables, graphs, pie charts, pictograms and the like. Through the presentation of the data then the data can be arranged in a relationship pattern and will be more easily understood.

Based on the above understanding, after the researcher did the data reduction and grouping, then the researcher presented the data in the form of matrix coding query table, analytical maps, framework matrices table, and narration. Therefore, the narrative explanation could be easily understood and the relationship between the variable would be clearly organized.

3. Conclusion/ Verification

The third step in data analysis was the conclusion. The conclusion was based on the results of the query document that has been presented in accordance with the problem formulation. Researchers used NVivo 11 software in combining data analysis techniques. NVivo 11 software was able to provide some features that could aid researchers in performing data analysis of coding, *matrix coding query*, *framework matrices*, and *analytical maps* so that data could be presented well. Furthermore, after the data processing on NVivo 11 was completed, the researcher presented it in the form of description into the chapters.

a. Coding

Coding is the process of labeling data using a code that symbolizes or summarizes the meaning of that data (Saunders et al., 2015). In this research, the coding process using NVivo 11 began by identifying data that had been categorized into the *source*. For the next step, the researcher did the coding to be inserted into a group of *nodes* based on the formulated problem formulation. In the first problem formulation, the researcher identified the causal factors of Olympus Corporation financial statement fraud with 3 elements of fraud triangle approach; pressure, opportunity, and rationalization. In the second problem formulation, the researcher identified the causal factors of Tesco plc financial statement fraud with the same approach as the first problem formulation. For the third problem formulation, the researcher identified the Japanese national culture using the six dimensions of Hofstede's national culture. For the fourth problem formulation, the researcher identified British national culture using the same approach as previous problem formulation. Last but not least, in the fifth problem formulation, the researcher identified the relationship between the financial statement fraud from each case with the national cultures where the fraud took place.

b. Matrix Coding Query

The following stage was making a query. As indicated by Bazeley and Jackson (2013), queries may be about the occurrence of a word or words, about patterns of coding, comparison of groups, or some

combination of these elements. They could be made and run once or stored to be utilized again with more data or with a variation. The purpose of matrix coding query is to find the combination items (usually nodes and attributes), then, displayed the result in the table-formed. In this research, the matrix coding query was used to know the comparison between causal factors of Olympus Corporation and Tesco plc and the comparison between national cultures of Japan and the United Kingdom. Moreover, this feature was used to increase the validity of the data by ensuring that the facts were given from more than a single resource. The researcher made two matrix coding query tables, namely the Similarities and Differences between Causal Factors and the Similarities and Differences between National Cultures.

c. Analytical Maps

An analytical map was made after the process of coding and the making of matrix coding query. The purpose of the analytical map was to illustrate the relationship between the nodes that contain related data sources for making an easy understanding and ease at the discussion stage. In NVivo 11, there were three features to create maps; mind map, project map, and concept map; with different functions. In this research, the researcher only used the project maps that resulted in a collection of selected nodes as well as the classification of the related person or case. In this research, the analytical map made by the researcher was divided into eight sections, namely: Analytical Map of Olympus Corporation Case Analysis with Fraud Triangle, Analytical Map of Tesco plc Case Analysis with Fraud Triangle,

Analytical Map of the Japanese National Culture Based on Hofstede Dimensions, Analytical Map of the British National Culture Based on Hofstede Dimension, Analytical Map of Comparison between Olympus Corporation and Tesco plc Case Analysis with Fraud Triangle, Analytical Map of Comparison between Japanese and British National Culture with Hofstede Cultural Dimensions, Analytical Map of The Relationship between Japanese National Culture on Olympus Corporation Fraud, Analytical Map of The Relationship between British National Culture on Tesco plc Fraud.

d. Framework Matrix

The results of coding data were presented in the form of framework matrix. In this research, the framework matrix was used to see the relationship between nodes and sources that had been used. Framework Matrices were used by researchers for the validity of data, which helped the researcher to see what data went into one node. With this feature, researchers could ensure the quality of data so that the data entered was not biased because it was represented by maps and its relationship with framework matrices.

3.7. Research Objects

The object of this research is the financial statement fraud case of Tesco and Olympus Then the selected object will be analyzed for information from various sources such as investigation report, journal, book, website, and e-newspaper. The object of this study was chosen to be used as a basis for answering the problem

formulations that have been prepared previously. The problem formulation in this research consists of the causal factors behind Olympus's Financial Statement Fraud, the causal factors behind Tesco's Financial Statement Fraud, the elements of Japanese's national culture that may have influenced the causal factors of Olympus Financial Statement Fraud, and the elements of British's national culture that may have influenced the causal factors of Olympus Financial Statement Fraud.

3.8. Validity Testing

The collected data is a very valuable initial capital in a study because the data collected will be analyzed which is then used as input material for the conclusion. Therefore, the validity of the collected data becomes very vital since the research involved a large data position. Incorrect data will result in false inferences and vice versa, legitimate data will result in the conclusion of correct research results.

Lincoln and Guba (1985) in Leavy (2014, p. 680) proposed credibility, transferability, dependability, and confirmability in testing the validity of qualitative research :

1. Credibility

Credibility is the elements that allow others to recognize the experiences embodied within the study through the interpretation of researcher's experiences, checking overall data representation, and recheck the people involves in the research to ensure if the researcher's interpretation is an accurate representation or reflect the real condition or

situation of the research object (Leavy, 2014). In practice, the strategy used by the researcher to improve the credibility of the data, the researcher using the data validity techniques as follows:

A. Triangulation

Triangulation is a method used in research to strengthen the design to increase the ability to interpret findings through the use of multiple data resources. Denzin (1970) in (Renz et al., 2018) suggested that the use of triangulation has the potential to increase the validity of the study, decrease researcher bias, and provide multiple perspectives of the phenomenon under study. Increasing persistence also continuously done by reading back the data source used in this study, thus, no materials were missed.

As retrieved from Denzin (1978) in (Renz et al., 2018) there were four types of triangulation, methodical triangulation (involves using more than one option to gather data, such as interviews, observations, questionnaires, and documents.), investigator triangulation (involves multiple researchers in an investigation), theoretical triangulation (involves using more than one theoretical scheme in the interpretation of the phenomenon), and data source analysis triangulation. This research using data source analysis triangulation, which involves different types of secondary data i.e. website, electronic newspaper, journal articles, book and report discuss British and Japanese culture, as well as Olympus and Tesco financial statement fraud case, were used as reference materials. The researcher also presented matrix coding query and framework matrix to

show the evidence that the data has been checked for validity from various sources. The list of the matrix coding query created in this research is shown in **Table 4.1** and **Table 4.2** and the list of framework matrix is shown in **Appendix 3** and **Appendix 4**.

B. Research Persistence

The purpose is to get more accurate and continuous review. The process of increasing persistence done by continuously reading and check back the data source used in this study so that no material was missed. So, the researchers can provide accurate and systematic data about what is being reviewed. Then because the researchers only use the documentation method, the researchers were also required to be more careful in the review of each data used, because of the abundant amount of data being used.

C. Observation

A deep observation towards the existing literature and documents were also conducted by the researcher in order to increase the credibility of data. Not only once, but repeatedly.

2. Transferability

According to Lincoln and Guba (1984) in Leavy (2014), transferability is the ability to transfer research findings from one group to another or thick description used to provide the reader with detailed contextual information or transfer of understanding is believed to occur if both contexts are similar. Meanwhile, According to Emzir (2010), the

transferability criteria refers to the level of ability of qualitative research results that can be generalized or transferred to other contexts or settings. For this research, the transferability test was done by the researcher by describing the findings in the form of description and the causal factors of fraud perpetrators in the case of Olympus Corporation and Tesco plc in detail, systematic, clear and reliable in the research report. However, there were constraints, such as the lack of literature sources and limited research resources in analyzing and presenting their findings.

3. Dependability

Dependability is the element that can be achieved when conducting the research, a researcher has peers that participate in the analysis process (Leavy, 2014). In other words, this element relates to reliability in qualitative research. According to Emzir (2010), traditional quantitative views of reliability are based on the assumption of replicability or repeatability. Particularly it relates to whether we will get the same result if we make the same observations for the second time.

4. Confirmability

Confirmability is the criteria that refers to the level of ability the researcher's result can be confirmed by others. It is very paramount since qualitative research trend to assume that the researcher will bring a unique perspective into the research (Emzir, 2010). Lincoln and Guba (1985) as

cited in Leavy (2014) added that confirmability is a self-critical attitude on the part of the researcher about how one's own preconceptions affect the research.

In dependability and conformability testing, it was done by auditing the results of the research as a whole. Supervisor lecturer acted as an auditor to audit the overall activity of researchers in conducting research and language advisor to audit the grammar and research format in conducting this research.

CHAPTER IV

FINDINGS ANALYSIS AND DISCUSSION

4.1. Introduction

In this chapter, the researcher will describe and explain the results of the research that has been done. To give a good understanding of the issues addressed on the topic, firstly, the researcher will give the overview of financial statement fraud, which occurred in Olympus and Tesco, as an object in the study. Then, in the same section, the causal factors in the fraud triangle perspective of each case will be given. The second section will compare the similarity of.

4.2. Profile and The Case Overview of Research Object

In order to give a better understanding of the issue addressed on the topic, the researcher would present the brief overview about the company where the financial statement fraud occurred, Olympus Corporation and Tesco plc, and the fraudulent arrangement in this section.

4.2.1. Profile of Olympus Corporation.

Olympus was founded on October 12, 1919, by Takachiho Seisakusho. The founder of the company, Takeshi Yamashita, established the company with the financial assistance of his previous employer, with a view to achieving domestic production of microscopes. In June 1920, just six months after the company's founding, Yamashita's dream of making a domestic microscope came true with the introduction of the Asahi, the first microscope manufactured by Takachiho. Three decades later, Olympus successfully developed the world's

first gastrocamera for practical use.

In Greek mythology, Mt. Olympus is the home of the twelve supreme gods and goddesses. Olympus was named after this mountain to reflect its strong aspiration to create high quality, world famous products. "Olympus" has been used as a trademark since the time of Takachiho Seisakusho, the predecessor of Olympus Corporation. In Japanese mythology, it is said that eight million gods and goddesses live in Takamagahara, the peak of Mt. Takachiho. The name "Olympus" was selected as the trademark because Mt. Olympus, like Mt. Takachiho, was the home of gods and goddesses. This trademark is also imbued with the aspiration of Olympus to illuminate the world with its optical devices, just like Takamagahara brought light to the world. Takachiho Seisakusho was renamed Takachiho Optical Co., Ltd. in 1942 when optical products became the mainstay of the company. In 1949, the name was changed again to Olympus Optical Co., Ltd. in an attempt to enhance its corporate image. In 2003, the company made a fresh start as Olympus Corporation, to show its willingness to establish a dynamic corporate brand by unifying the corporate name and the well-known brand.

4.2.1.1.1. Olympus Corporation

Olympus Corporation is a Japanese manufacturer of optics and reprography products that is founded by Takeshi Yamashita on October 12th, 1919. Its global headquarters are in Shinjuku, Tokyo, Japan. In the beginning, microscopes and thermometers were Olympus business segment. In 1936, the first camera was introduced to the market. As the time

goes by, the more innovative camera was released by Olympus, including the video recording products in 1983.

Currently, Olympus has various of business segmentation, such as medical system, scientific solutions, camera and audio, and others. Olympus, is one of the most valuable and largest manufacturers of microscopes and optics for a specialized need and requirement in the field of medical, covers many applications from the field of education and routine studies. As per 2017, medical systems become its largest business segment with nearly 80% of Olympus net sales.

4.2.2. The Overview of Olympus Financial Statement Fraud Case

In 2011, Japan and the world were staggering by the disclosure of fraud from the most reputable company, Olympus. The more surprising fact was that the fraud was executed by its Chairman of the Board and past president, Tsuyoshi Kikukawa in agreement with a few other Board individuals and officers. The disclosure of this fraudulent activities was uncommon since the whistle-blower was the company's first ever non-Japanese president and CEO, Michael Woodford, who held the position for only a half year before being abruptly fired at a Board of Director's meeting on October 14, 2011.

The story began with typical Japanese manufacturers problems in the mid-1980s, which were rooted in macroeconomic events. At the time, the value of the yen amounting to 46 percent against the dollar, which made Japan's export growth largely came to a halt in 1986 causing a slump in the Japanese Economy. Moreover, the camera business experienced a substantial downturn

in demand and Olympus' operating income declined substantially from 6.8 billion yen in 1985 to 3.1 billion yen in 1986 (Fukukawa, Mock, & Srivastava, 2014). Rather than respond strategically within its core business, Olympus, led by Hideo Yamada, developed an aggressive financial assets management unit within the Accounting Department with the aim to operate *zaitoku*, a speculative investment commonly used by Japanese manufacturers who suffered from the weakened of yen. For ten years, this strategy was a success because in mid-1980s urban land values and stock prices tripled. However, in the 1990s the bubble in Japanese asset prices burst and the Nikkei stock index lost half its value in under a year, which results in significant losses of Olympus's investment portfolio. Olympus applied "doubling down" strategy when they should rather liquidate the financial assets and disclose the losses. Then, an even riskier investment was chosen by the company. The losses totaled ¥46.6 billion by March 1992, approximately equal to cumulative net income for the entire decade of the 1990s (1991-2000).

The situation was getting worse when Japan's Business Accounting Council (BAC) announced the new accounting standard has to be applied and required such instruments be reported at their market value rather than historical cost. Yamada acknowledged huge losses would be faced by Olympus once Japan adopted this standard. To conceal this, Olympus, with the help of outside financial advisers, removed the bad assets from the balance sheet without recognizing the losses, which known as *Tobashi* scheme. Moreover, new shell companies were made under Olympus control and sold the bad assets to these

entities at markup prices (the assets' original cost). Olympus also provided the money, either directly or indirectly, to enable the related entities to purchase the bad assets. As a result, Olympus did not account for any loss on these "sales" and the bad assets no longer appeared in Olympus' financial statements.

A further change in Japan accounting standard was announced that financial statements beginning in 2007 have to be consolidated. To continue their concealment, the company paid grossly inflated prices and advisers' fees in M&A transactions for three Japanese companies, and later for a British company, Gyrus plc., and the inflated portion flowed back to repay Olympus for previously provided financing and to cover accumulated losses. When Olympus' outside accountants objected to the domestic transactions, Olympus replaced its outside accounting firm in 2009, KPMG AZSA LLC with a new one, Ernst & Young ShinNihon LLC.

Nonetheless, in August and October of 2011 a small, independent magazine called "Facta" written humiliating articles on Olympus' large losses on its recent acquisitions. Insiders at Olympus disregard the story, but Woodford hired PricewaterhouseCoopers (PwC) in London to examine adviser fees paid for the Gyrus acquisition in England. The temporary report by PwC inferred that there were significant defects in Olympus governance such as its due diligence and decision-making procedures. Later, on October 11 Woodford sent a 13-page letter demanding the resignation of the entire board, citing "serious governance concerns" and attaching the PwC report. Instead, on October 14, Woodford was fired at an extraordinary general meeting of the

board as President with the reason of his “management style” is not right for Olympus. Woodford then revealed the story to the Financial Times and reached law enforcement authorities in the U.K. and the U.S. After seven days, the story finally appeared in the mainstream Japanese press. Finally, Olympus’ top management admitted hiding losses and resigned in November 2011. Woodford initially spoke of trying to regain control of Olympus but was discouraged by Japanese institutional investors’ continuing support for the current management.

4.2.3. Profile of Tesco Plc

Tesco was established in 1919 by Jack Cohen and known as the biggest retail company in the UK and third-largest retailer in the world measured by profits. The first owned-brand product sold by Cohen was a Tesco Tea which brought the idea for the name of Tesco. “TES” came after Cohen bought a shipment of tea *Thomes Edward Stockwell* and the first two letters from his surname “CO”, creating the word TESCO.

The first physical store was opened in September 1929 at 54 Watling Street, Burnt Oak, Edgware, Middlesex and in 1939 more than 100 Tesco stores were spread across the country. In 1947, Tesco entered London Stock Exchange as Tesco Stores (Holdings) Limited with an initial share price of 25 pence. The first self-service shop opened in St Albans in 1956 (which remained operational until 2010 before relocating to larger premises on the same street, with a period as a Tesco Metro), and the first supermarket in Maldon in 1956. Marvelously, between 1955 and 1960 over 500 new stores were opened which brought Tesco

to appear in the Guinness Book of Records as the largest shop in Europe. Jack Cohen has a business motto “pile it high and sell it cheap” and to which he added an internal motto of "YCDBSOYA" (You Can't Do Business Sitting On Your Arse) which he used to motivate his sales force.

In May 1987, Tesco completed its hostile takeover of the Hillards chain of 40 supermarkets in the North of England for £220 million. Moreover, In 1994, the company took over the supermarket chain William Low after fighting off Sainsbury's for control of the Dundee-based firm, which operated 57 shops. This paved the way for Tesco to expand its presence in Scotland, in which its presence was weaker than in England.

In 1995, Tesco acquainted a loyalty card, named 'Clubcard', and later an Internet shopping service. In 1996 the typeface of the logo was changed to the current version with stripe reflections underneath, whilst the corporate font used for shop signage was changed from the familiar "typewriter" font that had been used since the 1970s. Overseas operations were introduced the same year. Terry Leahy assumed the role of Chief Executive on 21 February 1997, the appointment having been announced on 21 November 1995.

4.2.3.2. Diversification

Tesco internet groceries retailing was started in the USA when it acquired a 35% stake in GroceryWorks around 2001. In 2002, Tesco purchased 13 HIT hypermarkets in Poland. It also made a major move into the UK's convenience shop market with its purchase of T & S Stores, owner

of 870 convenience shops in the One Stop, Dillons, and Day & Nite chains in the UK.

After that, in June 2003, Tesco purchased the C Two-Network in Japan. It also obtained a majority stake in Turkish supermarket chain Kipa. In January 2004, Tesco acquired Adminstore, owner of 45 Cullens, Europa, and Harts convenience shops, in and around London.

In Thailand, Tesco Lotus was a joint venture of the Charoen Pokphand Group and Tesco, but facing criticism over the growth of hypermarkets CP Group sold its Tesco Lotus shares in 2003. In late 2005 Tesco acquired the 21 remaining Safeway/BP shops after Morrisons dissolved the Safeway/BP partnership. In mid-2006 Tesco purchased an 80% stake in Casino's Leader Price supermarkets in Poland, which were then rebranded as small Tesco shops.

On 9 February 2006, Tesco announced plans to move into the United States by opening a chain of small format groceries in the Western states (Arizona, California, and Nevada) in 2007 named Fresh & Easy. In 2010, Tesco started funding a small film studio intended to produce Tesco exclusive direct-to-DVD films. The first film was released on 6 September called Paris Connections, based on a popular novel by Jackie Collins.

4.2.4. The Overview of Tesco Financial Statement Fraud Case

At the end of 2014, a startling accounting scandal from Tesco, known as the UK's most successful and innovative supermarket chains (Kasalana, 2016), was coming to the surface. Tesco Company confessed to having

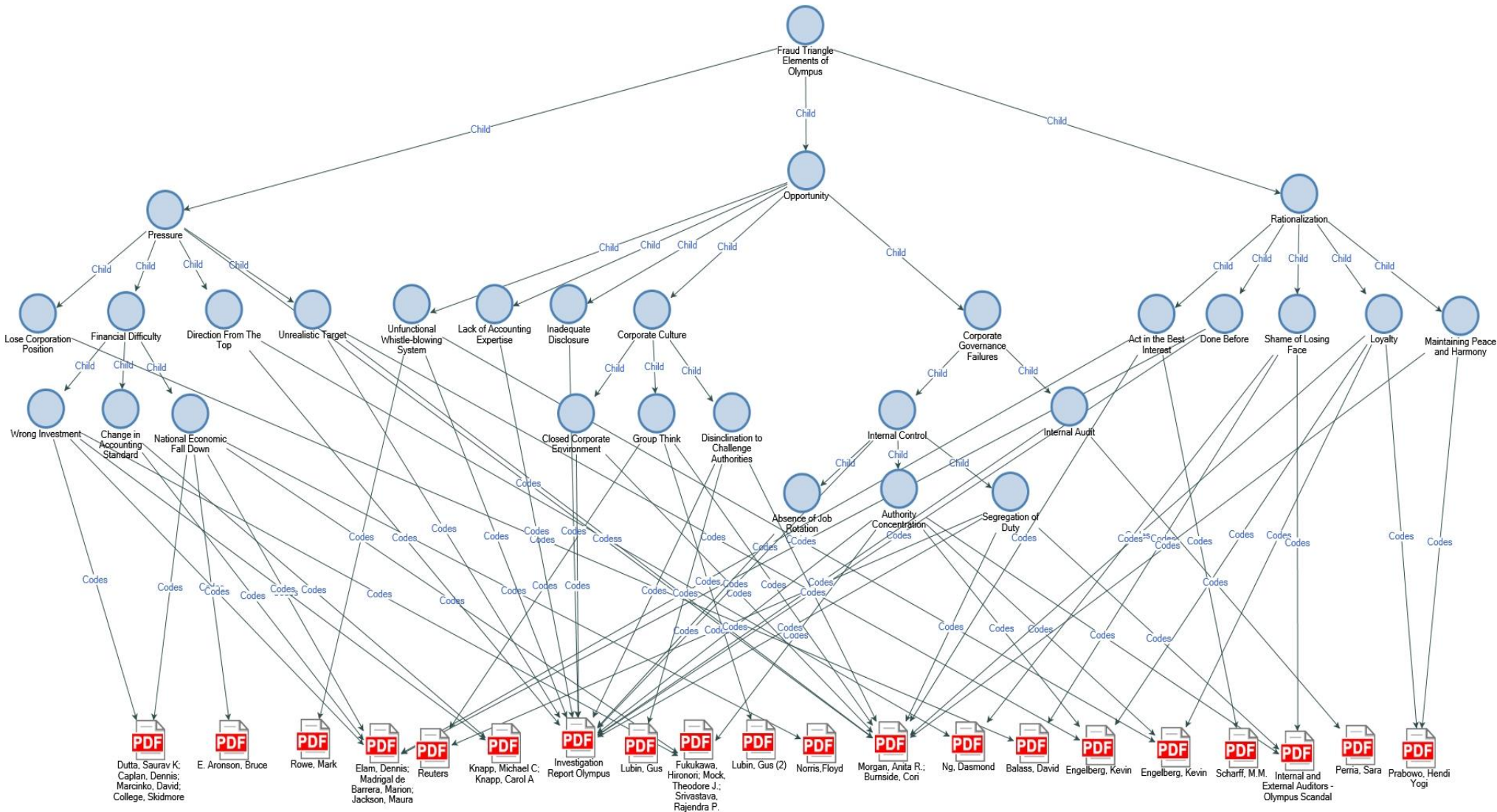
overstated its profit by £250 million during the financial reports for the first-half period. This financial scandal follows the battles of the company in fighting the falling sales and the low profits it was experiencing. Tesco claimed in its announcement that it had over-optimistic accounting on its payments from its suppliers, and the overall company costs (Farrell, 2014). The Telegraph Investor magazine quotes the claims as, “accelerated recognition of commercial income and delayed accrual costs” (Ruddick, 2014). The overstated profit occurred because Tesco booked promotional income and rebates from suppliers ahead of time. Tesco already acknowledged the income when the goods received from the supplier when not yet sold to other parties. The deal with suppliers to pay back to Tesco for some periods causes unearned revenues to be first recognized so that Tesco revenues continue to increase. The discount supplied by the supplier is also included in his income.

As the issue arises, the Financial Reporting Council (FRC) as the Financial Regulator in the UK sent Deloitte to investigate the issue. Deloitte checks Tesco's financial statements for 3 (three) backward periods and until September 2014, it was proven that Tesco's management was found inflating its profits so it increased to £ 250bn for just half a year. The detail was £118 m of the £263m overstated was found to be related to the first period of the year 2014, and the remaining £145m was found to relate to the previous year's meaning the overstatement had started years before (Butler, 2017d).

