



PERGAMON

Accounting, Organizations and Society 28 (2003) 1–14

Accounting,  
Organizations  
and Society

www.elsevier.com/locate/aos

## Hofstede never studied culture

Rachel F. Baskerville\*

*Department of Accounting and Finance, University of Auckland, Private Bag 92019, Auckland, New Zealand*

---

### Abstract

The continuation of accounting research utilising Hofstede's cultural indices suggests an absence of sufficient consideration for the reasons behind the rejection of such a universalist approach in anthropology and sociology. These reasons include the assumption of equating nation with culture and the difficulty, and limitations on an understanding of culture by means of numeric indices and matrices. Alternative approaches for research on national differences in accounting are suggested. © 2002 Elsevier Science Ltd. All rights reserved.

---

In 1967, employees in an organization, IBM, were asked to complete an attitude survey. IBM had organized incidental surveys of parts of its organization since 1950, but it was decided to standardize an international survey in order to provide a management tool for organization development. This survey process repeated until 1973, resulting in 117,000 responses from 88,000 employees in 66 countries. The results of this data led the head of the international team conducting the survey, Geert Hofstede, to develop cultural indices. These indices provided four dimensions of national culture for each one of the countries surveyed. Twenty years later, accounting research is one of numerous disciplines which utilize Hofstede's classification and quantification of cultural differences.

This study acknowledges the variety of applications of Hofstede's *Culture's Consequences—International Differences in Work-Related Values* (1980) (hereafter referred to as *Culture's Con-*

*sequences*) in accounting research, and then examines the development of ideas about culture and its quantification by Hofstede, and the theoretical bases for Hofstede's cultural measurements. This review identifies problems such as: (i) the assumption of equating nation with culture (ii) the difficulties of, and limitations on, a quantification of culture represented by cultural dimensions and matrices; and (iii) the status of the observer outside the culture. Possible alternative and multiple explanations of national differences in accounting systems are also described. A further problem is a general lack of confidence in the assumption of stability of cultural differences, considering the twenty years since the 1980 publication of *Culture's Consequences*. Cultural diffusion and the dynamism of both national and ethnic shifts may be problematic where reification and indexation of culture is concerned.

The outcome of this examination suggests that the manner in which Hofstede established the dimensions of culture, and the subsequent reification of "culture" as a variable in cross-national studies in accounting research, led to a misleading

---

\* Tel.: +64-9-373-7599x5648; fax: +64-9-373-7406.

E-mail address: r.baskerville@auckland.ac.nz (R.F. Baskerville).

dependence on cultural indices as an explanatory variable of differences in accounting practices and behaviour.

In the human sciences, the concept of culture itself is elusively all-embracing but contradictory, and claimed by some to be virtually discarded by anthropologists and sociologists (Freilich, 1989). Others believe there is general agreement about what culture involves: for example, Clifford Geertz suggested that culture is “an historically transmitted pattern of meanings embodied in symbols, a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life” (Geertz, 1993, p. 89). A shorter definition provided by Kuper was that culture is “a matter of ideas and values, a collective cast of mind” (Kuper, 1999, p. 227); but Kuper saw anthropological traditions of cultural studies now being side-lined to cultural politics. He suggested anthropologists were like “owners of an old-fashioned delicatessen operating in the shadow of a mall” (p. 228). Even so, when anthropologists adopt any such concepts of culture, culture is not divided into component systems, or different values in a quantitative style; instead, it is viewed as an integrated pattern of symbols and meanings. Even before Hofstede’s survey started, Marshall Sahlins described anthropology leaving behind identifying cultures by series of dualisms (such as idealism and materialism); and instead promoted that diverse cultural emphases represent differing institutional integrations of symbolic schemes (Sahlins, 1976, p. 211). However, it is not the purpose in this study to review anthropological debates; rather, the objective is to identify the lack of a robust theoretical basis for research using Hofstede’s indices.

