Editorial

Role of accounting in managing organizations: vision from Ibero-America

The accounting issues and particularities of the Ibero-American region have only recently gained ground in the academic literature. The Spanish and Portuguese speaking academic accounting and practitioner community is well served by a range of indexed accounting and management journals. Yet, the particular vision and work of Ibero-American academics and researchers has had little exposure on a global stage. Recent work published in English is largely related to financial accounting and predominantly include contributions from Brazil (see special edition "Accounting in Latin America" in *Research in Accounting in Emerging Economies* (Vol. 14, 2014); "Accounting for Growth in Latin America and the Caribbean" (Fortin, 2009) and "Standardization of Financial Reporting and Accounting in Latin American Countries" (Lourenco and Major, 2015)). The initiative to expand the work of Ibero-American accounting scholars beyond its language boundaries has come from AICOGestión, the association of Ibero-American accounting and control researchers and the Pontifical Catholic University of Ecuador, joint organisers of 12th Ibero-American Congress of Management Accounting in 2018, the event in which some of the papers accepted for this Special Section were presented.

The section is intended to inform academics and practitioners around the world interested in accounting and Ibero-America, and for Ibero-American academics who seek to expand existing knowledge about the region through research. This special issue seeks to fill an important gap and showcase to the international academic community the work, ideas and relevance of current accounting research in this region, with particular focus on management accounting and control. More specifically, its purpose is to shed light on contextual factors that shape research perspectives and influence management accounting practices in this part of the world. These factors are crucial in explaining those accounting practices due to their relationship with institutional, regulatory, cultural and organisational characteristics of the region.

Formal and informal institutions, such as culture, are one of the most important factors of economic development (Acemoglu *et al.*, 2001; Guiso *et al.*, 2006). Ibero-American region shares common history that has shaped institutions to the present day. Countries in the region are predominantly Catholic, with its emphasis on a need to serve common good, and they follow French civil law legal tradition. Both characteristics are associated with lower level of individual and private property rights (Stulz and Wiliamson, 2003; La Porta *et al.*, 1998). Whitley (1999) argues that characteristics of management control systems are affected by trust in formal institutions and procedures and authority relations. Data from World Value Survey indicate that Latin America has one of the lowest interpersonal trust scores in the world.

Culture is particularly important in the organisational context as it shapes relations and individual behaviour within a group. The role of national culture, and its interaction with organisational culture has been recognised in the management accounting literature (Andersen and Lueg, 2017). According to Hofstede (2010), Ibero-American countries exhibit high power distance, collective and family orientation, high uncertainty avoidance and short-term orientation. Yet, this common perception hides variability within the group. Based on mix of historic, ethnic and economic considerations, Rivera (1978) proposes three clusters of Latin American countries: southern, Andean and Northern South America, with Brazil, Mexico and Puerto Rico not belonging to any of these clusters.

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Papers in this special section explore issues of ethics, management control systems and disclosure in various Ibero-American countries drawing on its unique institutional characteristics to formulate hypotheses and explain its findings, thus providing a distinct perspective on these phenomena from an important part of the international community.

Malagueño *et al.* (2020) explore the role of ethics in decision-making amongst 625 Brazilian tax auditors, a context important to understand huge problems of corruption present not only in Brazil but around Ibero-America. They focus on how two ethical concepts, cognitive moral development (CMD) and ethical behavioural intention, are affected by socialization and acquisition of values within a group, measured by length of service, and ethical principles of individuals. CMD can be defined as a process by which individuals cognitively develop and evolve in what they think is ethical. This framework explains moral reasoning of persons. The authors use a tax auditor context specific variation on Rest (1986) defining issue test, that exploits choices of individuals when faced with moral dilemma, to infer their moral reasoning and stage in CMD, and combine it with a questionnaire that measures other variables of interest. Ethical behavioural intention reflects the importance of ethics when making decisions. In contrast to existing literature, they find that longer service as a tax auditor is associated with lower stage of moral development but not with lower importance of ethics, when making decisions. This is explained by the values of in-group collectivism and power distance in Brazil that encourage obedience, egoism. Conformance to these social norms are amplified through socialization. In addition, they provide evidence that when an individual's ethical principles (ethical ideology) are more idealistic, that is, when they tend to be based on universal principles, decisions will be made based on more stringent moral judgements. This is because in Brazil the job of public sector auditor is associated with intense moral dilemmas. These results could be generalized to other Ibero-American countries and have implications for all types of jobs involving control and monitoring on behalf of others.

Management control systems (MCS) are important in implementations of strategic planning through provision of information for decision-making. How the MCS are used for this purpose is highly contextual and depends on various factors. Lunkes *et al.* (2020) examine the role of online hotel reviews (OHR) on the fit between use of MCS and strategy implementation in hotel industry. OHR are useful publicly available tool in measuring customer satisfaction of own establishment, but also in benchmarking wit competitors. Their importance for strategic planning is obvious. In addition, because the ratings have breakdowns across various categories, they are also useful to align strategic planning with control and monitoring function that can result in improved service operations. Based on this intuition and using survey results from 78 managers of small and medium hotels in Brazil within the structural equation modelling estimation framework, the authors find that the perception of relevance of strategic planning within hotel is positively associated with a degree of use management control systems in its diagnostic (control, monitoring and coordination of implemented strategy) and, to a lesser extent, in its interactive (learning, dialogue and development of new ideas) dimension. Moreover, OHR have positive moderating effect on the diagnostic use of MCS for strategic planning purposes but not so on the interactive use, possibly because the quantitative, direct measurement of OHR is more suitable to control, monitoring and coordination role of MCS. Another potential explanation of this finding, not explicitly discussed in the paper, could be that particular institutional features of Brazilian society, namely, high uncertainty avoidance and short-term orientation along with the low legal protection, are conducive to use of OHR for short-term operational correction through use of MCS rather than for adjusting strategy with its implications in the long run (interactive use of MCS). The authors also discuss some practical implication of results for hotel management.

Drawing on agency and signalling theories, Herrera Rodriguez and Ordóñez-Castaño (2020) compare the disclosure of intangible liabilities on websites of banks of two neighbouring countries, Colombia and Panama. Following Harvey and Lusch (1999) the authors conceptualize intangible liabilities as weaknesses in processes, human talent management, information processing and organisational configuration, both internally within a firm and externally in relations with various stakeholders. Being non-financial in nature, they may be interpreted as leading indicators of future monetary liabilities that have to be recognised under financial reporting standards. Banking sector in those two countries should be expected to have high transparency because of their dependence on capital markets. The disclosure level is somewhat higher in Colombia than Panama, with higher disclosure found for external than internal dimension. Disclosure is also higher for indicators related to information processing and organisational structure, in comparison with human talent management and processes. They find that overall disclosure level is positively associated with size and profitability and negatively associated with banks' age. These results are in line with the existing literature, showing that institutional variables may be more important in some industrial sectors than others.

The papers published in this Special Section of the *Journal of Applied Accounting Research* demonstrate potential of understanding the role of accounting in managing organizations in specific institutional and cultural settings that goes beyond standard cross-country regression framework. Cross-country regressions offer general results, but typically lose from sight complexity of phenomenon. This complexity is better approached from a single country perspective. By extending the important research advances in Ibero-American accounting community to wider world audience we hope to stimulate dialogue on how to reach the optimal mix of accounting practices, given the value constraints, in various country-clusters. To achieve that goal, future research should be even more detailed in describing particularities of country contexts in order to provide more insight on relative importance of various accounting and management theories that seek to explain various phenomena.

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