4.3. Olympus Financial Statement Fraud Case Analysis with Fraud Triangle

This part will describe the causal factors of Olympus Financial Statement Fraud in perspective of Fraud Triangle theory by Donald R. Cressey (1953). This theory will project the motive or pressure why people within the company conduct the financial statement fraud, the opportunity or factors that enabling them to do fraudulent activities, and how the case's preparators rationalize their counterfeit behavior. The illustration of Olympus financial statement fraud analysis with fraud triangle component can be seen in figure 4.2:

Figure 4. 1 Analytical Map of Olympus Corporation Case Analysis with Fraud Triangle



Source: Processed from NVivo 11 by the researcher

4.3.1. Pressure

For the Olympus Corporation case, the researcher found four kinds of pressure that push the people to conduct fraudulent activities, they were financial difficulties, lose corporation position, direction from the top, and unrealistic target. A further explanation could be found below:

4.3.1.1. Financial Difficulty

Roughly 95 percent of all frauds involve either financial or vice-related pressures (Albrecht, 2012). All of the big corporates faced constant pressure to maximize shareholder value. Unfortunately, insistent financial difficulties that hit Olympus made it impossible for the company to achieve the favorable shareholder value. Thus, it created pressure for the company to either falsely report earnings or conceal losses. The detailed factors that caused financial difficulty for Olympus were:

4.3.1.1.1. National Economic Fall Down

The root of the financial problem faced by most of the companies in Japanese started in the 1980s when the value of yen rose significantly against the US dollar (E. Aronson, 2012). Before this happened, Japan was one of the countries which leads the economic growth. In September 1985, a vital event happened when delegates from France, Germany Japan, the UK, and the US built up an arrangement to start debilitating the overvalued U.S. dollar. It concurred that Japan and Germany would fortify domestic demand and enable their currencies to appreciate. In the meantime, the U.S. Federal Reserve would begin to

ease monetary policy and allow the dollar to decline. The policies detailed at the New York Plaza Hotel, known as the Plaza Accord, set off an exceptional appreciation in the value of yen adding up to 46 percent against the dollar by the end of 1986. Therefore, Japan's export growth largely came to a halt in 1986 causing a drop in the Japanese economy. The Japanese government reacted aggressively to the recessionary pressure. The macroeconomics boost included uncommonly low-interest rates that were maintained until 1989.(Dutta, Caplan, Marcinko, & College, 2014).

This situation gave a huge impact to the Olympus, whose operation depends largely on export. Therefore, a significant decline in profitability happened on Olympus that made Olympus net income fell drastically from ¥6.8 billion in 1985 to ¥3.1 billion.

4.3.1.1.2. Wrong investment

From the uncontrollable factors above, Olympus took an alternative to invest in speculative investments in the financial product instead of improving within its core business (Dutta et al., 2014). In Japanese business culture, the strategy named *zaitoku* which involves liquidating underperforming corporate assets and investing the proceeds in high-risk but potentially lucrative investments (Knapp & Knapp, 2014). Under the leadership of President Shimoyama, Yamada was chosen as a person in charge of the speculative investments deal together with Hisashi Mori as subordinates (Elam, Madrigal de Barrera, &

Jackson, 2014). This strategy was successful since urban land value and stock prices tripled between 1985 and 1989.

However, during 1991 – 1992 most of the Japanese stock indices declined by in excess of 50 percent, thus, resulted in huge losses on Olympus investment portfolio. As the losses keep increasing, the Olympus team made increasingly speculative investments, which even generated greater losses.

4.3.1.1.3. Change in Accounting Standard

The nightmare continually hit the Olympus. During the critical point of Olympus, Japan adjusted its accounting laws which constrained Japan to embrace the fair value accounting system or known as “market to market” accounting, as the effect of International Financial Reporting Standard (IFRS) implementation (Mintz, 2012). Beforehand, Japan accounting standard allowed an entity to record financial assets at its historical cost basis, which was used by Olympus to conceal the losses investment (Elam et al., 2014). The situation frightens Yamada and Mori because as accountant they knew they would soon be compelled to uncover the fair value of the impaired assets they were holding a.k.a. the large investment losses (Knapp & Knapp, 2014). Therefore, to conceal the losses, Olympus did *Tobashi* scheme, which removed the bad assets from the balance sheet without recognizing the losses.

4.3.1.2. Lose Corporation Position

Widely known as a profitable company in microscopes and medical devices industry, Olympus reputation always had always been good. Even after the economic bubble that hit Japan in the 1990s, public only knew that Olympus was still able in maintaining its financial position. Before the scandal was uncovered, Olympus achieved astonishing sales of \$10.6 billion and was rated by Reuters as one of the world's top 100 innovative companies. (Verschoor, 2012)

However, from the above explanation, the company started incurring losses on financial investments in the early 90s, when Japanese stock records declined by more than 50 percent, consequently, resulted in huge losses on Olympus investment portfolio. Thus, all the effort done by the management is to cover the almost 1300-billion-yen loss from the investment from the public.

4.3.1.3. Direction from The Top

Toshiro Shimoyama was a President and representative officer of Olympus Corporation from 1984 until 1993. The idea to boost up the profit instantly with high-risk and complex investment instead of improving Olympus main business was initiated by Shimoyama, then executed by all the members in Olympus under Yamada and Mori's supervision. In time, Yamada and Mori's dealings propelled them into upper management. Mori became an executive vice president and board director while Yamada

became a standing corporate auditor (Elam et al., 2014). Tsuyoshi Kikukawa, the new Olympus president, which was taking the position in 2001, also aided Olympus to conceal their fraud.

4.3.1.4. Unrealistic Target

The significant boost in the value of yen created worry in management as Olympus management's policy has overly aggressive profit target to be met, meanwhile, Olympus operating profit was falling. Unable to meet the target because of the big drop in operating profit, Shimoyama, with the help of other employees set up complex schemes to accelerate profits and bury the past losses (Engelberg, 2016).

This notion is straightening by the deployment of aggressive management strategies under Shimoyama, which was described in the Olympus investigation report (Third Party Committee, 2011). Olympus then-president, Shimoyama, wanted to improve the operating profit immediately by non-operating areas instead of its core business. It was the point that marked the prominent change in Olympus' method for managing its financial assets.

At the May 20, 1987 meeting of the management committee was decided to "pursue active financial management policies that would aim to manage surplus funds for maximum effectiveness, while using appropriate risk management." Regarding the management of financial assets, the "funds management guidelines" formulated at that time stated "the

strengthening of financial functions is an important topic for our company,” and dealt for the most part with in-house management (Third Party Committee, 2011).

4.3.2. Opportunity

The Olympus Corporation financial statement fraud had many perceived opportunities to commit fraud. The researcher divided it into five categories based on the sources that had been analyzed, such as unfunctional whistle-blowing system, lack of accounting expertise, weak corporate governance, inadequate disclosure, and corporate culture.

4.3.2.1. Unfunctional Whistle Blowing System

An organization that has a good sustainable system of governance, culture, and leadership needs to find each conceivable chance to fortify the desire that individuals should approach if something doesn't feel right, and that indifference, intolerance, and retaliation especially will be rooted out. Furthermore, it is very paramount to bring up concerns when you feel something not right in an organization. The culture of transparency and participative have to be raised and the protection of those people have to be upheld (Rowe, 2012). The whistle-blowing system at Olympus was worst to the extent that the CEO was unable to get a hearing on the matters troubled him.

At the beginning of 2005, a compliance helpline was established at Olympus with the aim of nurturing an open workplace environment,

discovering and correcting misconduct in its early stages, and maintaining healthy corporate activities. The Help Line was a whistleblower system through e-mail, telephone and other methods regarding acts, etc., that potentially violated laws and regulations, as well as the Code of Conduct. With regard to the Help Line, awareness on the part of officers and regular employees had been promoted through the establishment of operational regulations, etc. The design of the system is such that matters reported to the Help Line were received by the Compliance Office, and material facts were reported to the President through the officer in charge. However, The Help Line's reporting destination is limited to the Compliance Office. However, if the content of the report were matters related to the Compliance Office, or matters involving the superiors of the Compliance Office, including managers, it could be expected that the whistleblower would hesitate in making the report. Therefore, from the standpoint of protecting the whistleblower and of properly responding to reports, a whistleblower consultation desk should also be established, with a direct connection to a more independent corporate body, such as outside officers, auditors, external organizations (such as law offices). On this point, a proposal to establish an external whistleblower consultation desk was submitted by the person in charge of the system design (Compliance Office) and was further proposed multiple times by the Board of Auditors. However, since Yamada strongly opposed this, the Compliance HelpLine had no route outside and became one that was closed within the organization alone (Third Party

Committee, 2011).

4.3.2.2. Lack of Accounting Expertise

From the year 2000 to the present, among all the auditors in Olympus, Yamada, and Ota were the only 2 auditors that had professional knowledge in the finance and accounting. Moreover, there were no consulting agreements entered with professionals in the accounting/auditing, or legal fields. From this knowledge and experience deficiency, any agenda that were brought up to the Board of Directors by finance/accounting department, nobody gave doubts or deep questions asked as to the credibility of the explanations by the departments in charge. With respect to the outside auditors, similarly with the standing auditors, due to a deficiency in accounting knowledge and experience, there were limits to the audit activities in the finance/accounting fields. The committee composed of outside professionals did not function sufficiently in response to the matters pointed out by the auditing firm, the company formed a committee of outside professionals, and by securing a report that complied with the intentions of the top management, it tried to prevent the discovery of fraud.

However, said the report was incomplete and had many qualifying conditions, and was not to be trusted as the opinion of a fair and neutral third party. The Board of Auditors, and further, the auditing firm placed emphasis on the conclusion of this report alone and did not conduct an intensive

review of the content or its qualifying conditions. If such use of committees composed of outside professionals were to become widespread, investigations and reports by committees composed of outside professionals would not be trusted by anyone in the future. The members of committees composed of outside professionals should realize this as well. (Third Party Committee, 2011).

4.3.2.3. Corporate Governance Failures

Corporate governance is the system by which companies are directed and controlled. The main purpose is to improve transparency and accountability within existing systems. The process of managing corporate governance is usually handled by a board of directors. The corporation may employ a staff of auditors to test and monitor internal controls. In the case of Olympus, the role of both internal control and the internal auditor were problematic. The detailed explanation was described below:

4.3.2.3.1. Internal Control

Internal controls are the processes, checks, and balances that need to be put in place as a business grows. Internal controls can relate to any aspect of your business, from human resources to IT. Designing and implementing appropriate internal controls in accounting are very crucial as it can be used for safeguarding assets and preventing fraud. In the case of Olympus, some areas of the internal control were damaged, they were:

1. Segregation of Duties

Segregation of duties is the basic characteristic of good internal control within the organization. It based on the shared duties of a key process that scatters the critical function of that process to in excess of one individual or division. Without segregation of duty, the opportunity to conduct fraud is much easier as it's easier for people to conceal fraud (Morgan & Burnside, 2014).

Before the Michael Woodford was appointed as president (or called as CEO, because the CEO concept was just applied to Woodford), Tsuyoshi Kikukawa hold both the position on of president and chairman (CEO and Board of Directors). In the theory, the position of CEO and Board of Directors (BOD) should be restricted to a different person in order to keep the independence of BOD. BOD cannot be influenced by company management and they have to be able to objectively look at any issues brought forward to them to make the best decision for the organization and their stakeholders. Thus, this situation gave him too much control including hire, fire, and control key issue of deciding the remuneration of his fellow directors (Morgan & Burnside, 2014).

Due to his ultimate power and control, he allowed Hideo Yamada and Hisashi Mori (who led the speculative investment) to hold many positions too. In the 1980s, both Yamada and Mori were responsible for finances at a working level and later were responsible for the function of finance. Yamada, in particular, continued to be in a

position to control the Finance Department until he became Vice President and was appointed standing auditor in June 2011. It was extremely dangerous that the management operations of an abundance of money during the bubble and post-bubble periods were monopolized by a small number of people in charge who had professional knowledge of financial management techniques, and the control environment of Olympus that allowed such concentration of power had many problems. For instance, huge significant financial statement fraud could not discover by Olympus' internal auditors may be due to Yamada also being the head of the Audit Office, so he had rights to control the accessibility of his subordinates to the financial data. The fraud was covered by him, as he falsified accounts to conceal the losses.

2. Absence of Job Rotation

Another characteristic of good internal control of the organization is the rotation of job. It gives many benefits for the organization such as employee will have a better understanding of the business. In fraud related issue, it may daunt employees from taking part in long-term plans to steal from the company. Employees understand that if they steal from the company, the upcoming employee may discover the theft

At Olympus, there were not any official regulations for job rotation, thus, job rotation approach was left to each department. As to the Finance Department and Accounting Department, job rotation was

conducted in the same work types within the Group Companies, including overseas, and there were some people who were placed in the same department for long periods, among which some were in the same department for several decades. Specifically, the Group Leader of the Treasury Group in the Finance Department has been responsible for money management in the same department since entering the organization in 1991. The explanation for this situation is the complexity of the Financial Department and Accounting Department operation, which long-term operation experience individual is required. In any case, when the same individual in the same department keeps on being charged with specific operations, as a result, it simpler for misconduct as well as concealment to occur (Third Party Committee, 2011).

3. Authority Concentration

The Olympus Corporation have such a system in which a single man moved the company under strong leadership over a long period of time (Third Party Committee, 2011). Tsuyoshi Kikukawa, former President of Olympus, held all the power to control the company. Contrary to U.S. public company, there is no clear distinction of power between board members and executive in Japan (Engelberg, 2016). The centralized control situation permitted Kikukawa to act both as the President and Board of Chairman of Olympus, furnishing him with boundless authority to make all personnel decision, even at board level.

He also the one who allowed Yamada and Mori, Assistant Manager of the Finance group in the Accounting Department, to commit the fraud.

4.3.2.3.2. Internal Audit

The main purpose of internal audit is formed in the company is to assess the management conditions regarding management in general, or to objectively check whether problems have already happened, and is critical for the prevention or early discovery of misconduct. However, there were some problems occurred in the internal audit process within Olympus such as:

- Related to the Dual Role issue, Yamada served concurrent positions over a long period, as the Head of the Audit Office and the Head of the Administration Management Division, as well as the Corporate Center Manager and the Officer in charge of audits, which makes the process was not performed appropriately. Based on the “Division of Duties arranged by Organization”, the Audit office is required to operate monitoring of the management system of the entire company and groups, system for corporate ethics and compliance, and monitoring from the viewpoints of accounting/finance/taxation. Nevertheless, the individual responsible for the Audit Office and the Officer in control was serving concurrent positions with other departments. So, the internal audit could not be performed while maintaining independence with respect to the departments that were being concurrently served, and sufficient check-and-balance functions were not exercised.

- Visitations for internal audits are decided and conducted at a frequency of about once in 3 years, mainly with respect to sales offices, production bases, and major domestic subsidiaries, etc. In addition to this, special audits (such as the investigation of suspicions of embezzlement by subsidiary managers), which are presented as individual themes by the Representative Director or officers in charge of audits, are conducted non-routinely. However, the frequency of audits for Corporate departments, such as Management Planning, Finance, Accounting, etc., is significantly fewer in comparison with the sales divisions, etc. As an example, the last time an internal audit was conducted for the Finance Department was 7 years ago (the fiscal year ending March 2005) and has not been conducted since.
- Internal auditor activities being selected by the President, there is a possibility that the points being reported to the Board of Directors without omission.
- Audit reports on operations (internal) are not reported to the Board of Directors so that as a result, information that is necessary for the Board of Directors, including outside directors, to exercise their audit function is restricted.

4.3.2.4. Inadequate Disclosure

Despite the fact that it is vague when this began as a general rule, the Olympus Financial Department had taken the position of not disclosing any information, not even to the financial institution which it had a

transaction unless the disclosure is required by law. Thus, it might weaken the monitoring by parties of interest including a financial institution and preventing the information of a transparent organizational culture.

Furthermore, based on listed company regulation, a public company is required to prepare, release, and disclose sufficient securities report, which is used by stakeholders to make decisions. On this point, On this point, with respect to the Three Domestic Companies, the individual disclosure made by Olympus has only been partial in terms of securities reports and timely disclosure to the Tokyo Stock Exchange. With respect to Gyrus, only a minimum disclosure has been made in the notes to the consolidated financial statements in the “Accounting Section” in terms of timely disclosure to the Tokyo Stock Exchange and securities reports, and almost no disclosure in the “Overview of Company” and “Status of Business” sections.

Additionally, as mentioned before, the internal audit report was not informed to the Board of Directors, which as well weaken the monitoring and help them to continuing the fraud.

4.3.2.5. Corporate Culture

People commit fraud, and because people are social animals, their actions, in a great measure, are governed by the culture and environment in which they find themselves. Olympus has some corporate cultures that created the opportunity for people to commit fraud. The cultures were:

4.3.2.5.1. Closed Corporate Environment

According to the Investigation report (2011), Olympus had some problems related to the corporate culture and mind. The company has cultures where opinion could not be expressed freely and very little openness among the employees. So that the attitude of personalizing the corporation had spread, and the sense of the duty of loyalty to the shareholders was weak.

Olympus Corporation obviously had a culture of keeping quiet and not rocking the boat. Michael Woodford once commented a month after he was chosen as Olympus company that “harmony and consensus have their place and time but scrutiny and challenge lead to better decision-making. You have to be able to confront” (Morgan & Burnside, 2014).

4.3.2.5.2. Disinclination to Challenge Authorities

The position of top management in Olympus such as President, CEO, and Chairman of the Board was very strong. There was a system where a decision from top management should be followed and objection was not allowed to be spoken or that individual should be prepared to be cast out, even when he was right. (Third Party Committee, 2011). In Olympus, the Board of Director was made up largely of insiders who were fearful of speaking up against top executives of the company. In the report, the board of directors is described as consisting of “yes-men” and that the board was

“emasculated.”

It is straightened with the fact that Tsuyoshi Kikukawa, former CEO and Chairman of the Board, along with a small group of other executives at Olympus, were able to persuade banks to help them to hide billions of dollars in losses. (Morgan & Burnside, 2014). Moreover, in the deferral of losses from 1999 to 2000, or the acquisition of shares in the Three Domestic Companies or the acquisition of Gyrus, with regard to the fact that the President approved them, it is believed that others may have hesitated, and did not voice their objections (Third Party Committee, 2011). Without the presence of Michael Woodford, a Westerner who was brave enough to voice the problems and willing to take a big risk, this scandal will never be uncovered.

4.3.2.5.3. Group Think

Japanese boards are typically stacked with insiders, and Olympus is no exception. Twelve out of 15 board member of Olympus are company executives and 1 out of 3 outside directors were fail to pass the independent test set by top proxy voting firms. Thus, this structure seems to have left the Olympus board vulnerable to group-think when difference and rigorous debate were necessary (Reuters, 2011).

Group-think or often called as *shudan ishiki* is quite typical in every Japanese “traditional” organization. This term implies that the goals of the group over individual goals and responsibilities (De Mente, 2012). This culture often makes fraud was very hard to detect, including

Olympus financial statement fraud, which has been criticized for group-think.

4.3.3. Rationalization

Rationalization becomes an important element in the occurrence of fraud, in which the perpetrator seeks justification for his actions. In the Olympus case, the researcher found five rationalized that had been used by the perpetrators, namely “done before”, shame of losing face, loyalty, maintaining peace and harmony, as well as act in the best interest of company.

4.3.3.1. Done Before

The hiding losses scheme was started a long time ago after Olympus suffered huge losses from the high-risk investment and it was initiated from former president Toshiro Shimoyama, which held the position in 1984. even after Kikukawa succeeded Kishimoto as President of Olympus on June 28, 2001, the aforementioned large amount of losses from financial asset management remained hidden as it was succeeded. Therefore, the members of the Olympus Corporation are used to the situation and probably did not see the concealment as a problematic practice.

4.3.3.2. Shame of Losing Face

Japanese organization is well known for being careful to not state or do anything that would cause humiliation (Morgan & Burnside, 2014). In this manner, hiding the huge loss by transferring nearly worthless financial assets to shell companies and manipulating account balance was rational for

Olympus. This transaction was done to clean up a big mess without damaging the reputation of Olympus and its generations of executives (Norris, 2011). Before the financial statement fraud scandal appeared, then CEO Tsuyoshi Kikukawa and Olympus had a good reputation. Kikukawa brought a Western-style management to the company, including hiring the first foreigner CEO in Olympus.

4.3.3.3. Loyalty

Just like in any other Japanese organization, Olympus upholds the value of loyalty. NPR story (Craft, 2011) on November 2011 stated that the mental inside Olympus is similar with Tokyo Electric Power, whose Fukushima Daichi nuclear plant became the worst nuclear disaster since Chernobyl, which is to cover mistakes no matter what. Because of these loyalty bonds, nobody dares to blow the whistle and criticize in respect to the predecessors. All demands for greater profits, regardless of feasibility, were met using any means necessary, including the inflation of financial figures in a display of loyalty (Engelberg, 2016).

Normalization is believed as the way to disguise fraud used by many companies. It starts with making the fraud process part of organization mindset, after that inserting it within its people, completed by rationalization through denials (Prabowo, 2015). “appeal to higher loyalties”, which means employees place the highest loyalties with their peers and superiors, becomes one of the most general forms of denial. In respect with loyalty, the

employee could also rationalize their behavior by saying they were only following orders and were not the principal wrongdoer (Kasalana, 2016).

4.3.3.4. Maintaining Peace and Harmony

According to Morgan & Burnside (2014), Japanese companies are cautious to not say or do anything that would cause humiliation. Therefore, Olympus believed that hiding the huge loss by transferring nearly worthless financial assets to shell companies and manipulating balance sheet figures was rational. Employees may be unwilling to disclose inappropriate behavior of others in positions of authority. They should not do or say anything outside of the scope of their position (Morgan & Burnside, 2014).

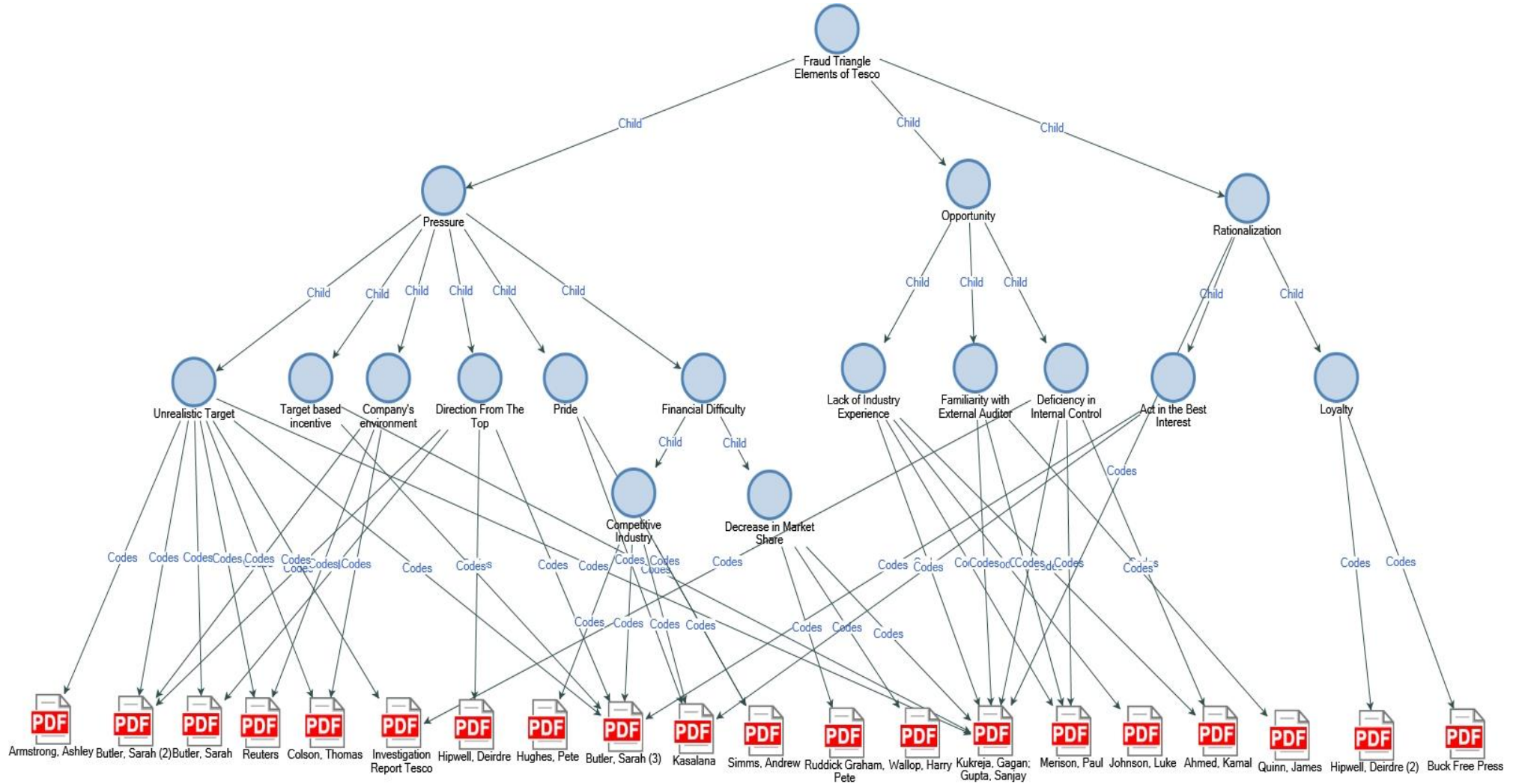
4.3.3.5. Act in the Best Interest

Act in the best interest of the company you are working for is the most rationalization used by individuals in committing fraudulent behavior. In the Olympus case, what President Shimoyama, Yamada, and Mori have done is to maintain the name of Olympus in public. There was no personal gain obtained from the fraudulent activities. Moreover, Olympus has a culture that upholds financial performance and stock price, which trigger people to rationalize their unethical behavior in this way (Morgan & Burnside, 2014).