Accounting and other researchers using Hofstede’s indices cannot fall back on their appreciation that it has been used in other research to date. Instead, an essential component in research applying Hofstede’s indices of culture would include an examination of the theoretical framework for the cultural indices. To demonstrate the need for more intellectual rigour in such research, the paper is organized as follows:

- The next section provides a citation analysis from Social Sciences Citation Indices to identify research disciplines which utilize Hofstede’s dimensions of culture. This analysis indicates a low usage of Hofstede’s methodology in anthropology and sociology, and an extensive and increasing use in business-related research and psychological research.
- The rejection of the theoretical basis for Hofstede’s approach in anthropology and sociology is described.
- Hofstede’s dimensions raise issues such as the problem of equating nation states with cultures, quantification using indices and matrices, and the status of the observer.
- The weak theoretical basis makes it unclear what Hofstede was theorizing; he might not have studied culture at all. The connections between his dimensions and socio-economic aspects such as Gross Domestic Product suggest that he was measuring socio-economic factors.

His subsequent changing perspectives on culture and national character are noted, and this review concludes with considering the implications of its critique for accounting research.

### 1. More than a super-classic

The number of disciplines which use Hofstede’s dimensions is steadily increasing outside of the core social science disciplines. In order to trace this usage, an analysis was undertaken of the citations of Hofstede (1980) and subsequent editions from the Social Sciences Citation Index over the eighteen years from 1981 to 1998. In common with other citation analyses, there are two caveats on the use of such data: firstly, citations may be negative or positive, or major and minor citations, and therefore the coarse citation count might not reflect diverse characteristics of citations. Secondly, this is only drawn from the Social Sciences Citation Index, and therefore underestimates the citation of *Culture’s Consequences* in other citation bases. Not all social science or accounting journals

are included in this Index. It is also of note that the accounting citations do not include citations of Gray's adaptation of the dimensions for accounting research (Gray, 1988, 1992).

With these caveats, the analysis is presented here for three reasons: firstly, it clearly shows an increasing use of *Culture's Consequences* in some disciplines. Secondly, it demonstrates low/medium levels of utilisation of Hofstede in sociology and anthropology, where it might be expected to show the highest levels of all disciplines. Thirdly, it shows an overwhelming use of *Culture's Consequences* in two major research streams: management-related disciplines, and psychology. Although it would appear that other management disciplines are in more "danger" than accounting from the expansion of this methodological approach, this review is directed at accounting researchers, because support for this methodology (and the extension through Gray's dimensions) is not reducing, and regularly appears in accounting conference proceedings and journals.

The significance of the levels of citation of Hofstede can be assessed against benchmarks from citation analyses in economics, where a publication dated 1980 is deemed a 'super-classic' if it earns 37.42 citations per annum on average in a 20-year period (Durden & Ellis, 1993). *Culture's Consequences* demonstrates an average of 94 citations per annum in the last 18 years. Part of this level of usage appears to reflect efforts of researchers unaware of debates concerning the legitimacy of Hofstede's dimensions; as such, they utilize them afresh with impunity as in Volkema's study of ethnicity [sic] in negotiations, in which he suggests, "empirical research on culture is a relatively new field" (1999, p. 66).

One pattern of citations observed in other studies is that there is an increase in citations after publication which peaks about 3 to 5 years after publication, and thereafter decreases until it reaches a steady state about 10 years after publication (Gamble, O'Doherty, & Hyman, 1987, p. 18). Table 1 demonstrates that citations of *Culture's Consequences* have not decreased in any discipline since it was first published, so critical responses (e.g. Sondergaard, 1994, p. 449) do not

appear to have impacted on its acceptance in other disciplines which, instead, show evidence of its cumulative and continuing authority.

That it is continuing to be such an influential book in certain areas, but not mainstream social sciences, might indicate that it fulfils a particular need in the areas where it is used. These areas of psychology, behavioural science, organizational studies and management are concerned with individual responses to problems or stimuli, and as such are constantly faced by the nature/nurture debates, which remain largely unresolved. It is also in these areas of accounting research where academics are observed to adopt this methodology.