4.4. Tesco Financial Statement Fraud Case Analysis with Fraud Triangle

Just like Olympus case, Tesco plc financial statement fraud also had some ways to run its fraudulent activities. The researcher analyzed the way people within Tesco did the fraud using fraud triangle analysis. The illustration of Tesco financial statement fraud analysis with fraud triangle component can be seen in figure 4.2:

Figure 4. 2 Analytical Map of Tesco plc Case Analysis with Fraud Triangle



Source: Processed from NVivo 11 by researcher

4.4.3. Pressure

As the impetus that causes a person or group to commit fraud, pressure cannot be underestimated. In general, which encourages the occurrence of fraud is the financial problems and greed, no exception for Tesco. The researcher found six kind of pressure that push the people to conduct fraudulent activities, they were financial difficulties, unrealistic target, company's environment, direction from the top, pride, and target-based incentive. Further, explanation could be found below:

4.4.3.1. Financial Difficulty

As previously discussed, financial pressure becomes the major pressure in almost all the cases of fraud all around the world, no exception in the case of Tesco. The causal factors for the financial difficulties were:

4.4.3.1.1. Competitive Industry

The supermarket industry gained a lot of attractiveness over the past several years, which encourage a lot of new entrants to enter the industry. In 2013, Tesco faced increasing competition from cost cutters, Aldi and Lidl, high-quality brands like Waitrose, and Tesco's near rivals Sainsbury, Asda, and Morrisons. Even worst, Tesco wrongly invested in large physical stores, while at that time is the rise of internet shopping in the industry (Simms, 2014).

During the meeting between Mr. Bush and commercial directors, they discovered that the main reason for the profit unfavorable gap is because of how tough the industry circumstances are (Hughes,

2017).

4.4.3.1.2. Decrease on Market Share

The competitive circumstances from new and innovative entrants is not the only factors that ruin the profitable of Tesco. The market shares of Tesco were fall off to an 11-year low, wiping out nearly £2 billion from Tesco's value as Tesco loses its customers against the discounters Aldi and Lidl. For the financial year of 2013/2014, Tesco's market share sharply declined to 28.7% in the UK, the lowest level in a decade (Ahmed, 2014). That is the lowest percentage of market share for Tesco since January 2005, when it stood at 28.5%. Tesco's peak was 31.7% in 2007 during its glory days under former boss Sir Terry Leahy. Market share reflects total purchase of a customer, what percentage goes to a company defines its market shares.

4.4.3.2. Unrealistic Target

Hold the predicate as the best retail in the UK for many years, the continuously profit falling made the managements increasingly aggressive in setting the profit target. Before the unethical behavior was uncovered, the internal of Tesco was working so hard to meet the unrealistic target but it gave no improvement for Tesco financial condition (Colson, 2017b).

According to the investigation report (2015), a major focus of the Tesco commercial team was hitting the budget margin target. The investigation team found some correspondences which encourage Tesco staff to seek

agreement from suppliers to the deferral of payments due to them in order to help Tesco margin temporarily. The payment to a supplier should not be made before a certain date in order to maintain the profit figure (Groceries Code Adjudicator, 2015).

Dave Lewis, the current CEO of Tesco, revealed in the court that the disagreements between the predecessor and current management team about this unachievable £2.8bn profit target were so intense because of the poor financial condition of Tesco. The management team had told that the balance sheet of Tesco is in debt level and the cash flow is so low but still Phil Clarke, former Tesco chief executive, had believed that a profit forecast of £2.8bn was still reasonable despite the critical situation of the industry (Armstrong, 2017). As a result, a couple series of report as the financial year 14/15 showed unfavorable variance between the actual and budgeted profit. The projected gap had widened to £240m by August (Reuters, 2017).

4.4.3.3. Company's environment

With an underperformance of Tesco for the past several years, the intense pressure, particularly for the managers, and anxiety environment hit the company (Colson, 2017b). Amit Soni, a senior accountant at Tesco, disclosed on the London court that while the tension to be better was high, unfortunately the morale in the company was low triggered the manipulation to happened. “constant reviews and innumerable discussion on how Tesco had to do better” as he described (Reuters, 2017).

4.4.3.4. Direction from the Top

As a court heard, three of Tesco former executives, Chris Bush, John Scouler, Carl Rogberg, are the mastermind who compiled the profit manipulation and mislead the stock market. The three men also are alleged to have falsified accounts records, to have concealed information from auditors and to have coerced junior employees to falsify figures (Hipwell, 2018).

A lawyer for the Serious Fraud Office (SFO), Sasha Wass QC, expressed to the jury that the three defendants on the trial were the generals in a position of trust and had huge compensation packages to safeguard the financial health of Tesco. She added that they had pressed, bullied and coerced those under them to falsify figures so that income was recorded when it should not have been (Butler, 2017b).

Mr. Soni, the whistleblower and senior accountant at Tesco, added that around August 2014, three commercial directors showed a document that outlined the potential budget gap of £240m. Sony told the court it was the effect of the “pulling forward” income that period into earlier accounting period. The difference between the profit target and actual profits looked insurmountable, but Bush had stayed calm and told colleagues “to go back and meet the plan and hit the numbers” (Butler, 2017c)

4.4.3.5. Pride

Tesco is respected for its apparent clinical efficiency of its business model for years. In term of treatment of suppliers, Tesco is also known for a planning system that gives impact on local economies harder than other competitors. The good reputation of Tesco carried government, regulators, investors, and the public to trust in their action. Tesco's former chief executive, Terry Leahy, stated that when Tesco was taking about £1 in every £8 that British people spent shopping, Leahy once quipped that this left another £7 for the supermarket to go for (Simms, 2014).

The overconfidence led Tesco to open its overseas branches. However, as its initially confident adventure in the US foundered, so its ambitions began to recede in China and Japan too. Tesco had been the company that could do no wrong; now investors began to question whether it knew what it was doing. Moreover, nowadays Tesco is unable to be innovative to compete with the newcomers in the industry.

Therefore, the pride as Tesco always at the top become the pressure to do unethical actions in order to look terrific in the eyes of the public. It is straightened by the declaration of company's executive during the investigation that no individual was found trying to dig personal gain for this case. Thus, it was not perhaps the result of individual greed, but rather collective hubris (Kasalana, 2016).

4.4.3.6. Target Based Incentive

A company's culture that provides incentives based on financial performance, including profits and stock prices, established a condition in which managers feel stressed and tends to misrepresent the financial statement of the company because of the personal financial stake (Morgan & Burnside, 2014). In Tesco, the performance of senior staff was highly incentivized and measured by their ability to meet the targeted profit (Kukreja & Gupta, 2016). That is why the fraudulent activity to manipulate the financial figure is likely to happen. Sasha Wass QC, a lawyer for the Serious Fraud Office (SFO), told the jury "Clear evidence that each of the defendants had connived over the manipulation of targets to conceal their failure and keep their salary and bonuses"(Butler, 2017b).

4.4.4. Opportunity

There are many factors that can contribute to fraud opportunities, however, the researcher found three factors which create the opportunity to commit fraudulent activities at Tesco Plc. Each of them is presented in detail below:

4.4.4.1. Familiarity with External Auditor

Since 1983, PwC had been performed audit for Tesco. Familiarity threats might spring between them as the audit team was lacking a little professional skepticism. During the 2013/14 year-end of the audit period, PwC had brought up issues about "Commercial Income Accounting". They enquired how this income from commercial bargains from providers was

perceived (Reuters, 2014). This inquiry was the third time that they had raised this issue with Tesco, yet Tesco's audit committee had presumed that it was not an issue.

Another independence threat is the Chairman of Tesco audit committee, Ken Hanna, was trained as an auditor at Coopers & Lybrand, which merged with PwC in 1998, as is Mark Armour, a non-executive director was a former PwC partner (Quinn, 2014). Consequently, Hanna and Armour dismissed the warning about the risk of commercial revenues being manipulated (Reuters, 2014). If the board had taken PwC's queries as an early warning sign they probably could have to avoid or minimized the misstatement.

4.4.4.2. Deficiencies in Internal Control

While Tesco's business had developed exponentially, it seemed like the internal control had not satisfactorily developed. The purchaser had significant power to negotiate commercial deals with suppliers with no oversight from the Finance Department (Kukreja & Gupta, 2016). The supplier arrangements clearly had sufficient "flexibility" to be open to some interpretation or renegotiation.

Then, Tesco has no finance director for 5 months when the predecessor CFO retired because of the unreadiness of the successor CFO to join, which surely indicated the poor succession planning (Merison, 2014). Empty position in CFO for sometimes will obviously weaken the

internal control system over financial statement preparation.

Suppliers also reported that Tesco had poor administration and communication internally. The investigation team also found that Tesco had inadequate processes and systems for correcting data errors or incorrect deductions. Errors and complications in Tesco's systems resulted in an unacceptable and unreasonable delay in payments which frequently extended to many months (Groceries Code Adjudicator, 2015).

4.4.4.3. Lack of Industry Experience

The company board was thrown further criticism for a lack of retail experience. Tesco board did not have non-executives who had relevant knowledge and experience with supermarket sector (Merison, 2014). Solely one executive director, Dave Lewis, out of 10 who has experience, yet in the consumer foods industry Unilever and Cadbury, not in retail.

Elsewhere, the board boasts three non-executives who have worked at banks – Schroders, Standard Chartered and Barclays, to be precise. Another non-executive has worked in the telecommunications industry, another in glass manufacturing. And it has two non-executives who have worked in the Netherland government. Tesco's recruitment policy for directors clearly doesn't include the requirement for them to have any hands-on foundation in their particular industry at all (Johnson, 2014).

4.4.5. Rationalization

The researcher found two rationalization that had been used by the perpetrators in Tesco plc to justify the act, which is “act in the best interest” and “loyalty”. More discussions are provided below:

4.4.5.1. Act in the Best Interest

The most common form of rationalization when it comes to fraudulent activities. A lawyer from Serious Fraud Office, Wass, said the defendants were aware that deceptive practices had run and developed. Rogberg held the essential information from the PwC, Tesco auditor which has been misled and lied to and entered false figure to the company computerized accounting system. She added that Bush had confirmed the figures knowing they were false, while Scouler knew income had been incorrectly pulled forward from future years creating a hole in the accounts (Butler, 2017a). After all the bad practices, the company’s director declared if no individual obtain personal gain from the case (Kasalana, 2016).

4.4.5.2. Loyalty

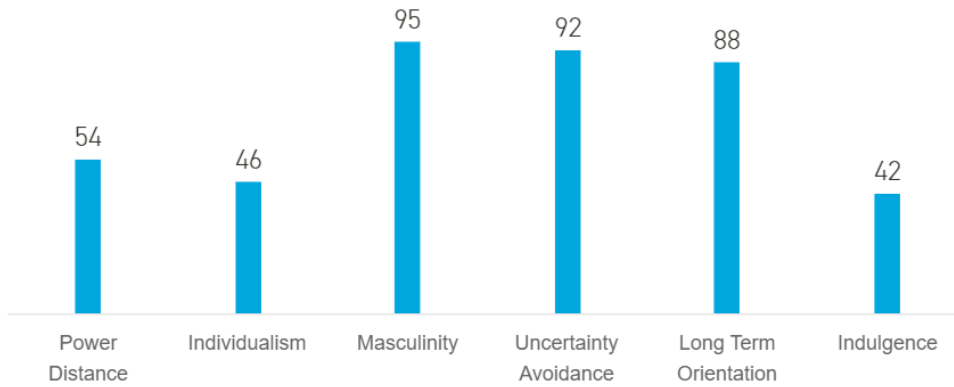
Christopher Bush, former Tesco UK managing director as well as one of the 3 defendants, is known to so devoted to his job (Hipwell, 2017). He was such a workaholic that no one believed he would conduct fraud that can breach the reputation of Tesco.

Adrian Darbshire, the representative of Bush in the court said that Bush “worked insane hours”, he even started the meeting at 7 am on

Saturday while he was in the hospital the night before because of food poisoning. Bush's daughter, Emely Bush, also emphasized the fact that his father was so loyal and added "It is really important to dad to do the right thing. He has always said to me 'if you are going to do something, do it the best you can and do it properly'" (Bucks Free Press, 2017).

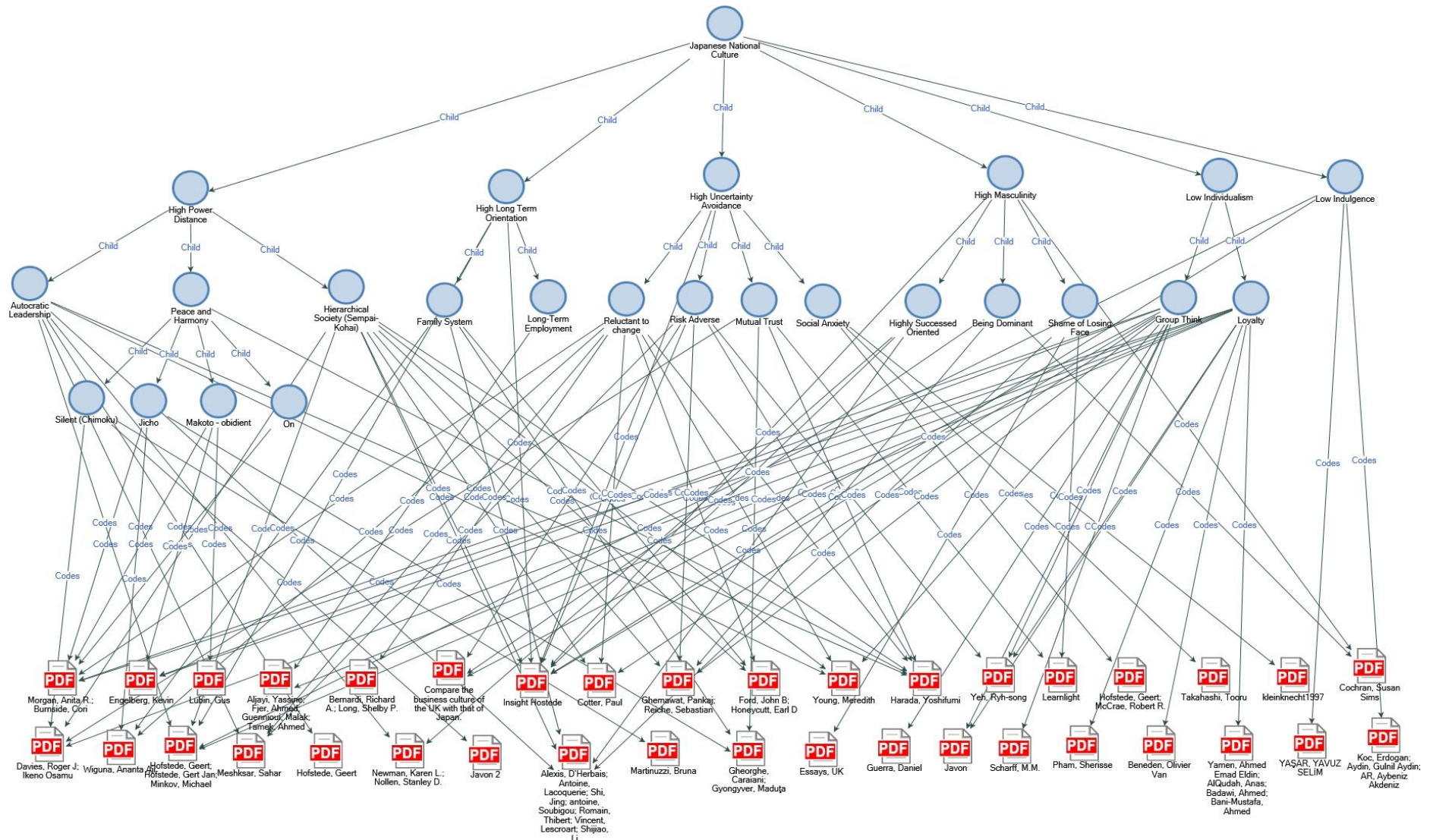
4.5. Japan National Culture in Hofstede Dimensions

Figure 4. 3 Japanese National Culture Dimension Scores



Source: <https://www.hofstede-insights.com/product/compare-countries/>

Figure 4. 4 Analytical Map of Japanese National Culture Based on Hofstede Dimensions



Source: Processed from NVivo 11 by the researcher

4.5.1. Intermediate Power Distance

With the score 54, Japan is considered to have intermediate that inclined to a high level of power distance. In other words, even Japanese is well known for their hierarchical position in any social situation, yet it is not as strong as most Asian nations. These are some major characteristics of Japanese culture that relates to power distance dimension:

4.5.1.1. Hierarchical Society

At score 54, Japan society respect hierarchical position in the society and always act accordingly. Rank is finely determined; each individual is somewhat above or below the nearest apparent equal (Ford & Honeycutt, 1992). These rank, status, and position are based on the factors such as education, age, sex, family name, occupation, physical features and birthplace (Alexis et al., n.d.). This vertical hierarchies dominate in the society and exemplified as *Sempai-kōhai* relationships. A term *sempai* means senior, which refers to someone older or superior in ability. In contemporary Japanese, *sempai* is also used to refer to those who graduated earlier from the same school. Meanwhile, *kohai* refers to someone who is junior and considered to be inferior to *sempai* because of their less experience (Cotter, 2011).

The hierarchies were established early at home when children are required to be obedient toward their parents, sometimes the children are also ordered to have authority among themselves with the younger child have to

respect the older siblings (Hofstede et al., 2010, p. 68). In daily life, Japanese tends to show the rank relationship, for example, people can neither be seated nor talk without considering the status and seniority of the other people around them; at school or organization, seniors believe that it is natural to be respected by juniors because they are experienced in their jobs or other activities.

Particularly in companies, power distance influences the way they operate. Some foreigners said Japanese company has slow decision-making process because in order to be accepted, all the decisions must be confirmed by each layer of hierarchy and to top management in Tokyo (Hofstede, n.d.). There is also a huge gap relationship between senior and subordinate, it is reflected by subordinates do not commonly voices their opinion during a meeting but simply listen to their superior (Davies & Ikeno, 2002). Last but not least, age is emphasized more than ability in term of wages and promotion. Ohmae (1983) states that "there is no fast track for brilliant performers. No one reaches a senior management post before the mid-fifties, and chief executives are typically over 60."

4.5.1.2. Autocratic Leadership

In high power distance circumstance, the power and decision-making process is very centralized or could be described as autocratic (Newman & Nollen, 1996). The participation of lower level individual is less because the one who can decide and be heard is only the one with

power. In other words, the control is handled by one single person (Alexis et al., n.d.; Hofstede et al., 2010, p. 73). The role of emotions between the high-power person and lower power person. For instance, the perfect boss for subordinates in large power distance's country such as Japan is the one with great father type, the person whom they feel most great with and they regard most.

To be more specific, power distance in the organization level occurs when subordinate is differentiated from their bosses with respect to status, promotions, salaries, and benefits (Meshksar, 2012), also serving and meeting the demands of bosses is considered a must for subordinates (Young, 2013). It has been a mental programming within this type of organization, not only those in power but those at the bottom of the hierarchy as well, so everybody approved the differences (Hofstede, 1983). In common practice, management is not expected to consult with their subordinated, reversly, subordinate is not expected to express agreement or disagreement in the decision-making process (Harada, 2017).

4.5.1.3. Peace and Harmony

Wa or peace and harmony is a paramount principle to live life as Japanese. *Wa* is believed as the embodiment of Japanese culture since it is used as the foundations of a working relationship (Harada, 2017). There are several Japanese principles that support the realizable of *wa*, namely:

- The concept of *on*, which enforce Japanese employee to not disclose any

unethical behavior of others in a position of authority. Based on the culture, a person should not do or say anything beyond what is prescribed by his position. *On* is prescribe in daily life when and how to bow when greeting to each other (Morgan & Burnside, 2014).

- *Jicho* is defined as “to respect oneself” which means to avoid doing or saying anything that would make one become subject to criticism (Morgan & Burnside, 2014). Conventional Japanese supervisor may have handled the issue instead of humiliating his peers (Wiguna, 2012). In other practice, a subordinate who desired to be in executive’s chain needs to be mindful in order not to draw criticism or bothersome over themselves. They will never be ahead of their bosses and they won't make inquiries too. And, more or less, they will go on with the rest of the people and they will wait for their turn (Gheorghe & Gyongyver, 2007).
- Morgan and Burnside (2014) had cited the definition of *makoto* or obedient from the book *Japan: Understanding & dealing with the new Japanese way of doing business!* Obedient or *makoto* in Japanese as “to properly discharge all of one’s obligations so that everything will flow smoothly and harmony will be maintained. It also means being careful not to say or do anything that would cause loss of face”, sometimes neglecting the truthfulness and honesty. Social harmony is believed to be achieved through conformity and obedient to higher authority. Under this principle, it is rude for a worker to talk or act outside the extent of his or her prescribed position. Therefore, *makoto* keeps numerous people from testing the choices of their bosses and

disheartens them from revealing any issues that may arise (Engelberg, 2016). Michael Woodford in his book wrote "What is Japanese is the culture of deference and obedience. These qualities make hiding corrupt transactions much easier. You have people blindly following leadership. I saw even more of this after I made it public" (Lubin, 2012).

- A famous proverb "speech is silver, silence is golden" reflects how Japanese society or *chinmoku* saw silence in their day to day life. To begin with, it is essential to know in what kind of situation *chinmoku* is used by Japanese. *Chinmonku* mostly used when someone has something to say but do not want to express his or her mind since silence is commonly indicated thoughtfulness or hesitation in trying to find a good way to communicate smoothly (Davies & Ikeno, 2002). Another reason for being silent is that silence is believed as a way of creating harmony and avoid conflict (Eli, 2017). The individual who persists in his or her opinion before the group is viewed as selfish and forward. In addition, show off personal ability or skill openly is categorized thoughtless, impolite, and immature. Thus, it would be better to say nothing than causing misconceptions and trouble.

As Larry Samovar, Richard Porter, and Edwin McDaniel (2010) wrote in their book that in Japan, silence is linked to credibility, wisdom, and emotional self-control. At the beginning of a business relationship, being introverted is perceived better.

4.5.2. Low Individualism

Japan scored 46 in the individualism dimension of Hofstede, in other

words, Japan has collectivist tendencies in their society. Japanese is not familiar with the western concept of “personality” but *jen*, the term which used to describe a "human constant" which includes the person and his or her surrounding environment (Yeh, 1988).

In the general collective society, the workplace itself may become an in-group in the emotional sense of the word. The relationship between employer and employee is seen in moral terms. It resembles family relationship, with mutual obligations of protection in exchange for loyalty. Therefore, there are several characteristics of Japanese culture regarding low individualism dimension, there are:

4.5.2.1. Group-Think

Unlike in the Western country, Japanese highly valued cooperative attitudes and conciliatory. Therefore, the concept of *Shudan Ishiki* which means “group consciousness” refers to the rules or social patterns that exist within any group (Cotter, 2011). *Shudan Ishiki* teaches that maintaining group harmony is overweight the individual, so they would feel as if one person leaves the group, then the rest of the group will split up and go separate ways.

For instance, a Japanese identified themselves as part of the group when introduced to someone e.g. they will entitle themselves as belonging to the company that they work, on the other side, Westerners more likely to identify themselves by their job title (Cotter, 2011). In the book *Japanese Today: Change and Continuity, Enlarged Edition* , Reischauer and Jansen

wrote that a job in Japan means identification with a larger entity and a fascinating feeling of being part of something big whereas Americans have a tendency to emphasize on a specific skill and ready to sell the skill to the most prestige bidder (1995, p. 128). Uchi (in-group) and Soto (out-group) are two dominant categories in Japanese thinking (Ghemawat & Reiche, 2011). Life consists of remaining in the *uchi* while avoiding *soto* status. Because Japanese people tend to think as a group, what benefits the group is seen as the correct thing to do, even if the individual suffers from the decision (Javon, 2016).

In positive sense, *shudan ishiki* aids people in the society or organization to be more focus on the group harmony, which is the predisposition to see themselves as a group and rely themselves on each other, therefore, a solid friendship and a peace workplace that helps keep disputes from the public are formed (Young, 2013). In a recent study, the Dentsu Institute reported that only 8 percent of Japanese people surveyed said that they would maintain their own opinion even if it meant falling out with others, which was the lowest percentage in all Asian countries (Glosserman, 2001).

However, oftentimes, employees will use groupthink to rationalize the validity of impermissible acts by concluding that other employees exhibit the same behavior. Under such cultural norms, widespread corporate fraud is easily achievable and oftentimes goes unnoticed (De Mente, 2012; Engelberg, 2016; Morgan & Burnside, 2014).

4.5.2.2. Loyalty

A fundamental concept of understanding Japanese culture and particular characteristic patterns of behavior among the Japanese arising from traditional attitudes toward moral duty and social obligation is known as *giri* (Davies & Ikeno, 2002). Actually, *giri* does not have a literal meaning in English but if pressed to define, it embodies a value akin to an obligation or duty strongly motivated by a perceived sense of loyalty to a person or organization. It is also often translated into western culture as a "burden of obligation". This accurate description refers to the prevalence of behavior guided by a collective understanding of doing what is best for the person or organization we are obliged to, above considerations based on individual preferences or opinions. This particular sense of obligation is also guided by the assumption that the other part (be it a person or organization) will take care of its subordinates (Beneden, n.d.).

In the Japanese business community, subordinate employees are expected to demonstrate a deep level of commitment and loyalty to their corporate managers (Engelberg, 2016). The sense of *giri* very often continues after working hours as the company culture helps develop a strong sense of belonging and ownership among its employees. However, according to Besser (1993), Japanese employees work harder and are loyal to their employers because of the social pressures of their families and the environment. This is another point that makes the Japanese worker more

committed but not necessarily “self-motivated” because of the company or the work performed. Rather, this stems from outside pressures and might be a negative commitment (Aljayi, Fjer, Guennioui, & Tamek, 2016). More, this unquestioning loyalty can push people towards protecting their groups regardless of their actions whether it is good or bad, so, it is very hard to prevent collusion happened (A. Yamen, Al Qudah, Badawi, & Bani-Mustafa, 2017). However, it backs to the core value of the organization itself, whether seen loyalty as a positive or negative thing.

4.5.3. High Masculinity

With a score of 95, Japan became one of the most masculine countries in the world. In many cultures, masculinity is linked to the levels of testosterone found in a person: higher levels of testosterone tend to encourage behaviors that are traditionally attributed to men (Boon, 2005). The two main characteristics of Japan in respect to their high masculinity dimension are:

4.5.3.1. Being dominant

Masculine cultures such as Japan are thought to reflect a dominance of tough values such as achievement, assertiveness, competition and material success, which are almost universally associated with male roles (Ghemawat & Reiche, 2011). In cultural preference, this expressed hierarchical system observed in the seating arrangements. This implies a paternalistic culture, where the leader is a father figure, both commanding and protecting his subordinates (Cleary, 2005).

In female perspective, Japanese woman shows her dominant side at home as mothers and wives and in the workplace as well since the businessmen are dependent on women to complete certain tasks, which many women use to their advantage (Cochran, 2009). The example in the organization is that employees want their company to be the best in everything, they want the company to deliver the best goods and services. They will work long hours and fall asleep at their desks because they are driven to make their company the most successful.

4.5.3.2. Highly successes oriented

As I mentioned before, the Japanese heavily emphasizes achievement and competition. No wonder, this behavior is rooted because since a very young age at kindergartens, children learn to compete on sports day for their groups (traditionally red team against the white team). In combination with their mild collectivism, you do not see assertive and competitive individual behaviors which we often associate with masculine culture. What you see is a severe competition between groups. For instance, in corporate Japan, you see that employees are most motivated when they are fighting in a winning team against their competitors. In addition, employee prefers in merit-based opportunities for high earnings, recognition, advancement, and rewards, characteristics almost taken for granted in the U.S (Newman & Nollen, 1996).

4.5.3.3. Shame of Losing Face

This attribute is also related with the high masculinity dimension of Japan who has high pride. Since ancient Japan, people have regarded themselves as being a highly superior cast of people who just cannot lose to anyone, to 'Conquer' is what they aim to achieve, Recall World War II (Essays, 2013b). Thus, losing is totally unacceptable and disgraceful because it can make someone lose its “face”.

Kao is a major factor of the Japanese social system which refers to the notion of 'face'. The face is a mark of personal pride and forms the basis of an individual's reputation and social status, others define face as dignity and self-esteem as well (Alexis et al., n.d.).

Preservation of face comes through avoiding confrontations and direct criticism wherever possible. In Japan, causing someone to lose face can be disastrous for business relationships (Limited, n.d.)

4.5.4. High Uncertainty Avoidance

At 92 Japan is one of the most uncertainty avoiding countries on earth. This is often attributed to the fact that Japan is constantly threatened by natural disasters from earthquakes, tsunamis (this is a Japanese word used internationally), typhoons to volcano eruptions. Under these circumstances, Japanese learned to prepare themselves for an uncertain situation. This goes not only for the emergency plan and precautions for sudden natural disasters but also for every other aspect of society. You could say that in Japan anything you do is prescribed for maximum predictability.

From cradle to grave, life is highly ritualized and you have a lot of ceremonies. For example, there is an opening and closing ceremonies of every school year which are conducted almost exactly the same way everywhere in Japan. At weddings, funerals and other important social events, what people wear and how people should behave are prescribed in great detail in etiquette books. School teachers and public servants are reluctant to do things without precedence. Here are some major characteristics that Japan has in respect to high uncertainty avoidance dimension:

4.5.4.1. Mutual Trust

The spirit of *shinyo* (mutual confidence or trust) is also very important in Japanese society. As a result, if a Japanese person lost *shinyo* in a Japanese company, he or she cannot work there. It may even lead to hara-kiri (or seppuku as Japanese say). This is ritual suicide that may be the result of the loss of confidence or trust. Japan is a high-trust society and this form the pillar of business relationship for them. When the Japanese *keiretsu* (conglomerate) system was created, it was based heavily on trust and its success was ascribed to mutual confidence (Harada, 2017).

Omoiyari is the other concept that relates to the sense of empathy and loyalty encouraged in Japanese society and practiced in Japanese business culture. In literal terms it means ‘to imagine another's feelings’ and therefore building a strong relationship based on trust and mutual feeling is vital to business success in Japan (Limited, n.d.). Moreover, Japan also has a term of ‘an unspoken agreement’ or called as *anmoku no ryokai* (Harada,

2017). Hence, if the Japanese understand each other, they don't necessarily need to talk in front of other people when making a decision because the context is implicitly expressed.

Therefore, in the Japanese business environment, personal and tight relations between business partner is very crucial because there is a likelihood that the business cannot be done without it. But at the point when the situation like this happens, they will say they “do business with the enemy” (Gheorghe & Gyongyver, 2007).

4.5.4.2. Reluctant to Change

The other common characteristic of a country with this dimension is its emotional resistance to change because people tend to be a traditionalist who complies to the same ideas and standards as a method for managing uncertainty (Bernardi & Long, 2011). A strict code of convictions is preserved and there is no tolerance for new thoughts, because of the likelihood of creating unknown (Harada, 2017; Young, 2013).

Japanese as a nation is really proud and strive for its cultural heritage even in day to day activities. Even after Japan open to the process of modernization in the mid-nineteenth century, the people still preserve its traditional value. The slogan “Japanese spirit, Western skills” (*wakon yosai*) and Japanese educational system buttressed this process (Wiguna, 2012). For instance, managers in Japanese company have to remain in touch with their cultural roots even though the business world place is becoming more

global (Ford & Honeycutt, 1992). Foreigner never saw as part of the group and called as *gaikokujin*, which literally means is an outside country person (Cotter, 2011). According to Davies and Ikeno (2002, p. 217) “The Japanese generally call people from other countries *gaijin* no matter how long they have lived in Japan or how well they speak the Japanese language, as consequence, meaningful relationship is hard to build”.

4.5.4.3. Risk Adverse

Structured and predictability are preferred by country with high uncertainty avoidance score, which results in explicit rules of behavior and strict regulation (Ghemawat & Reiche, 2011). The society within these cultures does not readily accept change and make them very risk adverse (Meshksar, 2012). Risk adverse should not be confused with risk avoidance, as explained by Hofstede (2001) risk adverse does not mean one’s willingness to take or avoid risk, instead, it is related with preferences for clear rules and guidance. No exception for Japanese who have a very high score in this dimension, they dislike facing and being surprised by ambiguous situations. The Japanese appear to be very risk adverse, perhaps due to their collectivist nature and subsequent stringent rules, as more people need to be considered when taking risks.

In the Japanese company, time and effort are mostly put into feasibility studies and all the risk factors must be worked out before any project can start. detailed facts and figures are determined carefully before

taking any decision. In working life, Japanese employees prefer the safety of lifetime employment because of their concern for security and career stability over a lifetime (Harada, 2017).

4.5.4.4. Social Anxiety

Because of its uncomfortableness with an unknown situation, the Japanese and other society with high uncertainty-avoidance culture have a high level of stress and anxiety (J. A. Gray & MacNaughton, 2003). This fact is supported by a study from Lynn and Hampson (1975) that found out uncertainty avoidance is related to and correlated with cultural anxiety. With the mix of collective culture, when the member of culture construes the self as a social threat, anxiety in Japan is referred to social anxiety or in Japanese terminology called as *Taijin Kyofusho* (TKS). TKS is portrayed as an obsession of shame, manifest by a morbid fear of embarrassing or offending others by blushing, emitting offensive odors or flatulence, staring inappropriately, improper facial expressions, a blemish, or physical deformity (Takahashi, 1989). Social avoidance will be generated from fear of offending or bringing shame upon others in public. The key factor of social avoidance is the dread of upsetting group cohesiveness by making others uncomfortable (Good & Kleinman, 1985; Reynolds, 1976) in (Kleinknecht, Dinnel, Kleinknecht, Hiruma, & Harada, 1997).

Hofstede (Hofstede, 1983) predicts that there will be consequences for organizations in high uncertainty avoidance countries. These include

more structuring of activities, more written rules, a larger number of specialists, more uniformity and standardization, less individual and risk-taking managerial style and that is more task-oriented, lower labor turnover, less ambitious employees, higher satisfaction scores, more power through control of uncertainty and more ritual behavior (Yeh, 1988).

4.5.5. High Long-Term Orientation

Members of East Asian countries understand all social interactions within the context of long-term interactions. Japan scored 88, which makes the country has Long-Term Orientation oriented societies. Japanese perceives their life as a very short moment in a long history of mankind. Thus, some kind of fatalism is common to the Japanese. You do your best in your life time and that is all that you can do.

4.5.5.1. Long-term Employment

One of the characteristics of Long-term orientation countries are their personal and business relationships are maintained and reinforced through continuous, long-term associations (Yeung & Tung, 1996). These societies tend to foster virtues oriented towards future rewards, and thus these countries score high on the LTO index (Hofstede, 1991). In Japan, the dimension is reflected by the employee commitment towards work and one particular company (Besser, 1993). Employees believe that time is needed to achieve business results (Yasar, 2014). For management practices, a long-term cultural orientation includes providing long-term employment

and solving problems for the long term rather than making quick fixes (Newman & Nollen, 1996).

It is revealed in their low-level of turnover and absenteeism compared to countries such as the US. One the most important reasons for this high commitment among Japanese employees is because companies demand a level of commitment in the Japanese culture that does not necessarily correlate with personal worker commitment. If the worker shows up to work more and changes jobs less often, he or she will yield better results than the counterpart who is absent or always changing jobs (Aljayi et al., 2016).

The long-term employment starts at the hiring system of Japanese corporate governance model. The system recruits employee directly from school or university and is expected to remain employed by the company for the length of his or her professional career. In return, he or she can expect not to be fired or discharged, except under extraordinary circumstances. The basis of this agreement is the commitment of employers to provide secure employment in return for loyalty and “lifetime” service. The employer can rely on loyal employees and their dedication to work hard in exchange for the investment in their training (Wiguna, 2012).

4.5.5.2. Family System

Cultural theories of long-term employment describe the company as a family system (Alexis et al., n.d.). The seed of this family concept of

companies is deeply rooted in Japanese culture, based on obedience, hierarchy, and loyalty which all make up important elements of Japanese culture. Japanese employees often refer to their companies as *Uchi* (home) to describe the company where they work. This means more than “the place where I work” (Gheorghe & Gyongyver, 2007). For those Japanese who work for big, acknowledged companies the place where they work is more important than their profession or what they work. The company symbolizes as *Kaisha*, the organization where people are not united by the contractual relationship but includes an element of association resembling of a family. By characterizing the employee as a family unit within the company, the company will achieve a greater level of loyalty from their employees (Wiguna, 2012).

This also relates to the Confucian aspect of "face," which deals with the reputation of the individual. If something is done that brings disgrace upon an individual in Japan, there is not the only disgrace for him, but also for his family (Ford & Honeycutt, 1992).

4.5.6. Low Indulgence

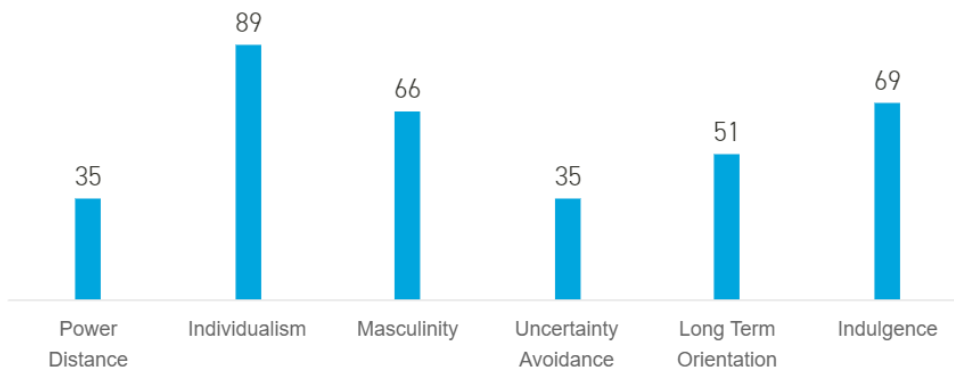
Japanese appears to be restraint on the Hofstede’s graphic with a low score of indulgence dimension of 42. Societies in this pole have an inclination to cynicism and pessimism, thus, lead to negativity (Hofstede et al., 2010). Likewise, the Japanese do not think leisure time and control the gratification of their desires are as important as in indulgence culture, yet work takes the top

priority in the lives of many Japanese. Individuals with this orientation have the mindset that their actions are controlled and restricted by social norms and feel that indulging themselves is somewhat wrong (Hofstede, n.d.). Moreover, with the mix of high uncertainty avoidance score, in enjoying life, Japanese also restricted with many regulations that control the behavior of people.

In decision making, people of restrained culture are moderate and have (or let themselves to have) limited wants and desires. They tend to define a discipline for each behavior and try to keep themselves generally disinterested in the opposite (Koc, AR, & AYDIN, 2017). Moreover, higher levels of restraint are significantly correlated with a feeling of pessimism and negativism as restraint and limitations tend to foster negative feelings and a lack of trust (Hofstede et al., 2010). Historically, restraint has been a Japanese ideal, a historian Mark Borthwick explained that since feudal century system, Japanese are trained to be obedient and work hard, it even became the key of government strength up to an early twentieth century (Donahue, 1998). A tough sword-bearing military class sharpened the culture of hard work, thrift, self-discipline, and obedience.

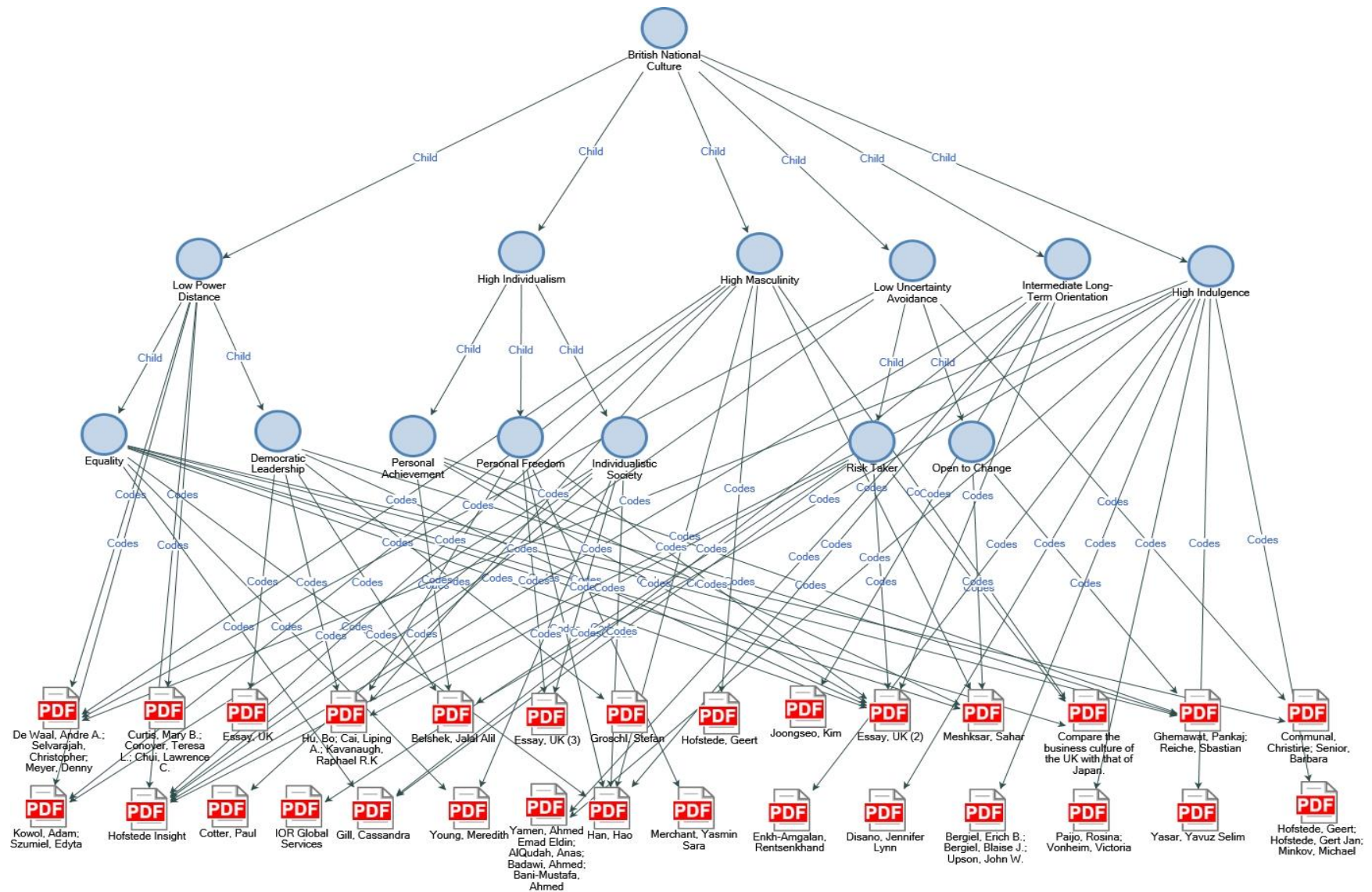
4.6. United Kingdom National Culture in Hofstede Dimension

Figure 4. 5 The British National Culture Dimension Scores



Source: <https://www.hofstede-insights.com/product/compare-countries/>

Figure 4. 6 Analytical Map of British National Culture Based on Hofstede Dimensions



Source: Processed from NVivo 11 by the researcher

4.6.1. Low Power Distance

According to the Hofstede's (1983) concept, the distance in inequality between boss and subordinate measured by power distance index (PDI). At 35 Britain sits in the lower rankings of PDI – i.e. a society that believes that inequalities amongst people should be minimized. Interestingly is that research shows PD index lower amongst the higher class in Britain than amongst the working classes. The PDI score at first seems incongruent with the well-established and historical British class system and it exposes one of the inherent tensions in the British culture – between the importance of birth rank on the one hand and a deep-seated belief that where you are born should not limit how far you can travel in life. A sense of fair play drives a belief that people should be treated in some way as equals.

4.6.1.1. Social Equality

A country with low power distance score is avoiding various kinds of social and class inequalities in the day to day life. A society expected the establishment of formal legal equality and hope the essence of organization is rational distribution (Han, 2014). An example of this distribution of power can be found in the government dependencies which are spread across the country. Teamwork is taught since early education stages. The objective is to combine individuals' capacities in order to create a comprehensive body which can deal with a broad range of scenarios and

challenges. Team sports are a clear example of the emphasis on teamwork. Team sports are part of the educational system and are intensively promoted in the UK's schools (BBC, 2008).

In the organizational context, British managers are good at teamwork, build good relationships with staff and motivate their subordinates to perform (Communal & Senior, 1999). The level of Supervisors and employees are considered almost as equals; thus, accountability is evenly distributed. In this manner, public and private bodies can be flexible, dynamic, and resilient (Essays, 2015). Therefore, United Kingdom has flatter organization pyramids, less power centralization, and smaller proportion of supervisory personnel, smaller wage differentials and high qualification of lower strata comparing with the situation in a large power distance countries such as Belgium and France (Meshksar, 2012).

4.6.1.2. Democratic Leadership

The other implication of UK low power distance's score is it represents the long tradition of UK as a country where individuals hope to be managed by consent and incline toward a leader who consults extensively and permit contribution by the staff (Essays, 2015) (Ghemawat & Reiche, 2011).

The participative culture is clearly shown in the decision-making process. Participation is encouraged in private and public institutions. In the

private sector, employees are managed to express their opinions about the firm's strategies via corporative communication tools. In the public sector, people have several communication channels to get involved in the decision-making process. Major changes in legislation, for instance, are open to involved parties in order to gather as much information as possible. Based on feedback, representatives amend, reject, or approve laws (Essays, 2015).

4.6.2. High Individualism

Individualism is characterized by the tendency of people to look after themselves and their immediate family only. The high score of 89, which rank 3rd highest on global rank, indicates that the British society tends to have a high valuation on people's time and their need for freedom. It also has an enjoyment of challenges and an expectation of rewards for hard work and a high respect for privacy.

In the individualism culture, family relationship in work environment is undesirable, as they may lead to nepotism and a conflict of interest. An employee in individualist society expected to act rationally in the interest of himself but considering also coincidence with employer's interest as well.

4.6.2.1. Individualistic society

The British are a highly Individualist and private people. Children are taught from an early age to think for themselves and to find out what their unique purpose in life is and how they uniquely can contribute to

society. The route to happiness is through personal fulfillment (Hofstede, 1983).

The British nation can be described as moderately individualist. This is apparent in the more incessant use of the "I" form, in contrast to the use of the "we" form. They feel comfortable making decisions on their own and do not hesitate to assume personal responsibility. Since consulting superiors and reaching consensus is not deemed necessary, the decision-making process is short. Although this may seem beneficial, saving time in decision-making is often followed by significant delays due to implementation problems.

4.6.2.2. Personal Freedom

Individuals from individualistic culture highly value the uniqueness over harmony, expression over the agreement, and to characterize themselves as unique or different from the group (Han, 2014). The emphasis on the individual freedom rather than the group has also roomed a debate culture which is spread across UK's society. The typical example is the parliament where each representative is allowed debating his ideas with any other member. Additionally, almost all major legislations are open to debate (Essays, 2015). Thus, debate culture is easily identified in UK's people. It can also be seen by British students that are very well known for their excellent verbal skills which allow them to debate and argument in a solid manner.

Through linking this concept to organizations, individualism is likely to lead to a network where there may be a range of opinions as workers only look to protect their own self-interests and may not be doing what in the best interest of the organization as a whole (Essays, 2013a).

4.6.2.3. Personal achievement

Individualism has also created a culture which is highly oriented to reward the hard work (Ghemawat & Reiche, 2011). The individualists try their best to do better and better, and finally become the best, they have strong upwards mobility; at the same time and overestimate the importance of their work in group work (Meshksar, 2012). Therefore, personal achievement is more emphasized.

As an example, the banking sector in the UK is well known for motivating its employees by granting bonuses according to objective accomplishment. Bonuses are, somehow, a way to pay tribute to people's time. The government faced a strong resistance after the global financial crisis when the conservative faction legislated to finish this practice. Financial institution claimed that reward mechanism was necessary to motivate people to invest their time to achieve firms' objectives (BBC, 2009).

4.6.3. High Masculinity

At scores 66, Britain is a masculine society-highly success oriented and driven (Hofstede, 1983). And the result reflects the fact that the society and

culture emphasis on the equality between sexes. A key point of confusion for the foreigner lies in the apparent contradiction between the British culture of modesty and understatement which is at odds with the underlying success driven value system in the culture (Han, 2014).

In consequence, the society in the UK judge individual status based on their personal achievement in life, no wonder, income and being famous are considered paramount. Frequently, the first question in a conversation is "What did you study?", not "Where did you study?". Academic titles are often considered irrelevant in a business environment (Kowol & Szumieł, n.d.). According to Fons Trompenaars and Charles Hampden-Turner (2011) in Britain, it may not be considered relevant for a consultant to have a Ph.D., and if attention is drawn to it, the status claimed is not necessarily legitimate.

Because of the high motivation of achieving something visible and a tendency to show off, the level of job stress is high in this circumstance (Meshksar, 2012). Moreover, people challenge and recognition in jobs and prefer for large corporations.

4.6.4. Low Uncertainty Avoidance

At 35 the UK has a low score on Uncertainty Avoidance which means they comfortable with ambiguous situations. The nation is not worried to wake up and not knowing what the day brings and they are happy to 'make it up as they go along' changing plans as new information comes to light. There are generally not too many rules in British society, but those that are there are

adhered to (the most famous of which of course the British love of queuing which has also to do with the values of fair play). In work terms, this results in planning that is not detail oriented – the end goal will be clear (due to high MAS) but the detail of how we get there will be light and the actual process fluid and flexible to emerging and changing the environment. Planning horizons will also be shorter. Most importantly the combination of a highly Individualist and curious nation is a high level of creativity and a strong need for innovation. The other major characteristics of this dimension are:

4.6.4.1. Open to change

The UK low ranking in low uncertainty avoidance refers to their tolerance for a new variety of thoughts, belief, and different view (Ghemawat & Reiche, 2011). It may be due to the fewer rules and low expectation of individuals to control all the outcomes and result (Meshksar, 2012). The combination of high individualism dimension and the curious nation is a high level of creativity and a strong need for innovation. What is different is attractive! This emerges throughout the society in both its humor, heavy consumerism for new and innovative products and the fast highly creative industries it thrives in – advertising, marketing, financial engineering (Hofstede, n.d.).

4.6.4.2. Risk taker

Another characteristic of UK in respect to this dimension is the risk acceptance. Uncertainty and ambiguity are believed to be natural and

necessary in life, thus, risk-taking is encouraged. UK's people face the change and propose options to change their current scenarios with the implied risks. An interesting feature is that they need and expect a structure or framework in order to identify their field of action. Plans, then, should be clear and concise about expectations and parameters (Essays, 2015).

Additionally, due to the combination of individualist culture, as perhaps people do not have to consider the resulting effect on other people to the same extent as the collectivist culture society (International Comparative Management, 2005), which makes them value creativity and individual choice, hence, are free to take risks (Gill, 2017).

4.6.5. Intermediate Long-Term Orientation

This dimension describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies priorities these two existential goals differently. UK scores 51 which indicates the nation has an intermediate score for this dimension. According to Hofstede (Hofstede, n.d.), an intermediate score of UK makes it hard to determine a dominant preference of British culture. However, other resources described that UK is more inclined to Low-Term Orientation characteristic because the UK is considered to have a western culture just like Norway and Kenya (Gill, 2017) (Han, 2014).

A country with low index promotes equality, high creativity, and independence. This implies that they are not very attached to customs and traditions. Individuals treat others as equivalents and self-actualizations is

looked for. Society members are respectful of others and do not hesitate to introduce necessary changes, in other words, they are very dynamic (Essays, 2015). Another characteristic is that they tackling issues in smaller parts and resolving the problem as soon as possible, focus more on quarterly goals and quick results (Han, 2014).

4.6.6. High Indulgence

Just like a typical western country, the UK has a high score in indulgence dimension with the score of 69, thus the UK is in the category of indulgence culture. In indulgence type of society, the core value is “pleasure in life”. Further, people possess a positive attitude and have a tendency towards optimism. Words like fun, laugh, dance, leisure, play, like to, sex, freedom, vary, spend, extraverted, and optimistic have a positive connotation in “indulgent cultures” (Yasar, 2014). Nevertheless, overspending money, for instance, is fun and acceptable in high indulgence culture. Just like the US which has score 68, British like to spend money on luxury things such as sports car or branded fashion, and this is considered as part of their life (Bergiel, Bergiel, & Upson, 2012).

Other attribute regarding this culture is that material rewards are not so effective since individual cherish their happiness on other values like gratitude and empowerment. Here, people tend to give more value on freedom of expression and enjoying moments. Multinationals investing or having business relationships in this kind of country should focus on giving good experiences to people with whom they’re in contact. Moreover, with the mix of low uncertainty

avoidance, people are also more relaxed than in restraint culture.

In spite of the fact that Hofstede (2010) defines Indulgence above as a positive inclination, in numerous societies indulgence have lower scores on moral discipline, their members are less likely to value moderation and to have few desires, which can lead to misbehavior. Moreover, sometimes it regards as putting one's self before another, or connect to greed and slovenly behavior. With a high score of indulgence, on is possible to be more disposed to look after one's own interest before that of a needier population or the collective responsibility a union requires; financially and morally.

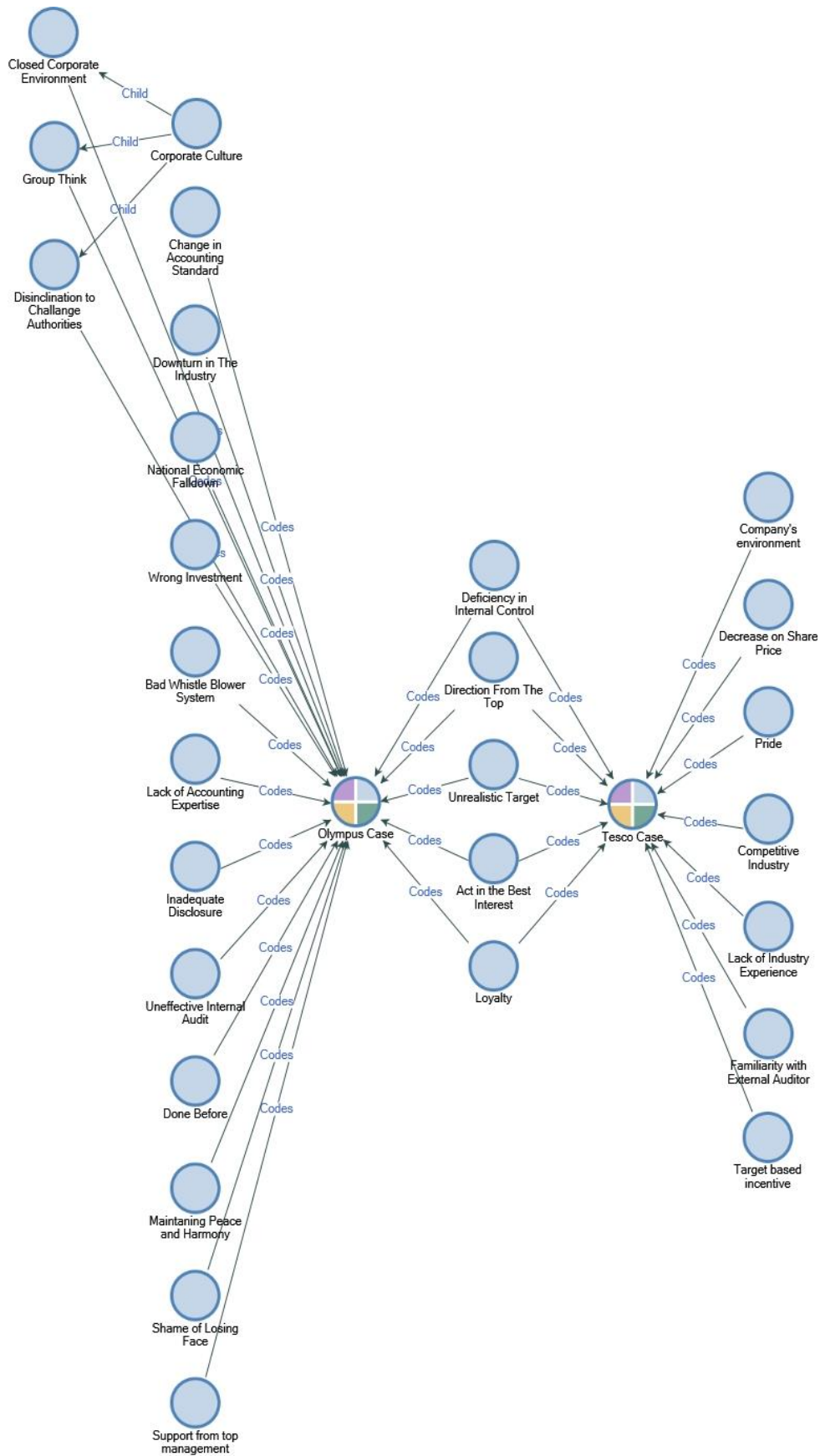
4.7. The Effect of National Culture in the Emergence of Financial Statement Fraud

This section aims to answer the fifth problem formulation, which is how the national culture of each country where the company's run affects the emergence of financial statement fraud in each case. In the first section, the researcher analyzed the similarity and differences between the causal factors of both cases, then analyzing the similarity and differences between national cultures, and finally analyze the relationship between the causal factors and national culture.

4.7.1. Analysis of the Similarity and Differences of The Causal Factors

The researcher compared the causal factors of financial statement fraud that was committed by Olympus Corporation and Tesco plc with the view from the elements of the fraud triangle namely pressure, opportunity, and rationalization. The researcher used an analytical map, and matrix coding query to explain the analysis. The reason was that these media were complemented each other.

Figure 4. 7 Analytical Maps of Comparison Olympus Corporation and Tesco plc Case Analysis with Fraud Triangle



Source: Processed from NVivo 11 by the researcher

Table 4. 1 Matrix Coding the Similarities and Differences between Causal Factors

	A : Tesco Case	B : Olympus Case
1 : Closed Corporate Environment	0	2
2 : Disinclination to Challenge Authorities	0	3
3 : Group Think	0	3
4 : Deficiency in Internal Control	4	7
5 : Familiarity with External Auditor	3	0
6 : Inadequate Disclosure	0	1
7 : Internal Audit	0	2
8 : Lack of Accounting Expertise	0	1
9 : Lack of Industry Experience	4	0
10 : Unfunctional Whistle-blowing System	0	3
11 : Change in Accounting Standard	0	2
12 : Company's environment	3	0
13 : Competitive Industry	4	0
14 : Decrease in Market Share	3	0
15 : Direction From The Top	4	2
16 : Lose Corporation Position	0	1
17 : National Economic Fall Down	0	5
18 : Pride	2	0
19 : Target based incentive	2	0
20 : Unrealistic Target	8	3
21 : Wrong Investment	0	4
22 : Act in the Best Interest	2	3
23 : Done Before	0	2
24 : Loyalty	3	4
25 : Maintaining Peace and Harmony	0	2
26 : Shame of Losing Face	0	3

Source: Processed from NVivo 11 by the researcher

Notes: The number in the cell above shows the number of sources coded

4.7.1.1. **Pressure**

The first component of the fraud triangle is pressure which is the need for a person or group to commit fraud. The biggest pressure for both Olympus and Tesco at the initial time they committed fraud was financial pressure. Known as the giant and successful company in each industry and country, the declining profit became the biggest slap for these companies, and with the low morale, fraudulent financial practices were chosen as the way out. Nevertheless, for the Olympic case, it was started with Japan economic crisis in the 1980's, when the price of yen excess U.S dollar magnificently. As a company that exported its products abroad, it resulted in Olympus profit decline by more than fifty percent. The situation worsened when the Olympus took a wrong decision by investing in speculative investments called *zaiteku*, which cost 100 billion yen, or about \$730 million loss at the exchange rate at the time. Last but not least, there was a sudden change in Japan accounting standard that adopted international standard from valuing investment at a cost to at market value. Meanwhile, for Tesco scandal, the causes of financial pressure were a highly competitive retail market and the sudden decrease on market share. The entrance of various deep-cost-cutter competitors created first profit drop for Tesco in 20 years.

The second similarity pressure is both cases are done by the command of the top executives of the company. The president of Olympus, Shimoyama, was the one who initially wanted to involve in high-risk

investment in order to elevate the company's profitability, yet when the planned was failed, he commanded all the members in Olympus to cover the loss under Yamada and Mori's supervision. The next president appointed, Mr. Kikukawa, then continued its concealing scheme until it was being uncovered. For Tesco, the order was made by three former executives, Chris Bush, John Scouler, Carl Rogberg. They are alleged to have falsified accounts records, to have concealed information from auditors and to have coerced junior employees to falsify figures (Hipwell, 2018).

An unrealistic target that was set by the top executives also became a huge pressure for the employees inside Olympus and Tesco. Tesco investigation report said that the main goal for Tesco commercial team was achieving the budget margin target even though it was unachievable at that time with a high level of debt and low level of cash flow. Similar with Tesco, Olympus president Shimoyama aggressively set high profit during a meeting on 20th May 1987. The point of the meeting was decided to pursue active financial management policies that would aim to manage surplus funds for maximum effectiveness while using appropriate risk management (Third Party Committee, 2011)

The researcher also found various different factors that pressed both Olympus and Tesco to conduct fraud. In addition to the above three things, the lose of corporation position triggered Olympus to hide the huge loss. Known as the successful camera, medical tool, and optics producers, the huge loss surely will ruin their reputation in the public, not to mention about

the fraudulent actions taken by Shimoyama in the past, once reveal will damage not only the face of the former top executives, but also current executives and company as a whole.

Different case for Tesco, the anxiety environment enveloping Tesco because of the poor financial performance of the company. With high tension environment and low morale, the top executives and employee are pushed to manipulate the figure to fix the situation of Tesco. Tesco also is known to be a company that emphasized on incentive in order to measure the performance of senior staff. According to Morgan and Burnside (2014), high incentive based organization tends to create an atmosphere of stressed and lead the member to misrepresent the financial statement. Eventually, after being the leader in the retailer industry in the UK for decades, the significant decrease in market share and profit declining hurts the pride of the company. Thus, it pushed the company to done everything to save the reputation and pride that they have before.

4.7.1.2. **Opportunity**

The circumstances that allow perpetrator do their fraudulent activity is the definition of opportunity in fraud triangle. The similarity between those two cases is the opportunity which is created by the deficiency in the company internal control, which supposedly prevent fraud and theft in the company. In Olympus, there was no clear segregation of duty especially for people with power. For example, before introducing the term CEO which

was held by Mr. Woodford, Kikukawa held the position for both CEO and President of the company. Hideo Yamada, the leader of the investment department also has a position as the head of Audit Office which creates the opportunity for him and Mori to commit fraud without having discovered by an internal audit of the company. The deficiency also occurred in the job rotation, which did not work effectively, particularly in the finance and accounting departments. It creates the opportunity of only a few people understand how the finance and accounting department works and make it difficult for another department to grasp what had been done in the departments. Worse, there was not a system created in the company for the replacement of presidents, so it had become possible to occupy the position arbitrarily. In addition, a single man is possible to move the company under strong leadership over a long period of time because of Olympus authority concentration system. The centralized control situation enabled Kikukawa to act both as the President and Board of Chairman of Olympus, furnishing him with boundless authority to make all personnel decision, even at board level.

Even though Tesco has deficiencies in their internal control, the form is different from what had been happened in Olympus. The first problem occurred in the transaction system, which allowed the buyer to negotiate commercial deals with suppliers with no oversight from the Finance Department (Kukreja & Gupta, 2016). The supplier arrangements clearly had sufficient “flexibility” to be open to some interpretation or

renegotiation. Also, for 5 months, there was an empty position of CFO which indicated poor succession planning (Merison, 2014). Moreover, some suppliers reported the lack of administration and communication caused the inadequate process and system for correcting data errors, which resulted in delayed payment to the supplier.

The next opportunity is slightly similar. In the Olympus, there was a lack of expertise in finance and accounting which creates a surrounding when nobody gave doubts or deep questions asked as to the credibility of the explanations by the departments in charge. Employees, including the Board of Director just blindly follow the instruction made by Yamada and Mori who lead the investment scams and the only two who had professional finance and accounting knowledge in a giant company as Olympus. Meanwhile, in Tesco, the company boards do not have experience in the retail industry. Tesco board did not have non-executives who had relevant knowledge and experience with supermarket sector (Merison, 2014). This situation could give the same opportunity with what had happened in Olympus.

The rest of the opportunities from both Olympus and Tesco are different. Olympus has a typical Japanese corporate culture which frequently enabled fraud to happen and difficult to detect. First of all, Olympus has closed corporate culture when nobody could freely express their opinion and little openness among the employees. Being quite in order to not offend anyone and not creating any problems are common in

Olympus. Secondly is the culture of disinclination to challenge the authorities because the role of leader in the Japanese organization is very powerful. The decisions made by top management are uncontested and absolute, regardless of the decision was right or wrong. Group-think is also inseparable from the corporate culture of Olympus. This group mentality prioritizes the interests of the group over the individual, even when it has to contradict with moral value. The Olympus financial department also had a rule for not reveal any information that is not required by law or regulation. It increases the opportunity for fraud to happen because of less external parties able to monitor the business process and the financial position of Olympus. Lastly, the whistle-blowing system in Olympus was not used as it should which increase the opportunity for fraud because the action perpetrators are unlikely to reveal. Meanwhile, in Tesco, the other opportunity is the close relationship between the company and the accounting firm because of the long engagement that they had intertwined.

4.7.1.3. **Rationalization**

Rationalization is the final component needed to complete the fraud triangle. It defines as the ability to persuade yourself that something you otherwise know is wrong is really fine to be done. Rationalization in both Olympus and Tesco are the same with more additional components in Olympus. The first similarity is both company rationale their fraudulent actions by assuming that their action is done in order to make the company

in the best condition possible. In Olympus, the top executives create a state of mind for their employee to uphold the company's performance and stock price. On the other side, Tesco executives know exactly their employee was manipulating financial figure, but let it happened. The second similarity is both companies rationalize their bad practices on the basis of their loyalty. In Olympus, being loyal has been a mental programming of each individual. All demands for greater profits, regardless of feasibility, were met using any means necessary, including the inflation of financial figures in a display of loyalty (Engelberg, 2016). In respect with loyalty, the employee could also rationalize their behavior by saying they were only following orders and were not the principal wrongdoer (Kasalana, 2016). A peculiar situation occurred in Tesco because according to researcher findings, only Christopher Bush, a former Tesco UK managing director as well as one of the 3 defendants, whose proven to be loyal toward the Tesco Plc. He worked insane hours and he is willing to do anything for sake of the company.

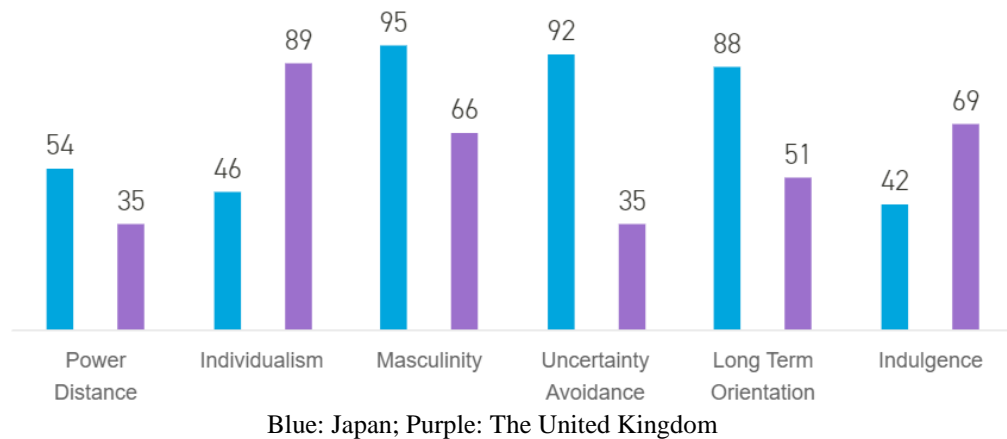
The other three rationalizations belong to the Olympus Corporation. In the first place, the fraud which occurred in Olympus had been running for twenty years without anyone dare to blow-the-whistle. Therefore, practices that repetitively done for two decades could be easily assumed as something "normal" or a habit. The second rationalization is a value that very paramount for Japanese which is the shame of losing face. In this manner, hiding the huge loss by transferring nearly worthless financial assets to shell companies and manipulating account balance was rational for

Olympus for the aim of keeping the “face” of Olympus unstained. Eventually, maintaining the peace and harmony of the group can be used as a rationalization because Japanese companies are cautious to not say or do anything that would cause humiliation and commotion. Therefore, Olympus believed that hiding the huge loss is permissible and none of the Employees will disclose inappropriate behavior of others.

4.7.2. Analysis of the Similarity and Differences of The National Culture

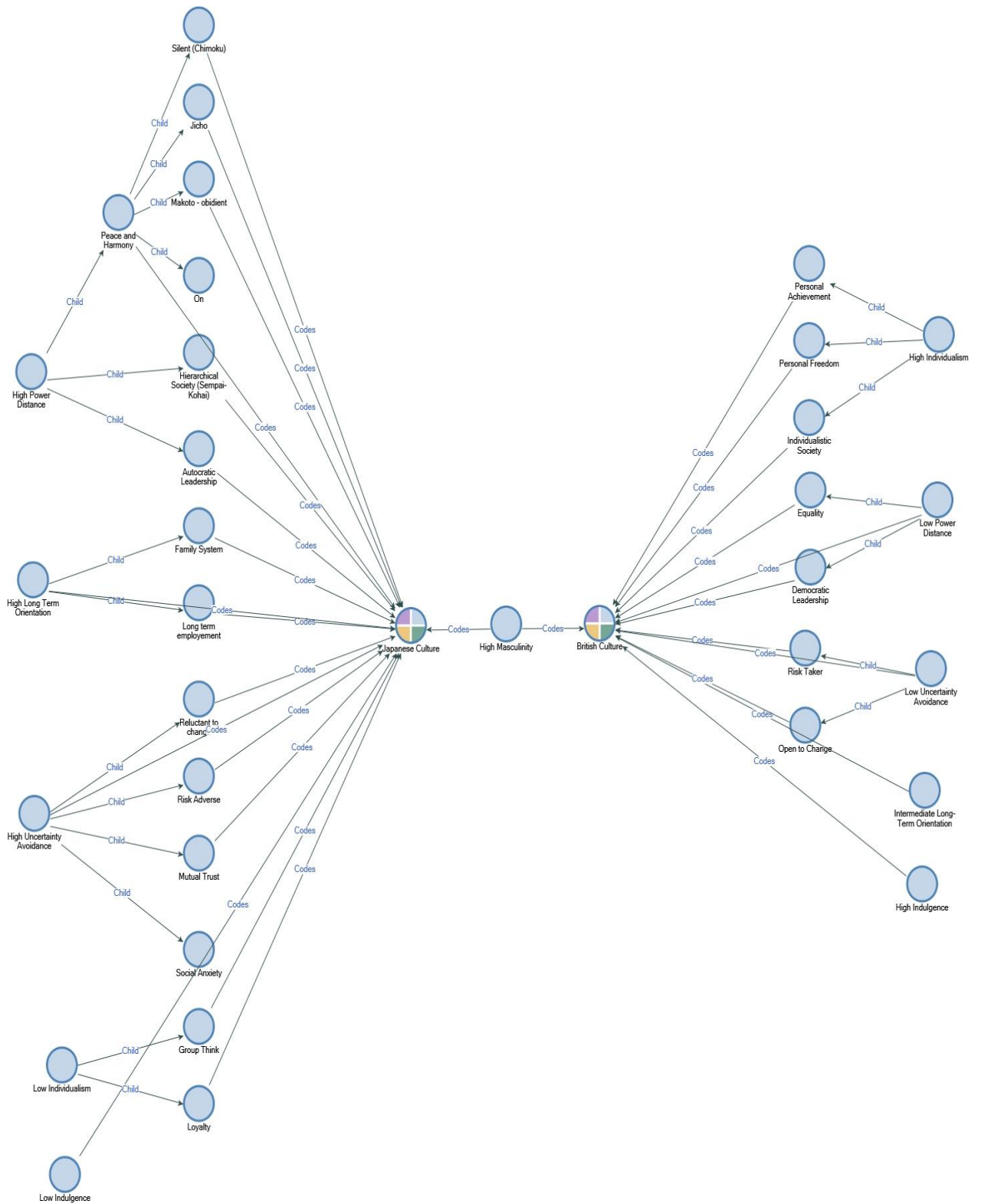
Japan and the United Kingdom (UK) are known as the nations with completely different cultures. Japan has a culture of eastern people and UK has western culture. Besides that, there are numerous methods and systems by which these differences have been described scientifically. These include using Geert Hofstede cultural dimensions that are used in this research. Based on this fact, it makes sense that the researcher found out the differences outweigh the similarity between these countries. The researcher used Hofstede national cultures comparison bar, an analytical map, and matrix coding query to explain the analysis. The reason was that these three media were complemented each other.

Figure 4. 8 The Hofstede’s Cultural Dimension Scores Comparison



Source: <https://www.hofstede-insights.com/product/compare-countries/>

Figure 4. 9 Analytical Map of Comparison Between Japanese and British National Culture with Hofstede Cultural Dimension



Source: Processed from NVivo 11 by the researcher

Table 4. 2 Matrix Coding the Similarities and Differences between National Cultures

	A : Japanese Culture	B : British Culture
1 : Individualistic Society	0	5
2 : Personal Achievement	0	4
3 : Personal Freedom	0	5
4 : High Indulgence	0	8
5 : Family System	4	0
6 : Long term employment	3	0
7 : High Masculinity	10	9
8 : Autocratic Leadership	6	0
9 : Hierarchical Society (<i>Sempai-Kohai</i>)	9	0
10 : <i>Jicho</i>	3	0
11 : Makoto - obedient	3	0
12 : <i>On</i>	1	0
13 : Silent (<i>Chimoku</i>)	3	0
14 : Mutual Trust	4	0
15 : Reluctant to change	7	0
16 : Risk Adverse	5	0
17 : Social Anxiety	3	0
18 : Intermediate Long-Term Orientation	0	5
19 : Group Think	10	0
20 : Loyalty	6	0
21 : Low Indulgence	5	0
22 : Democratic Leadership	0	7
23 : Equality	0	8
24 : Open to Change	0	4
25 : Risk Taker	0	6

Source: Processed from NVivo 11 by the researcher

Notes: The number in the cell above shows the number of sources coded

First of all, let starts with the similarity. High Masculinity is the only dimension that resemblance both countries. Japan is score higher than the UK with 95 and 66 scores respectively. The UK fairly less masculine's score indicates a more relaxed approach to a hierarchical system compares to Japan which has a strong hierarchal system. The most significant characteristic of them is their highly success oriented and driven society. The assertion and competition are high within the country. However, due to the mix of their mild collectivism, Japanese is seen from a group perspective, not the individual.

Progress, income and being famous is of importance for the individual. Higher job stress, challenge, and recognition in jobs, as well as a preference for the large company, become the common characteristics of high masculine nations. In an article written by Meshksar (2012), it also characterized by a belief in individual decisions, but it is not applied to Japan since Japanese also has high collectivism and power distance dimension, which make decision is handed over to a person with higher status such as leader that is believed to act in the best interest for the group.

While some societies valued status to individuals based on their accomplishments, others attribute it by virtue of age, class, gender, education, and so on. The first type belongs to British society. In the UK, people appraise based on what they have been accomplished in life. For instance, in a business negotiation with the British, sufficient data, specialized consultants, and knowledgeable people, while in Japan, seniority and formal position of the team member is more important (Kowol & Szumieł, n.d.).

The other five dimensions between Japan and the UK are distinct. Power distance is the first dimension that is going to be discussed. Japan score 54 which makes it a high-power distance country, while the UK is categorized as low power distance country with score 34. The score indicates Japan can accept the reality that people are not equal better than British. The trigger behind is because Japanese naturally enjoy making rank even in daily life. For example, people can neither be seated nor talk without considering the status and seniority of other people around them (Nakane; cited in (Davies & Ikeno, 2002)). Such vertical hierarchy's system is called as *sempai-kohai* which has a literal meaning as senior-junior in English. The seniority rules and the lifetime employment system are believed as the foundation of life in Japanese organization. The majority of status, position, and salary still depend on seniority, and generally higher position and higher paid are belongs to the older employee. Therefore, autocratic style of leader is common in Japanese organization since it has been rooted as “mental programming” both for those in power and those at the bottom of the power (Hofstede, 1983). The unique value that Japanese held for centuries in order to reduce conflict between those different layers in society is *wa* (peace and harmony). *Wa* is what embodied Japanese culture, thus, without this principle, Japanese cannot live as Japanese (Harada, 2017).

In contrary, low power distance cultures such as British are less comfortable with differences in social class or organization. People expect the creation of formal legal equality and rational distribution in the essence of

organization (Han, 2014). Supervisors and employees are viewed almost as equivalents; thus, accountability is equally distributed. Flatter organization structure, a smaller proportion of supervisory personnel, and smaller wage gap are ordinary conditions that happen in this type of nation (Meshksar, 2012). Competence is valued over seniority, very contrast with Japanese, which creates democratic leadership style. Society emphasizes on everybody have the same rights and privileges, thus, participation in any decision-making process is frequently possible. The democratic style illustrates the long tradition of the UK as a country where individuals expect to be ruled by consent and prefer leaders who counsel broadly and allow participation by the subordinate.

The second dimension is Individualism, which explains the degree of interdependence a society maintains among its member (Hofstede, 1983). Japan is known to have a collective society, which is reflected in score 46, meanwhile the UK scores 89 as a very high individual country. The scores portray how each country defines their self-country whether as “I” or “We”. Collectivism, in this case, is Japan, promotes group harmony, consensus, and cooperation. Group-think or *shudan ishiki* becomes typical social pattern between Japanese. The leader plays a part to facilitate team effort and integration, to foster a supportive environment, and to establish the group culture. Thus, it is reasonable for collectivist society to have a diffuse manner of speech as there is higher risk in causing insult when addressing a group, rather than an individual. Another typical characteristic of a collective nation is loyalty. This accurate description refers to the prevalence of behavior guided by a collective

understanding of doing what is best for the person or organization we are obliged to, above considerations based on individual preferences or opinions (Beneden, n.d.). This particular sense of obligation is also guided by the assumption that the other part (be it a person or organization) will take care of its subordinates. For business, this has traditionally translated in the practice of life-long employment and in-house unions throughout Japanese corporations.

Conversely, the British are a very individualist and private individuals. They value open conflict and linear logic. In this cultures, competition rather cooperation is encouraged, personal initiative and achievement are stressed, and individuals decision making is valued (Hu, Cai, & Kavanaugh, 2001; Samovar et al., 2010). The individual is given personal freedom to choose their own interest and the route for happiness for them is through personal fulfillment. The emphasis on the individual as opposed to the general public has also roomed a debate culture as can be seen in almost all major legislation are open to debate (Essays, 2015). A leader has a different role in high individualistic, instead of deciding everything to its subordinate like in Japan, he or she tends to merely give direction because they value individual participation in their leadership. Therefore, a leader that capable of teamwork and corporate spirit is necessary (Lewis, 2005).

Uncertainty avoidance is the third dimension that shows quite differ score. Japan is in the strong uncertainty avoidance pole with score 92, while the UK scores 35 that makes it a weak uncertainty avoidance nation. In a simple illustration wake up without knowing what the day conveys is not a problem for

British but it was not a case for Japanese which is uncomfortable with any ambiguities, everything should be planned in details. Japanese situations often attributed to the fact that Japan is consistently treated by natural disasters. Therefore, every aspect of society is set in the rules, for instance, what individuals wear and how they should behave in funeral and wedding are regulated in details. On the other side, British with the combination of individualism and indulgence society just live for what best for them, which makes them flexible in dealing with changing environment.

This threat leads to different treatment of any changes in life between Japanese and British. Emotionally, Japanese are resistance to change which makes them adhere to the same ideas and standard. In an organization, the leader is expected to maintain Japanese cultural roots even in the global-oriented company and different ideas or behaviors are not tolerated (Harada, 2017). Therefore, the Japanese appear to be very risk adverse, not for the aim of avoiding risk but they demand clear rules and guidance (Hofstede, 2001). Unlike Japan, the UK society is very open to change. According to Hofstede (2010), the typical attributes of low-uncertainty cultures are people are hungry for innovation and very creative that makes the advertising, marketing, and financial engineering industry grow so fast. Voicing ideas, protest, disagreements, and competition are being part of life, thus, people have less fear of taking risks.

The fourth dimension is long-term orientation. The dimension talks about how each culture has to maintain some links with its own past while

dealing with the challenges of the present and future, and societies priorities these two existential goals differently. Japanese is considered as long-term orientation oriented society with score 88, meanwhile British is in the intermediate position in this dimension with the score 51, which makes it hard to determine its dominant preference (Hofstede, n.d.).

As long-term orientation nation, Japanese perceive their life as a very short moment in a long history of mankind. From this point of view, some kind of fatalism is not strange to the Japanese. You do your best in your lifetime and that is all that you can do. The notion of the one and only almighty God is not familiar to Japanese. People live their lives guided by virtues and practical good examples. In Japanese organization, this dimension is reflected by subordinate's commitment to the particular organization. For management practices, solving problems for the long term rather than making quick fixes. Meanwhile, Han (2014) argues that the UK has a short-term orientated culture. British likes to handling issues in smaller parts and settling them as soon as possible, focus more on quarterly goals and quick outcomes.

Last but not least is indulgence versus restraint dimension that describes how freely can individuals satisfy their basic needs and desires; how strict social norms are followed and gratification suppressed and regulated. The UK, which has an indulgence culture with score 69, focus on wellbeing and individual happiness. Based on cultural research assumptions, this could be attributed to the liberty of individuals and wealth of the country (Amgalan, 2016). On the contrary with indulgence cultures, in this case, is Japan with score 42, gives less

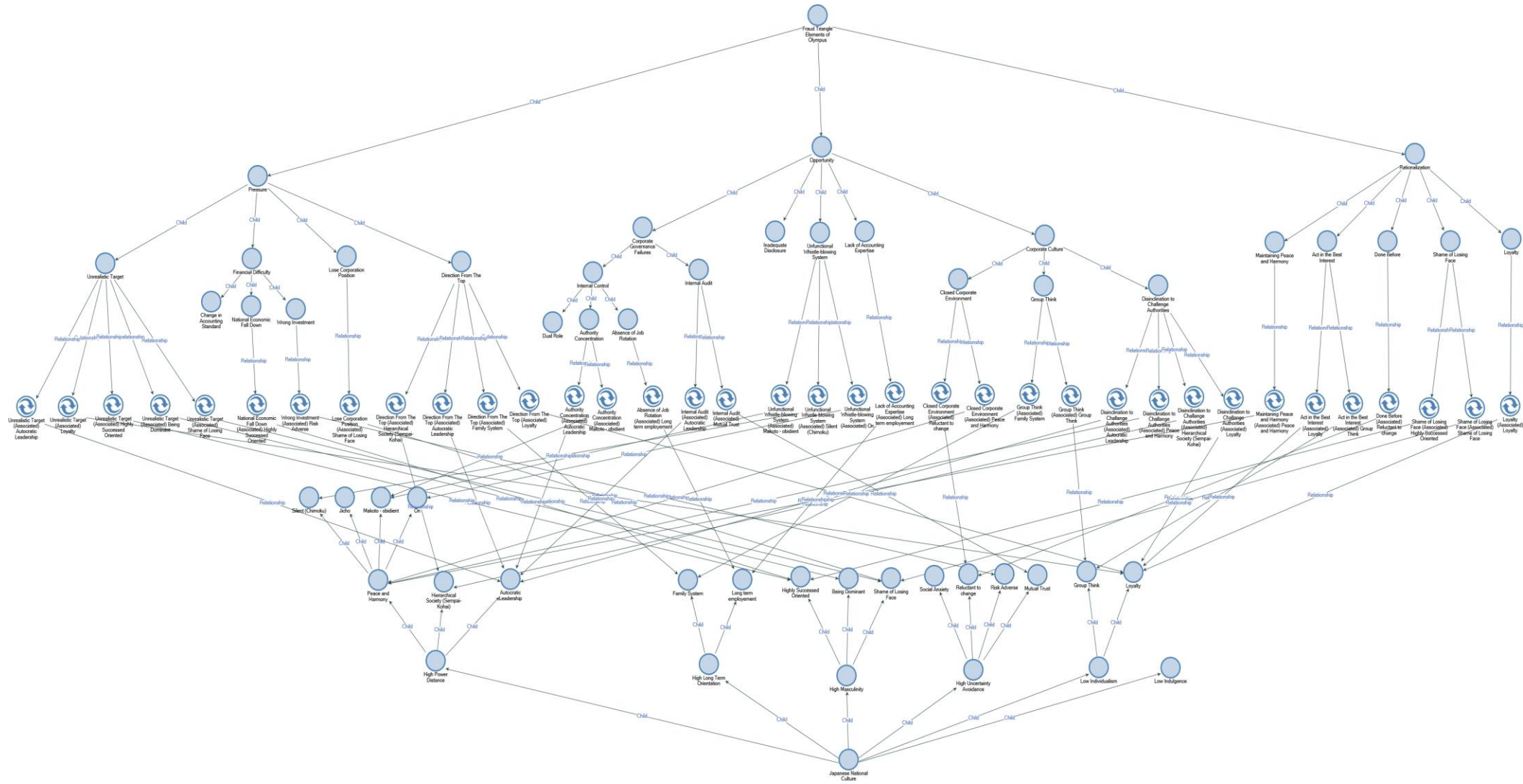
importance to those values and do not freely express positive emotions. Their reason behind this situation is because the restraint culture typically is restricted by social norms and feel that indulging themselves is somewhat wrong. Minkov (2011, p. 95) uses the US to represent high indulgence country said that Americans like to receive compliments while in the perspective of Japanese and Chinese, personal praise frequently sorely brings embarrassment.

In term of decision making, The UK societies privilege freedom of speech and employees are more likely to voice opinions and give feedbacks, meanwhile Japanese have some restrictions and borders in many things including freedom of speech (Yasar, 2014). Also, indulgent cultures expect instant gratification and short-term rewards; on the contrary restrained cultures prefer medium-term rewards like career enhancements.

4.7.3. The Effect of Japanese National Culture on Olympus Financial Statement Fraud

The researcher analyzing how the national culture of Japan, which is represented by six Hofstede national culture dimensions, could affect the emergence of Olympus Corporation financial statement fraud. The illustration of the analysis can be seen in Figure 4.10 below:

Figure 4. 10 Analytical Map of The Relationship between Japanese National Culture on Olympus Corporation Fraud



Source: Processed from NVivo 11 by the researcher

Table 4.3 Matrix Coding The Relationship between Japanese National Culture on Olympus Corporation Fraud

	B. Closed Corporate Environment	C. Disobedience to Challenge Authorities	D. Group Think	F. Authority Concentration	G. Segregation of Duty	H. Internal Audit	K. Unethical Whistle-Blowing System	Q. Wrong Investment	Q. Unethical Target	R. Act in the Best Interest	T. Loyalty	U. Maintaining Peace and Harmony	V. Shame of Losing Face	X. Family System	Z. Being Deceitful	AA. Highly Successful Outcome	AB. Shame of Losing Face	AC. Autocratic Leadership	AD. Hierarchical Society (Shogun-Koban)	AE. Ichu	AF. Mibun - shibun	AG. Sakari Chikushi	AI. Mibun Trust	AJ. Reluctant to change	AM. Group Think	AN. Loyalty
1. Act in the Best Interest (Associated Group Think)	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
2. Act in the Best Interest (Associated Loyalty)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
3. Authority Concentration (Associated Autocratic Leadership)	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	
4. Authority Concentration (Associated Mibun-shibun)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	
5. Closed Corporate Environment (Associated Peace and Harmony)	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6. Closed Corporate Environment (Associated Reluctant to change)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	
7. Decision From The Top (Associated Autocratic Leadership)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	
8. Decision From The Top (Associated Family System)	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
9. Decision From The Top (Associated Hierarchical Society (Shogun-Koban))	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	0	
10. Decision From The Top (Associated Loyalty)	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	2	
11. Disobedience to Challenge Authorities (Associated Autocratic Leadership)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	1	1	0	
12. Disobedience to Challenge Authorities (Associated Hierarchical Society (Shogun-Koban))	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
13. Disobedience to Challenge Authorities (Associated Mibun-shibun)	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
14. Disobedience to Challenge Authorities (Associated Peace and Harmony)	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	
15. Disobedience to Challenge Authorities (Associated Reluctant to change)	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
16. Decision From The Top (Associated Family System)	0	0	2	0	0	0	0	0	0	1	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	
17. Group Think (Associated Group Think)	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
18. Group Think (Associated Autocratic Leadership)	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	
19. Internal Audit (Associated Mibun-shibun)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	
20. Low Corporate Position (Associated Shame of Losing Face)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	
21. Loyalty (Associated Loyalty)	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	2	
22. Maintaining Peace and Harmony (Associated Peace and Harmony)	1	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	1	2	0	0	0	0	0	
23. Mutual Loyalty (Associated Rightly Successful Outcome)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	
24. Shame of Losing Face (Associated Rightly Successful Outcome)	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	2	1	0	0	0	0	0	0	0	0	
25. Shame of Losing Face (Associated Shame of Losing Face)	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	1	0	0	0	0	0	0	0	0	0	
26. Target based Success (Associated Personal Achievement)	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
27. Unethical Whistle Blowing System (Associated Mibun-shibun)	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	
28. Unethical Whistle Blowing System (Associated Mibun-shibun)	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	
29. Unethical Whistle Blowing System (Associated Autocratic Leadership)	0	0	0	1	0	0	0	0	1	0	1	0	0	0	0	0	2	1	0	0	0	0	0	0	0	
30. Unethical Whistle Blowing System (Associated Being Deceitful)	0	0	0	1	0	0	0	0	1	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	
31. Unethical Whistle Blowing System (Associated Highly Successful Outcome)	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	
32. Unethical Whistle Blowing System (Associated Loyalty)	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
33. Unethical Whistle Blowing System (Associated Shame of Losing Face)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	
34. Wrong Investment (Associated Risk Averse)	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Source: Processed from NVivo 11 by the researcher

Notes: The number in the cell above shows the number of sources coded

4.7.3.1. Japanese National Culture on Pressure

This section will explain how the pressures that created an incentive to commit fraud in Olympus relate to Japanese cultures.

4.7.3.1.1. Financial Difficulties

Financial difficulty is the major factor that underlying 20 years financial scandal of Olympus. It was rooted in the 1980s when there is national economic fall-down because of the rising in the value of yen towards U.S dollar. This condition affects the profitability of Olympus which were largely dependent on export. As a high masculine country, we could see both government and Olympus respond the issue with aggressive actions when they felt there is a situation that will threaten their comfort zone. With the highly success driven, they will do anything to maintain their “top” position. The government quickly fix the situation by giving macroeconomic stimulus featured extraordinarily low-interest rates to increase the credit growth and increasing asset price, and this strategy is successfully sustained until 1989. Olympus also responded to the situation aggressively, instead of improving their core business they choose to make aggressive financial management of their assets called *zaiteku*. The change in direction worked well as the urban land values and stock prices tripled between 1985 and 1989. However, in early 1990 the Japanese asset prices burst and the Nikkei stock index lost half its value in less than a year, which was resulted in Olympus significant losses in its investment portfolio.

Instead of liquidating the asset and honestly disclose the losses, Olympus started investing in the even riskier financial instrument (bonds). This strategy was spectacularly unsuccessful and by 1995 the number of unrealized losses had grown to tens of billions on yen, which increase the pressure on Olympus company. Yet, the company still continued to be money in a risky investment in a desperate bid to recover losses. These losses were masked through a Japanese accounting standard that allowed financial assets to be accounted for at historical cost basis versus writing them down to a lower market value, but suddenly in 1997, there was pressure on Japan to adopt fair value accounting. Here, the company knew the huge investment losses would have to be reported.

As a very high uncertainty avoidance country, Japanese hates spontaneous situation because they get used to planning everything ahead and in detail. The steps taken by Yamada and Mori to invest in even riskier investment in the middle of poor financial circumstances was contradicted with uncertainty avoidance culture's characteristic which tends to be risk adverse due to Japan collectivist nature and subsequent stringent rules, as more people need to be considered when taking the risk. Also, the sudden change of the new accounting standard adaptation that makes the company pressured even more and panic than decided to continuously hid the huge loss.

4.7.3.1.2. Lose Corporation Position

The concept of “*kao*” or face can be compared with dignity, self-esteem, and pride. The “face” is very fundamental in Japanese social life, thus, maintain your face untainted is crucial. Being lose or at the bottom is just unacceptable and disgraceful which could pressure an individual to conduct unethical behavior. With the mix of strong power distance and masculinity culture, it has been a nature of Japanese to always want to be superior in many fields.

The huge financial losses, once uncovered, would surely destroy the image, reputation, and position of Olympus among big corporate not only in Japan but globally. Because of this, the top management hid the billion-yen losses by doing fraud in order to conceal their “scar” to the public.

4.7.3.1.3. Direction from The Top

The pressure to conceal the huge financial loss was once commanded by Olympus President from 1984 until 1993, Toshiro Shimoyama. Subsequently, the command was executed by all the members in Olympus. Did not stop there, Tsuyoshi Kikukawa, Olympus president in 2001 continued the concealment until it was uncovered in 2011. The circumstances of Japan with its strong hierarchal society and autocratic leadership style made this possible to occur. At schools or companies, seniors (*senpai*) believe that it is natural to be respected by juniors (*kohai*) because they are experienced in their jobs or other activities. A deep gap

between the highest executives and the lower ones is very obvious. The most relevant example of the power distance in Japan is the relations between superiors and subordinates. During the meeting, the subordinates will quietly listen to the superiors, flatter them, and do not normally voice the opinions or they expressed the opinion that was formulated in advance by senior employees of considerable influence. It is also hierarchical, where serving and meeting the demands of one's superior is of the utmost importance. The autocratic power is the extent to which subordinates are not expected to express disagreement with their supervisors and supervisors are not expected to consult with their subordinate in the decision-making process, in other words, the decision making process is in the hand of a single powered person (Alexis et al., n.d.; Harada, 2017). In addition, when making a final resolution as a general rule for Olympus at the Board of Director's meeting, a voting method such as a rising hand, where approvals and disapprovals would clearly be seen, was unavailable. Mr. Woodford in an interview added that Kikukawa controlled all the levers, and the board was literally puppets, and he was the puppet master. There were no ifs or buts, whatever Kikukawa said was the course to be followed (Ng, 2017).

Furthermore, the key concept regarding this pressure is the Japanese culture of the company as a family system and high loyalty. The seeds of this family concept of companies are deeply rooted in Japanese culture, based on obedience, hierarchy, and loyalty which all make up important elements of Japanese culture. Japanese employees work harder and are

expected to be loyal to their supervisors because of the social pressure and moral duty of their “families” and environment. Therefore, employees will automatically follow the supervisor’s command without considering the good or bad of it. During one meeting, Woodford asked if the allegations of fraud were true, to which Kikukawa responded, “Some parts.” When Woodford pressed Mori for more details, the answers he received were vague and incomplete. Frustrated, he asked Mori, “Who do you work for?” Expecting Mori to reply, “Olympus,” Woodford was stunned when Mori answered, “I work for Mr. Kikukawa. I am loyal to Mr. Kikukawa.” It was at this moment that Woodford realized that “something was terribly, terribly wrong here” (Morgan & Burnside, 2014).

4.7.3.1.4. Unrealistic Target

Tsuyoshi Kikukawa acts as both the President and Board Chairman of Olympus always demands greater profit regardless the feasibility of it, thus leading to the management’s policy of demanding that overly aggressive profit targets must be met, meanwhile, the operating profit was falling. Unable to meet the target, Shimoyama with other employees use the complex scheme to accelerate profits and hide past losses (Engelberg, 2016), which steam the accounting scandal in Olympus.

The motive that press Olympus top executive’s aggressiveness to achieve high profit is the masculinity culture that has been rooted in Japanese individuals. With the score 94, Japan becomes the most masculine

nation on earth according to Hofstede dimension which is characterized by highly success oriented and the importance of being dominant. The desire to become the best of the best always be on the mindset of Japanese. Losing is just unacceptable and disgraceful because the Japanese social system has “*kao*” which has a literal meaning as “face” that need to be preserved. Kao reflects the pride, dignity, reputation, social status, and self-esteem for Japanese. Therefore, being recognized by showing a high profit and good performance to all stakeholders are necessary in order to maintain their “*kao*”.

Moreover, unlike the British who mix masculinity with individualism, Japanese is high in collectivism which makes the assertive and competitive behaviors from masculinity is between the group, not the individual. In the Olympus scandal, there was no proof that anyone got personal gain relates to the high target. Talking about collectivism, people within Olympus strived so hard to meet the expectation of Mr. Kikukawa by any means necessary in order to display loyalty and social harmony, including inflating financial figures (Engelberg, 2016). A deep level of loyalty or “*giri*” is commonly showed by the subordinate employee and translated as the prevalence of behavior guided by a collective understanding of doing what is best for the person or organization we are obligated to, which can be good or bad depending on the group’s core values.

From another perspective, high power distance dimension plays

important role in shaping the company's culture of Olympus. Japanese managers tend to be autocratic or power and decision-making process is very centralized, Mr. Kikukawa held this position in Olympus. In consequence, the subordinates are unlikely to approach and contradict their bosses directly and of utmost importance is to serve and meet the demands of one's superior (Young, 2013).

4.7.3.2. Japanese National Culture on Opportunity

This section will explain how the opportunity that created chances to commit fraud in Olympus relate to Japanese cultures.

4.7.3.2.1. Corporate culture

1. Closed corporate culture

Olympus is known to have a culture of little openness among the employees. Opinion or disagreement cannot be expressed freely since the Japanese organizational culture was very strong. Autocratic leadership, seniority, and maintaining peace and harmony are the major cultural factors that formed the attitudes. It becomes a mental programming inside the Olympus that subordinates just blindly follow the command of superior, even sacrificing the ethical acts.

Also, as the high uncertainty avoidance country, Japan is very traditionalist who adhere to the same ideas and standard in order to deal with uncertainty. No tolerating with deviant ideas and behaviors. In Olympus, we could see that Mr. Woodford is the first foreigner that able to

sit in the top executive position after decades. Even with the title of CEO, people within the company still assumed that Mr. Kikukawa is the leader and seen Mr. Woodford as the outsider.

2. Group-think

Another component of Japanese culture that can hinder fraud detection is a type of group-think, which emphasizes the goals of the group over individual goals and responsibilities (De Mente, 2012). A big institutional and long-term fraud in Olympus is an indictment of Japanese corporate culture, which has been criticized for group-think and the unwillingness of individuals to speak up. The group-think is created from the homogenous environment when people share common language and culture and have been socialized within the same system, just like in Olympus which have so many insiders who work for years. In Japan, Group-think or called *shudan ishiki* is very common due to Japanese high collectivist society. As a group mentality, people tend to carefully behave since it has more risk in causing insult when addressing the group. If one person is offended, the whole group will be offended too. The group-think circumstance creates the pressure to agree with the group and not expressing the opinion that would differ with the overall group consensus, either directly or indirectly, which is established the opportunity of fraud to be easier to conduct. In many situations, the group leader or manager by stating their opinion up front, before soliciting feedback can build pressure leading

the organization to groupthink. Many employees, regardless of the company, lack the self-confidence to stand up to their supervisor once the individual has stated their opinion on a matter.

The Japanese culture that also creating the group-think environment is the consideration of a company as a “family” because the Japanese employee spent most of their time working. A company where they are working is called as *uchi*, which means “inside” or “my house”. Frequently, Japanese acknowledge the place their work is more important than their profession (Gheorghe & Gyongyver, 2007) because it does not only provide salary for them but more to an emotional linked (Wiguna, 2012). Thus, just like a family, protecting another is become a nature of them. Robert McCormick, a chief policy officer at proxy advisory firm Glass Lewis & Co once said that Olympus consists of a large number of Japanese which have very view independent members and none of them is truly in a situation to challenge the decision-making of long-standing members of the board (Reuters, 2011).

3. Disinclination to Challenge Authorities

The board of directors in the Olympus consist of “yes-men” and that the board was “emasculated”. They create such an environment when leaders and managers were not to be doubted or questioned. It is also a common practice that the board of directors at Olympus compromised of people who were fearful of speaking up against top executive.

High-power distance cultures shaped this behavior in society. A

leadership like in military hierarchy while the top executives give all the orders and the subordinates blindly follow them, a pressure for not oppose or criticized the leader, a huge gap between senior and junior are how Japanese organization normally run. Moreover, the employees in Japan have a high commitment to the company and are loyal. Nevertheless, deference to seniors created an environment where poor management decisions went unchallenged for years.

4.7.3.2.2. Corporate Governance Failures

4.7.3.2.2.1. Internal Control

1. Segregation of Duty

One of the greatest internal control issues inside the Olympus was the CEO's practical ability to select successor CEOs and company directors (Aronson, 2012). This prompted the Management Fraud at a Macro-level due to the circumventing of the governance system, which was possible because of the independence of the Board of Directors (BOD). This key issue links to the Management model vs Monitoring model theory (Aronson, 2012). This opportunity is not related to any Hofstede national culture dimension because Japan has its own conventional way to run the business which is allowed the BOD to actively manage the business rather than being monitors of the management.

Thus, it opens the opportunity for Olympus to conceal a series of questionable purchases totaling \$1.6 billion to be made, none of which had been adequately reported in the company's consolidated financial statements.

2. Authority Concentration

Olympus had an organization that could be characterized by the concentration of vast authority in a few hands. The directors were not sufficiently independent of the President, Tsuyoshi Kikukawa. In essence, the decision-making authority on personnel matters or compensation concerning directors belonged exclusively to the President. The top management also had an authority of appointment and remuneration of board directors, and it was difficult for board directors to raise an objection to the top management.

The situation is possible to occur because of the autocratic leadership, leadership style when the power held in the hand of a single person, is common in high power distance country. This relationship shows that centralization and autocratic leadership are rooted in the "mental programming" of the members of a society, not only of those in power but also of those at the bottom of the power hierarchy. We could also say that societies and organizations will be led as autocratically as their members will permit. The autocracy exists just as much in the members as in the leaders: the value systems of the 2 groups are usually complementary. Thus, none of the subsidiaries was questioning or

refuse the situation when Kikukawa has unlimited power to control almost everything in the company.

This skewed interest in favor of corporate executives is influenced by the Japanese tradition of '*makoto*'. *Makoto* means to "properly discharge all of one's obligations so that everything will flow smoothly and harmony will be maintained" above everything else, even truthfulness and honesty. It is based on the belief that social harmony is best achieved through conformity and obedience to authority. Therefore, the authority concentration within Olympus provides the top management greater opportunity to commit a fraud.

3. Absence of Job Rotation

As a big company, Olympus missed the rules concerning job rotation, and the approach to the rotation was left to each department, while it should be independently conducted by HRD to avoid the same management stayed in the same department for a long time. Furthermore, job rotation did not work effectively especially in the finance and accounting departments and there was no system for President replacement.

The possible culture related reason regarding the absence of job rotation is the high-long term orientation that Japan has. Japanese believe that in order to achieve a business result, time is very needed. For management practices, a long-term cultural orientation includes providing long-term employment and solving problems for the long term rather than

making quick fixes (Newman & Nollen, 1996). However, this situation surely increases the opportunity to conduct fraudulent activities since people outside the division will be difficult to detect any improper act due to the access or understandability.

4.7.3.2.2.2. Internal Audit

The purpose of internal audit department for monitoring the business process was not to function properly anymore in Olympus due to the excessive roles that Yamada held for both the head of the audit office and head of Administration Management Division, the Corporate Center Manager, as well as and the Officer in charge of the audit. The independence of the internal audit was a big question mark since there was a threat of self-review. Not to mention another felicity, like the last internal audit conducted to finance department was seven years ago, the contents of the report being selected by the president, and the report about the internal operation was not reported to board director, were occurred in Olympus.

This strange situation could only be possible because of the autocratic leadership that the top executives and managers had in their hand. The significant deficiencies in internal control were unchallenged and unfixed for many years by any officers including the internal audit department and the Olympus external audit. With the combination of Japanese mutual trust, the officers could just blindly follow and accept

the actions took by the powered people which create the opportunity for them to

4.7.3.2.3. Inadequate Disclosure

According to the official Investigation Report, the Olympus Finance Department had taken the stance of not disclosing information, other than information of which is required by law or regulation. There is unclear when this begin but it occurred for decades. There is no relationship between this practice with the national culture of Japan because not honestly expose material information to the stakeholders is clearly breach the law and accounting regulation.

4.7.3.2.4. Lack of Accounting Expertise

A company as big and as complex as Olympus has lack of accounting expertise hired inside the company. From the year 2000 to the investigation report was presented in 2011, only Yamada and Ota were had professional knowledge in the finance and accounting field among those who were appointed an auditor. Due to the deficiency, there were limits to the audit activities in the finance/accounting fields, which again, opening the opportunity to conceal the fraud in the company.

There is no specific Japanese national culture that related to this opportunity because Olympus did this purely to avoid anyone detects the fraud that they had been done for many years.

4.7.3.2.5. Unfunctional Whistle-blowing system

The fraud in Olympus was persisted for about two decades and yet, no single whistle-blower came forward to disclose the issue. In Japan, maintaining peace and harmony in society is very important. Without the principle of *wa* (peace and harmony), someone cannot live as Japanese (Harada, 2017).

Supporting the *wa* principle, Japan has the culture of silent or called as *chimoku*. The foundation of *chimoku* is because of group consciousness, thus, being silent is expected to create harmony and avoiding any direct conflict. Olympus Corporation obviously had a culture of keeping quiet and not rocking the boat. Michael Woodford commented one month after he was named the president of the company, “Harmony and consensus have their place and time but scrutiny and challenge, leads to better decision-making. You have to be able to confront” (Morgan & Burnside, 2014).

Additionally, adhering to the concept of *on*, Japanese employees may be reluctant to disclose the improper behavior of others in positions of authority. According to Japanese culture, one should not do or say anything beyond what is prescribed by his position. Japanese *makoto* or obedient also has a role in shaping the mindset of individuals within Olympus. It is because they are believed that properly follow obligations so that everything will flow smoothly and harmony will be maintained above everything else, even truthfulness and honesty. Speak out or act outside the scope of each individual prescribed position is disrespectful and unethical. It is based on

the belief that social harmony is best achieved through conformity and obedience to authority. Therefore, this belief system prevents many individuals from challenging the decisions of their superiors and discourages them from disclosing any problems that may arise. Which in the end, help the top executives to cover the hundred-billion-yen fraud that had been hidden for decades.

4.7.3.3. Japanese National Culture on Rationalization

This section will explain how the rationalizations that were used by the perpetrators in Olympus relate to Japanese cultures.

4.7.3.3.1. Act in the Best Interest

Act in the best interest of the organization you work is the most common rationalization that perpetrator use in order to justify their wrongdoing, just like what Shimoyama initially did with the help of Yamada and Nori, the first intention is to save the company's "face". In connection to Japanese culture, the ability of the society to rationalize events or decisions is one of the characteristics of *shudan ishiki* or group-think (Scharff, 2005). The reason is that this kind of society will put their group goals above anything else, even above personal goals and responsibility (De Mente, 2012). Thus, what benefits the group is seen as the correct thing to do, even if the individual suffers from the decision, for instance, if a Japanese company decides that it is beneficial for the company to send a family to live in Mexico for the next three years then the individual will

need to comply or he may face great shame and even a loss of employment. The other reasoning could be by making a conclusion that the impermissible acts are done by another employee too, so nothing is wrong for them doing the same way. Under such norms, the fraud could be easily achievable and oftentimes goes unnoticed.

Loyalty also aids the people inside the Olympus to rationalize their actions. The Olympus employee is known for its tightly knitted community, while everyone is unquestionably loyal to each other. This accurate description refers to the prevalence of behavior guided by a collective understanding of doing what is best for the person or organization we are obliged to, above considerations based on individual preferences or opinions. This particular sense of obligation is also guided by the assumption that the other part (be it a person or organization) will take care of its subordinates (Beneden, n.d.)

4.7.3.3.2. Loyalty

Japan traditional attitudes toward moral duty and social is known as *giri*. *Giri* can lead to the sense that employee has to be loyal to the predecessors, blowing the whistle is wrong, and criticize supervisor is not allowed because of these bonds of loyalty. In Olympus, the fraud had been internalized through normalization by making the fraud part of organizational mindset and then installing it inside each individual than followed by rationalization through denials. Appeal to higher loyalties is the

most common type of denial where the employees put their highest loyalties with their peer and supervisors (Prabowo, 2015). In Olympus, the loyalty of each employee toward the company and the supervisors are unquestionable. All the command for greater profits from the top executives were met, even though at that time, it was not possible. Thus, employee overriding instinct was to hide any and all mistakes regardless of the costs.

4.7.3.3.3. Done Before

As a high uncertainty avoidance culture, the Japanese society tends to be risk adverse. It does not mean that people are avoiding challenge but more to be careful in a situation that can create unknown for them (Ghemawat & Reiche, 2011). However, the scheme to cover the huge loss in Olympus had been a state of mind for each individual within the company since it stayed uncover for two decades. It started under Toshiro Shimoyama leadership, continued to Tsuyoshi Kikukawa, until finally being revealed by the first foreign CEO, Michael Woodford. It has been rooted and ordinary process in Olympus as far as everyone normalizes the unethical behavior.

4.7.3.3.4. Maintaining Peace & Harmony

Lafayee De Mente (2012, p. 669) states, “A primary rule in traditional Japanese society was that nothing should be allowed to disrupt the surface serenity of existence.” More emphasis is placed on serenity than on truthfulness; therefore, the Japanese do not consider it wrong to lie if

being truthful will upset or cause harm to others (Morgan & Burnside, 2014). The rationalization of wrongdoing is supported by *makoto*, *jicho*, and *kata* which in general is the Japanese way to keep everything flowing smoothly and in harmony. In the Olympus case, these beliefs ban internal criticism because nobody dares to challenge the decisions of superiors and create a mutual corporation.

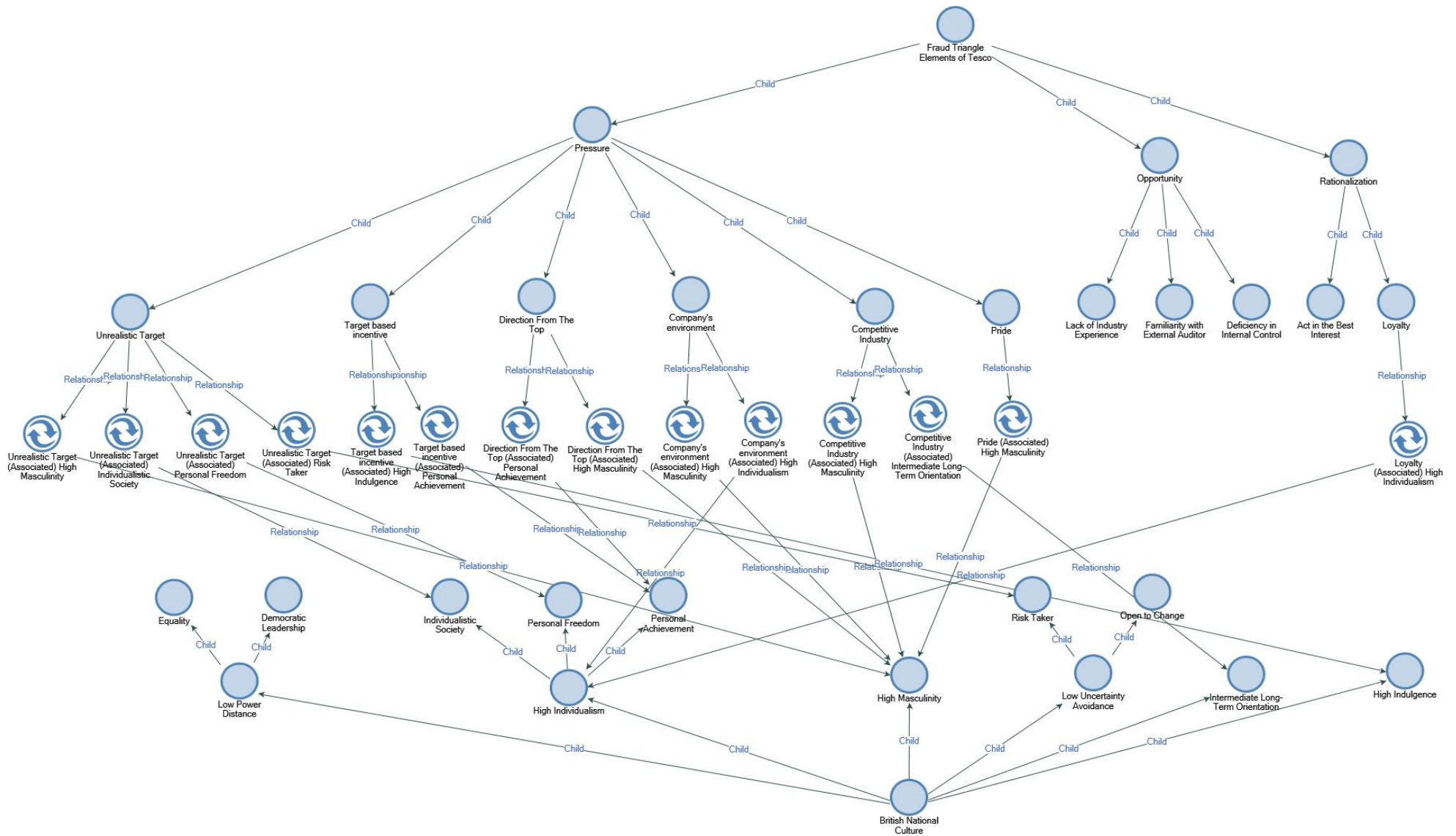
4.7.3.3.5. Shame of Losing Face

In high masculinity countries, safeguarding your face is part of the social system. Face, which also interpreted by someone or group dignity, self-esteem, and pride, can lead people to do unfavorable actions in order to save it. Especially in Japan, from ancient Japan, people get used to conquering their surroundings because they regarded themselves as being highly superior and dominant. According to Morgan & Burnside (2014), Japanese organizations are cautious to not say or do anything that would cause humiliation which can tarnish their face. Therefore, Olympus believed that hiding the huge loss by transferring nearly worthless financial assets to shell companies and manipulating balance sheet figure was rational in order to clean up the big mess and protecting the company's and its generation of executives' reputation.

4.7.4. The Effect of British National Culture on Tesco Financial Statement Fraud

The researcher analyzing how the national culture of the United Kingdom, which is represented by six Hofstede national culture dimensions, could affect the emergence of Tesco plc financial statement fraud. The illustration of the relationship can be seen in the figure 4.11 below

Figure 4. 11 Analytical Map of The Relationship between British National Culture on Tesco plc Fraud



Source: Processed from NVivo 11 by the researcher

Table 4.4 Matrix Coding The Relationship between British National Culture on Tesco plc Fraud

	Individualistic Society	Personal Achievement	Personal Freedom	High Indulgence	High Masculinity	Intermediate Long-Term Orientation	Risk Taker	Company's environment	Direction From The Top	Competitive Industry	Pride	Target based incentive	Unrealistic Target	Act in the Best Interest	Loyalty
Company's environment (Associated) High Individualism	2	0	0	0	0	0	0	1	0	0	0	0	0	0	0
Company's environment (Associated) High Masculinity	0	0	0	0	4	0	0	2	0	0	0	0	0	0	0
Competitive Industry (Associated) High Masculinity	0	0	0	0	1	0	0	1	0	2	0	0	0	0	0
Competitive Industry (Associated) Intermediate Long-Term Orientation	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
Direction From The Top (Associated) High Masculinity	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0
Direction From The Top (Associated) Loyalty	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Direction From The Top (Associated) Personal Achievement	0	2	0	0	0	0	0	0	2	0	0	0	0	0	0
Loyalty (Associated) High Individualism	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Pride (Associated) High Masculinity	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0
Target based incentive (Associated) High Indulgence	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0
Target based incentive (Associated) Personal Achievement	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0
Unrealistic Target (Associated) High Masculinity	0	0	0	0	3	0	0	0	0	0	0	0	1	0	0
Unrealistic Target (Associated) Highly Succeeded Oriented	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrealistic Target (Associated) Individualistic Society	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrealistic Target (Associated) Personal Freedom	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Unrealistic Target (Associated) Risk Taker	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0

Source: Processed from NVivo 11 by the researcher

Notes: The number in the cell above shows the number of sources coded

4.7.4.1. British National Culture on Pressure

This section will explain how the pressures that created incentives to commit fraud in Tesco relate to British cultures.

4.7.4.1.1. Financial Difficulties

For the 2013/14 financial year, Tesco's market shares sharply declined to 28.7% in the UK, the lowest level in 11 years. The cause is known to be the retailer loses customers to giant discounters Aldi and Lidl. Market share falls down to 28.7% in the 12 weeks to March 2, 2014, compared to last year 29.6%. There is no link between British national culture with the financial pressure faced by Tesco at that time. The caused is pure because of a tough competition in the retail industry.

4.7.4.1.2. Company's environment

Prior the fraud over 250-million-pound sterling accounting black hole occurred, a toxic workplace environment is clouding at the top of Tesco. At the court, Jury heard that two staff members decided to resign after seeing dishonest accounting practices at the time (Colson, 2017a). Mounting pressure from the company's poor performance in 2014 and low morale result on the aggressive environment. High anxiety and intense tension in the workplace cannot be avoided, therefore, manipulating the numbers on financial statement was done to fix the situation.

The UK, where Tesco company is based, scores 66 which indicates a high-masculinity culture is attached to the society. In opposition to Feminine cultures as the Scandinavian countries, the British are live for the purpose of work and have a clear performance ambition. Highly success-oriented and driven are being a mindset of people that are growing up in this culture, thus, it is common for someone to be judged on what he or she have accomplished in life (Kowol & Szumieł, n.d.). Therefore, aggressive, decisive, assertive, and competitive attitudes from Tesco managers to create better performance for Tesco is associated with masculinity. Typically, they resolve issues by denying them or fighting them until “the best man” wins (De Waal, Van der Heijden, Selvarajah, & Meyer, 2016) because being a loss or at the bottom line can scratch an individual pride and dignity.

4.7.4.1.3. Unrealistic Target

During the difficult situation in the retail industry, managers push all the employees to keep meeting the profit target that seemed impossible to be reached at that time. Phil Clark, former Tesco chief executive, believed a profit forecast was still achievable, though, his predecessors showed disagreement toward the figure. Amit Sony, a whistle-blower as well as a senior accountant, have tried to convince Lewis to accept the reality if the profits were way off target because Tesco finance team and he have discovered a huge unfavorable variance.

Again, one of the major driven why Tesco leaders dared to set a high-profit expectation in the middle of the fragile condition is the

aggressiveness to become dominant from masculinity cultures. Material success, visible achievement, and competition are thought to reflect the dominant traits (Hofstede, 1983). According to Tesco official investigation report, the evidence showed that meeting financial targets became the main focus of Tesco commercial team. This strong and specific ambition frequently lead to fraudulent actions taken by people inside the company. In Tesco case, there are several fraudulent acts with aim of hitting the target, for instance, the team is encouraged to seek agreement from the suppliers to the deferral of payments due to them in order to help Tesco margin temporarily and delayed payment to the supplier before a certain date in order to avoid underperformance against a forecasted margin.

The other Hofstede cultural dimension that is linked to this pressure is Individualism and low uncertainty avoidance. As a very high Individualistic nation, people are comfortable taking decisions on their own and do not hesitate to assume personal responsibility, just like what Mr. Clark did in setting high-profit target even the predecessors and finance team opposed it. This may also be linked to their low uncertainty avoidance which likely to less fear for taking the risk, thus, they perhaps do not really consider the resulting effects on other people. Unlike in Japanese organization who decision is absolute in the hand of people with high power, Britain organization highly value initiative and autonomy. Moreover, debate and argument also opened in a solid manner, thus, the Mr. Clark profit figure, which seems impractical, still used.

4.7.4.1.4. Target Based Incentive

Tesco has a target-based incentive system, which is known to be the trigger for senior managers to do a fraudulent activity by manipulating financial statement figures. Not only that, the performance of senior staffs are measured by meeting targets and high incentive to meet the same (Kukreja & Gupta, 2016).

The situation is the effect of the combination between high-individualism and high-indulgence dimensions score. As mentioned earlier, individualistic society emphasizes on individual rights and the recognition of personal initiative and achievement. Showing the best performance, and finally become the best, or sometimes overestimate the importance of their work in group work is likely to happen within the organization. Financial institution in the UK claimed that the reward mechanism was necessary to motivate individuals to invest their time to achieve firms' objective (Essays, 2015).

Meanwhile, a person with high indulgence culture, which uphold the pleasure in life, believes personal fulfillment as the route to happiness. Spending on sports cars, overseas holiday and any other luxury things are the form of enjoying. The result of result from Paijo and Vonheim (2017) showed that despite the habit to work for long hours, British also truly enjoy and make the most of their time off from work, in other words, meeting the company's target in order to gain extra money to fulfill these desires is quite

important. Moreover, in several circumstances, indulgence dimension correlate to greed and slovenly behavior. So, it is possible for the Tesco manager to put personal interest before companies.

4.7.4.1.5. Direction from the Top

Three former Tesco directors, Chris Bush, John Scouler, Carl Rogberg are the generals who forced and intimidated the employee to manipulate the profit and mislead the stock market. The three defendants are known to have huge compensation packages to main Tesco financial health. The three men also are alleged to have falsified accounts records, to have concealed information from auditors and to have coerced junior employees to falsify figures.

Rooted with individualistic and masculinity manners whom individual rights and recognition become so paramount, no wonder the three generals put all of their effort to maintain the face of the company. Not to mention three of them are high-officials, so, when the company in poor condition, their personal reputation could be scratch. Individualism also creates a reward-oriented environment, which has been reflected in Tesco. A clear and detail ambition and purpose to do a thing well have also been ingrained in the mind of each individual. Management style in the UK with its high masculinity is likely to be more concerned with task accomplishment rather than nurturing the social relationship. Motivation is based on material gains than the quality of life. the role of leadership is to

set demanding targets and satisfy shareholders (Hu et al., 2001). Mr. Sony, a whistle-blower, in the court said that when the profit target was possible to be achieved, Mr. Bushed calmly asked his colleagues to go back and still meet the plan and hit the numbers (Butler, 2017c).

4.7.4.1.6. Pride

For many years, Tesco is respected for its outstanding performance. Anyone who had worked with Tesco admitted the apparent clinical efficiency of the Tesco business model. Not only that but also in terms of suppliers, planning system, and in the impact, it had on local economies. Tesco's bristling self-confidence carried governments, regulators, investors and, for a time, the public along with it. Tesco was taking about £1 in every £8 that British people spent shopping.

Masculinity dimension plays important role in shaping the pride of individual. A person in a masculine culture finds out that protecting pride and reputation is necessary as the form of showing their dominance in the society. In this case, after being the retail leader in the UK retail industry for more than decades, the sudden fall down certainly affect the confidence that Tesco had before and create huge pressures to keep the good reputation.

4.7.4.2. British National Culture on Opportunity

This section will explain how the opportunity that created chances to commit fraud in Tesco plc relate to British cultures.

4.7.4.2.1. Lack of Industry Experience

a giant retail company in the UK, Tesco has been criticized by having boards that lack retail experience. Among the ten boards of directors, there was only one executive director, Dave Lewis with no executive experience as a retailer and no non-executive to have relevant experience. The nearest board gets is experience from the consumer goods industry which is former Unilever's CEO and Cadbury's former CFO. Condition open up the opportunity for the executives to conduct fraudulent activities since the function to monitor by non-executive was not functioned well. The lack of industry in Tesco's board which create the opportunity for a perpetrator to commit fraud is not connected with any of the British national cultures.

4.7.4.2.2. Familiarity with External Auditor

The independence of Tesco's external auditor, PwC, is highly questionable since it has been working for Tesco for more than 30 years since 1983. Moreover, the Ken Hanna, the chair of Tesco's audit committee and Mark Armour, a non-executives director is a former PwC partner and trained-auditor. The familiarity, which is threats for the external auditor independence, creates the opportunity for the fraudster to make falsify the financial statement because the long-relationship between Tesco and the audit firm surely construct trust. The trust even makes the auditors downplay some of the indications of fraud found. For example, during the

14/14 year-end audit, PwC had raised doubt about “Commercial Income Accounting”. this Inquiry was the third time that they had raised this issue with Tesco but the company’s audit committee had concluded that it was not a problem. The long engagement with PwC has no relation to the British national culture.

4.7.4.2.3. Deficiency in Internal Control

The growth of the Tesco business is not followed by the growth of its internal control. So many deficiencies regarding supplier and the empty position of finance director for several weeks. Their supplier also reported that Tesco had poor administration and communication internally. The opportunity to commit fraud because of their internal control shortfall was not linked to the British national culture. The deficiencies occurred because of the wrong implementation of it.

4.7.4.3. British National Culture on Rationalization

This section will explain how the rationalizations that were used by the perpetrators in Tesco plc relate to British cultures.

4.7.4.3.1. Act in the Best Interest

During the investigation process, the company’s executives stated that they don’t get any personal gain from the misstatement. If that is what it is proved to have happened, it can be concluded that the misstatement is conducted due to collective hubris. Additionally, the company’s executives

Bush and Scouler also knew bad practices were occurring inside the company and let it happen.

In short-term orientation culture like the UK, people like to seek quick result which can lead to pushing them towards financial crimes. At the same time, their short-term focus prevents them from considering all the consequences of the crime. Just like what happened in Tesco, in order to quickly fix its financial figure and improve their reputation, the top executives decided to falsify the financial statement.

4.7.4.3.2. Loyalty

According to the source documents, one of the Tesco scandal defendants, Christopher Bush, former Tesco UK managing director is very loyal to Tesco Plc. He spent more time in the Company above anyone else. During the case and investigation process, only one person is proven to have high loyalty towards Tesco. The rationalization that was adopted by Bush is contradicted with the high individualism dimension of the UK, which society tends to more prioritizing personal interests.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

In this chapter, the researcher will discuss the conclusions of the research that had been done. The conclusions were obtained from the analysis from various documents used to answer the problem formulations. This chapter also describes the limitations of the researcher in conducting this research and recommendations for further research.

5.2. Conclusions

Based on the results of the discussion and analysis that the researcher had done, it can be concluded as follows:

1. Factors that caused The Olympus Corporation and Tesco plc committed to fraudulent practices were by having pressure in achieving an unrealistic high-profit target and direction from the top executives; the opportunity was created because of the deficiencies in the company's internal control, and rationalization was done by assuming their wrongdoing was for the company's best interest and the bond of loyalty. The differences between those cases are in the Olympus Corporation case, were 1) Pressure of financial difficulty and the loss corporation position, has 2) Opportunity of unfunctional whistle-blowing system, lack of accounting expertise among employees, inadequate disclosure for external parties, failure in corporate governance, and corporate culture, and 3) Rational factors of maintaining

peace and harmony, shame of losing face, and “done before”. Meanwhile in Tesco plc case were 1) Pressure of financial difficulty, company’s environment of anxiety, the pride, target-based incentive, has 2) Opportunity of familiarity with the external auditor and the executive lack of retail industry experience.

2. For the Hofstede national culture dimensions, only Masculinity dimension that represents both Japanese and British cultures. The other five dimensions contradict between Japanese and British. Japan has high power distance, high collectivism, high uncertainty avoidance, high long-term orientation, and low indulgence culture. Meanwhile British are low power distance, high individualism, low uncertainty avoidance, intermediate long-term orientation, and high indulgence culture.
3. The final result of this research found that Japanese national culture has important roles in the emergence of Olympus financial statement fraud. Meanwhile, in the UK, British national culture does not really contribute in the emergence of Tesco financial statement fraud.

5.3. Research Limitations

In conducting this research, there were several limitations and constraints which had a partial influence on the result of the research. The limitations were as follows:

1. Limited data sources, especially in the case of Tesco due to the event is new and not much studied before.
2. The lack of literature related to British culture.

3. The researcher used only documentary data sources due to constraints of distance, access, time, and opportunity.

5.4. Recommendations

By considering several limitations embedded in this research, therefore, some recommendations were expected to be fulfilled in future studies to give continuous improvement for the result. The recommendations were as follows:

1. Future studies should seek more data sources to have maximal analysis in the research.
2. Future studies should present more explanations regarding national cultures, not limited to Hofstede national culture dimensions.
3. Future studies should conduct research on a comparative examination of financial statement fraud causal factor with fraud triangle and national culture analysis with another case study other than the Olympus Corporation and Tesco Plc.
4. Future studies should present more relationship between national cultures that had been conducted by the researcher, which is Japan and the UK or other countries, with the other forms of fraud or other cases

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APPENDICES

Appendix 1 List of Data Sources

NO	Author	Reference Type	Title	Year
1	Ahmed, Kamal	Newspaper Article	Tesco: Where it went wrong	2015
2	Alexis, D'Herbais; Antoine, Lacoquerie; Shi, Jing; antoine, Soubigou; Romain, Thibert; Vincent, Lescroart; Shijiao, Li	Journal Article	Negotiation with the Japanese from a westerner point of view	Unassigned
3	Aljayi, Yassine; Fjer, Ahmed; Guennioui, Malak; Tamek, Ahmed	Journal Article	Multinational Companies' Human Resource Management Practices' and their Organizational Culture Impact on Employees' Loyalty: Case of Japanese Multinational Company in Morocco	2016
4	Anh, My	Web Page	The meaning of Kata in Japanese society	2013
5	Armstrong, Ashley	Newspaper Article	Tesco boss Dave Lewis reveals grocer's internal strife before 2014 profit warning at fraud trial of former execs	2017
6	Balass, David	Web Page	From the lens of Olympus: Accounting for the Olympus Fraud — Canadian Student Business Review	2015
7	Belshek, Jalal Alil	Journal Article	The Influence of Culture On The Negotiation Styles of British Students	2016
8	Bergiel, Erich B.; Bergiel, Blaise J.; Upson, John W.	Journal Article	Revisiting Hofstede's Dimensions: Examining the Cultural	2012

			Convergence of the United States and Japan	
9	Bernardi, Richard A.; Long, Shelby P.; Roldan, Paola	Journal Article	The Associations Among Family Values, Business Ethics, The Environment, And Competition: An International Study	2011
10	Buck Free Press	Web Page	Former Tesco executive from High Wycombe, Chris Bush, one of three accused of 'inflating' supermarket giant's profits	2017
11	Butler, Sarah	Newspaper Article	Tesco whistleblower commissioned report on scale of profit hole, court hears	2017
12	Butler, Sarah	Web Page	Former Tesco executives pressured others to falsify figures, court told	2017
13	Butler, Sarah	Web Page	Tesco staff under pressure to hit financial targets, fraud trial hears	2017
14	Cochran, Susan Sims	Thesis	Exploring Masculinities in the United States and Japan	2009
15	Colson, Thomas	Newspaper Article	'I don't want to go to jail for this': Fear and tension at Tesco before £250 million accounting scandal broke, Business Insider	2017
16	Cotter, Paul	Thesis	An examination into the extent that cultural factors cause role confusion between ALTs and JTEs in the Japanese English classroom	2011

17	Curtis, Mary B.; Conover, Teresa L.; Chui, Lawrence C.	Journal Article	A Cross-Cultural Study of the Influence of Country of Origin, Justice, Power Distance, and Gender on Ethical Decision Making	2012
18	Davies, Roger J; Ikeno Osamu	Book	The Japanese mind: understanding contemporary Japanese culture	2002
19	De Wall, Andre A.; Heijen, Beatrice, Selvarajah, Christopher; Meyer. Denny	Journal Article	Comparing Dutch and British High Performing Managers	2015
20	Disano, Jennifer Lynn	Web Page	Unit 5 “That’s So British”	2016
21	Dutta, Saurav K; Caplan, Dennis; Marcinko, David; College, Skidmore	Journal Article	Blurred Vision, Perilous Future: Corporate Governance Failure at Olympus	2014
22	E. Aronson, Bruce	Journal Article	The Olympus Scandal and Corporate Governance Reform: Can Japan Find a Middle Ground between the Board Monitoring Model and Management Model?	2012
23	Elam, Dennis; Madrigal de Barrera, Marion; Jackson, Maura	Journal Article	Olympus Imaging Fraud Scandal: A Case Study	2014
24	Elam, Dennis; Madrigal de Barrera, Marion; Jackson, Maura	Journal Article	Olympus Imaging Fraud Scandal: A Case Study	2016
25	Engelberg, Kevin	Journal Article	Reining in a Culture of Fraud: Adopting Incentive-Based Regulations to Reform Corporate Governance in Japan	2015

26	Enkh-Amgalan, Rentsenkhand	Thesis	The Indulgence and Restraint Cultural Dimension: A Cross- Cultural Study of Mongolia and the United States	2016
27	Essay, UK	Web Page	Hofstede's cultural analysis framework and explores	2015
28	Essay, UK	Web Page	National Culture and Management	2013
29	Essays, UK	Web Page	Evaluating the Key Dimensions of National Culture in the UK	2015
30	Essays, UK	Web Page	Cultural determinants of Japan and United States	2013
31	Ford, John B; Honeycutt, Earl D	Journal Article	Japanese National Culture as a Basis for Understanding Japanese Business Practices	1992
32	Fukukawa, Hironori; Mock, Theodore J.; Srivastava, Rajendra P.	Journal Article	Assessing the Risk of Fraud at Olympus and Identifying an Effective Audit Plan	2014
33	García, Gloria	Web Page	Japanese cultural values in business relationships - Elcano	2015
34	Ghemawat, Pankaj; Reiche, Sbastian	Journal Article	National Cultural Differences and Multinational Business	2011
35	Gheorghe, Caraiani; Gyongyver, Maduța	Journal Article	Ethics in Japanese Business Environment	2007
36	Gill, Cassandra	Web Page	Hofstede's cultural dimensions and differences across cultures	2017
37	Golan, Z.; Beran, K.; Novak, M.	Journal Article	The influence of culture conditions on cytologic and chemical changes in the cell	1976

			walls of <i>Rhodotorula gracilis</i>	
38	Groschl, Stefan; Barrows, Clayton W.	Journal Article	A cross-cultural comparison of French and British managers: An examination of the influence of higher education on management style	2003
39	Gudykunst, William B; Nishida, Tsukasa	Journal Article	The Influence of Culture and Strength of Cultural Identity on Individual Values in Japan and the United States	2000
40	Guerra, Daniel	Web Page	Shudan Ishiki: Japanese Group Consciousness by Daniel Guerra on Prezi	2014
41	Han, Hao	Thesis	The research of difference between UK and China by Hofstede Model	2014
42	Harada, Yoshifumi	Journal Article	A cultural comparison of business practices in Thailand and Japan with implications for Malaysia	2017
43	Hipwell, Deirdre	Web Page	Tesco boss 'exposed fraud he is accused of'	2018
44	Hipwell, Deirdre	Newspaper Article	Former director Christopher Bush was loyal to Tesco, court told	2017
45	Hofstede Insight	Web Page	Country Comparison - Hofstede Insights	Unassigned
46	Hofstede, Geert	Journal Article	The Cultural Relativity of Organizational Practices and Theories	1983
47	Hofstede, Geert; Hofstede, Gert Jan; Minkov, Michael	Book	Cultures and organizations: software of the mind: intercultural cooperation and its importance for survival	2010

48	Hofstede, Geert; McCrae, Robert R.	Journal Article	Personality and Culture Revisited: Linking Traits and Dimensions of Culture	2004
49	Holmes, Lawrie	Newspaper Article	Auditors must rotate, urges Olympus whistleblower Michael Woodford Business The Guardian	2013
50	Hughes, Pete	Web Page	Chiselhampton Tesco executive fraud trial: latest updates as trial resumes today Oxford Mail	2017
51	Hutchison, Ashley; Gerstein, Lawrence; Kasai, Makiko	Journal Article	A Cross-Cultural Comparison of U.S. and Japanese Trainees' Emotion-Recognition Ability: U.S. and Japanese emotion recognition	2017
52	Javon	Blog Post	Japanese Culture Series Continue: Group Thinking or Shudan Ishiki is a Fundamental Part of Japanese Culture	2016
53	Javon	Web Page	Japanese Culture Series Continues: Resting in Silence in Japan is a Cultural Point That is Necessary to Learn for Missionaries and Ministries	2017
54	Johnson, Luke	Web Page	Tesco's board is seriously lacking in retail experience	2014
55	Joongseo, Kim	Thesis	Back to the future: The Effect of Time Orientation on Unethical Behavior	2016
56	Kasalana White Paper	Report	Kasalana White Paper	2015
57	Kleinknecht, Ronald A.; Dinnel, Dale L;	Journal Article	Cultural Factor in Society Anxiety: A Comparison of Social	1997

	Kleinknecht, Erika E.		Phobia Symptoms and Taijin Kyofusho	
58	Knapp, Michael C; Knapp, Carol A	Journal Article	Zaitoku + Tobashi = Olympus Accounting Fraud	2014
59	Koc, Erdogan; Aydin, Gulnil Aydin; AR, Aybeniz Akdeniz	Journal Article	The Potential Implication of Indulgence and Restraint on Service Encounters in Tourism and Hospitality	2017
60	Kowol, Adam; Szumiel, Edyta	Thesis	United Kingdom: communication, negotiations	2007
61	Kukreja, Gagan; Gupta, Sanjay	Journal Article	Tesco Accounting Misstatements: Myopic Ideologies Overshadowing Larger Organisational Interests	2016
62	Learnlight	Web Page	Japan Cross-cultural and Language Training	Unassigned
63	Lubin, Gus	Web Page	Michael Woodford: Here's Why Corporate Fraud Is Easier in Japan	2012
64	Lubin, Gus	Web Page	This Olympus Fraud Is Bigger and More Shocking Than You Realize - Business Insider	2012
65	Martinuzzi, Bruna	Web Page	Doing Business in Japan: 10 Etiquette Rules You Should Know OPEN Forum	2013
66	McFarlane, John	Journal Article	Corruption and the Financial Sector: The Strategic Impact	2003
67	McNeill, David	Web Page	You've got to have 'wa'	2011
68	Merchant, Yasmin Sara	Web Page	5 ways Japanese work culture is drastically different from the US - Business Insider	2018
69	Merison, Paul	Newspaper Article	Window Dressing	2014

70	Meshksar, Sahar	Thesis	A Comparative Study of HRM Practices Based on Hofstede Cultural Dimensions	2012
71	Morgan, Anita R.; Burnside, Cori	Journal Article	Olympus Corporation Financial Statement Fraud Case Study: The Role That National Culture Plays On Detecting And Deterring Fraud	2014
72	Neate, Rupert	Newspaper Article	Michael Woodford: the man who blew whistle on £1bn fraud	2012
73	Newman, Karen L.; Nollen, Stanley D.	Journal Article	Culture and Congruence: The Fit between Management Practices and National Culture	1996
74	Ng, Dasmond	Web Page	How Olympus was almost brought down by one of the worst corporate scandals - Channel NewsAsia	2017
75	Norris, Floyd	Web Page	Olympus Scandal - The New York Times	2011
76	Olivier Van Beneden	Web Page	Article: The concept of <i>Giri</i> - Understanding obligations and building personal relations in Japan	Unassigned
77	Paijo, Rosina	Thesis	The Role of National Versus Organizational Culture in Multinational Organizations A Comparative Case Study of Handelsbanken Sweden and Handelsbanken UK	2017
78	Perria, Sara	Web Page	News Details - Olympus scandal: Japanese auditors lack 'power' to detect fraud	2011

79	Pham, Sherisse	Web Page	How things got ugly for some of Japan's biggest brands - May. 4, 2017	2017
80	Prabowo, Hendi Yogi	Newspaper Article	Fool me once'a dozen times, shame on all of us: Toshiba case - National - The Jakarta Post	2015
81	Quinn, James	Newspaper Article	It's time for Tesco to stock a new brand of auditor - Telegraph	2014
82	Reuters	Newspaper Article	Update 1 -Olympus scandal highlights board inadequacies in Japan	2011
83	Reuters	Web Page	Tesco whistleblower warned top bosses about accounting practices, fraud trial hears	2017
84	Rowe, Mark	Web Page	Olympus: A Perfect Governance, Culture and Leadership Storm	2012
85	Ruddick Graham, Pete	Web Page	Tesco market share falls to lowest level in a decade - Telegraph	2014
86	Ruddick, Graham	Newspaper Article	Tesco 'losing 1m shoppers a week' as shocking figures reveal pressure on supermarkets	2014
87	Scharff, M.M.	Journal Article	Understanding WorldCom's Accounting Fraud: Did Groupthink Play a Role?	2005
88	Simms, Andrew	Web Page	Tesco: why did it all go so wrong? Andrew Simms	2014
89	Takahashi, Tooru	Journal Article	Social phobia syndrome in Japan	1989
90	Triandis, Harry C.; Hofstede, Geert	Journal Article	Cultures and Organizations: Software of the Mind.	1993

91	Unassigned	Web Page	United Kingdom Cultural Worldview and Business Practices	Unassigned
92	Wakabayashi, Daisuke; Dvorak, Phred	Newspaper Article	Panel Calls Olympus 'Rotten' at Core	2011
93	Wallop, Harry	Web Page	Tesco: what went wrong and can the supermarket chain fix it? - Telegraph	2012
94	Wiguna, Ananta Aji	Thesis	The Role of Corporate Culture and Cultural Background In Olympus Case	2012
95	Wylie, Catherine; Wardle, Sally	Web Page	Three former Tesco bosses have been accused of 'cooking the books' as a fraud trial begins	2017
96	Yamamura, Dr. Jeanne H; Satoh, Dr. Michimasa; Stedham, Dr. Yvonne	Journal Article	Changing Dimensions of National Culture in Japan Applying the Hofstede Framework	2003
97	Yamen, Ahmed; Al Qudah, Anas; Badawi, Ahmed; Bani-Mustafa, Ahmed	Report	The Impact of National Culture on Financial Crime: A cross Country analysis	2017
98	Yasar, Yavuz Selim	Thesis	Dimensions of Culture: Indulgence and Restraint Academic Life in Turkey	2014
100	Yeh, Ryh-song	Journal Article	On Hofstede's treatment of Chinese and Japanese values	1988
101	Young, Meredith	Thesis	Cultural Influences on Accounting and Its Practices	2013

Appendix 2 Classification of People Involved in the Case of Tesco and Olympus

Person (Tesco)	Education Background	Gender	Occupation	Occupation Period	Origin	Year of Birth
Amit Soni	Unassigned	Male	Finance Director	2013-present	Indian	Unassigned
Carl Rogberg	Stockholm School of Economics	Male	Finance Director	2012-2014	Swedish	1967
Chris Bush	Unassigned	Male	managing director of Tesco UK	2012-2014	British	1966
John Scouler	Unassigned	Male	UK food commercial director	2013-2014	British	1968
Philip Clark	University of Liverpool	Male	CEO	2013-2014	British	1960

Person (Olympus)	Education Background	Gender	Occupation Period	Origin	Recent Occupation	Year of Birth
Hideo Yamada	Unassigned	Male	2009-2011	Japanese	Corporate Auditor	1945
Hisashi Mori	Unassigned	Male	2006- 2011	Japanese	Executive Vice President	1957
Masatoshi Kishimoto	Waseda University	Male	1993-2001	Japanese	President	1935
Michael Woodford	Millbank College of Commerce	Male	2011	British	CEO	1960
Shuichi Takayama	Nagaoka National Collage of Technology	Male	2011-2012	Japanese	President and Representative Director	1950
Toshiro Shimoyama	Unassigned	Male	1984-1993	Japanese	President and Representative Director	Unassigned
Tsuyoshi Kikukawa	Keio University	Male	2001-2011	Japanese	President, Chairman, and CEO	1941

Appendix 3 Framework Matrix of Olympus Corporation and Tesco plc Causal Facto

Appendix 4 Framework Matrix of Japanese and British National Cultures