Recent accounting studies incorporating some or all of Hofstede's dimensions are mostly in areas of performance or behavioural research, such as Yamamura, Frakes, Sanders, and Ahn (1996), O'Connor and Ekanayake (1997), Harrison (1992, 1993), O'Connor (1995), Nicholson, George, and Church (1997), Lal, Dunk, and Smith (1996), Chow, Harrison, McKinnon, and Wu (1999), Chow, Shields and Wu (1999), Chow, Kato, and Shields (1994), and Awasthi, Chow, and Wu (1998). Ethics and professional studies include Tsui (1996), Goodwin and Goodwin (1999), Cohen, Pant, and Sharp (1992, 1993, 1996), and Aloese, Perera, and Chua (1998). Recent accounting research in other areas includes Choi and McDonald (1992), Chow, Chau, and Gray (1995), Doupnik and Salter (1995), Eddie (1997), Emenyonu and Gray (1996), Fechner and Kilgore (1993), Hussein (1996), MacArthur (1996), Morosini, Shane, and Singh (1998), Salter and Niswander (1995), Sengupta, Pourjalali, and Ordway (1998), and Sudarwan and Fogarty (1996). This body of literature includes accounting studies utilising the application of Gray's (1988, 1992) extrapolation of these dimensions onto a description of individual characteristics reflexive of generally perceived behavioural characteristics of accountants, such as professionalism, secrecy and conservatism. To be able to utilize Hofstede's "dimensions of culture" allows accounting researchers to sample and survey behaviour, and apply cultural indices to isolate the impact of the social environment. It also allows international

Table 1  
Analysis of journal articles which cited *Culture's Consequences* (various editions)

Topic	Total for topic area	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
Cross-cultural	165			1	3	1	6	7	5	11	11	11	17	12	13	19	9	18	21	
Psychology	540		8	4	10	12	13	29	15	12	23	31	28	39	34	45	65	77	95	
<i>Business-related</i>																				
Management	238	2	3	9	6	8	12	10	4	2	10	15	9	14	22	29	26	17	40	
Business/Admin. Organizations	232		1	4	2	2	1	6	4	9	7	11	12	20	22	19	37	22	53	
Marketing	126	2	4	2	2	1	4	1	5	5	10	5	4	6	13	10	12	16	24	
Accounting	44		1						2				2	3		4	6	11	15	
Operations Research, IT	31	1					2		2	2		2	3	1	3	4	3	4	4	
Sub-total for business-related	41	1			1							1				5	8	9	16	
Sub-total for business-related	712	6	9	15	11	11	19	17	17	18	27	34	30	44	60	71	92	79	152	
<i>Other than anthropology and sociology</i>																				
Health/Medical	30				1		1		2	2	2			3	1	6	4	1	7	
Geography/Tourism	17									2						2	5	2	5	
Law	6								1						2		1	0	2	
Economics	17			1			1								2		2	5	6	
Communication/Linguistics	42					2	2	4	1	1		3		1	3	3	2	9	11	
Education/Child Development	36				1		2	2	3	1	5	2		1	4	2	4	1	8	
Various	93	1	1	1	3	2	4	4	1		5	3	8	5	11	11	6	10	17	
Sub-total for Other	241	1	1	2	5	4	10	10	8	6	12	8	9	10	23	24	24	28	56	
Anthropology	5								1								1	0	0	3
Sociology	43	1			2	2	5			4	1	5	2	3	5	4	2	1	6	
Subtotal for anthropology and sociology	48	1	0	0	2	2	5	0	1	4	1	5	2	3	5	5	2	1	9	
Totals	1706	8	18	22	31	30	53	63	46	51	74	89	86	108	135	164	192	203	333	

comparisons of behaviour and human practice through surveys, and thereby to identify which differences can be attributed to culture and which differences could be attributed to non-cultural causes, for example, individual variations in ethical or behavioural responses.

Critiques of Hofstede have periodically appeared in accounting, but these have not diminished the attractiveness of his indices. Gernon and Wallace (1995) reviewed issues and problems in the application of Hofstede's cultural dimensions. They described cultural studies in international accounting research as "trapped by a paradigm myopia by its reliance on the framework suggested by Hofstede" (p. 85); partly because his survey was of one organization and may not be applicable to other contexts. A replication by Harrison, McKinnon, Panchapakesan, and Leung within four countries established directional similarities in power distance and individualism, but not in uncertainty avoidance. The masculinity result was equivocal (1994, p. 255). A further extensive and very thorough review of the utilisation of Hofstede's dimensions in cross-cultural research on management control systems was provided in this journal by Harrison and McKinnon (1999). The detailed description of the research outcomes in this more recent study included substantive disparities between different studies, equivocal results from some and absence of a cultural effect in others (p. 488).

Other attempts to replicate Hofstede's indices have not shown that his constructions are readily replicable. For example, Smith, Dugan, and Trompenaars (1996) examined the replicability of Hofstede's methodologies [as well as those of Bond (1988) and Schwartz (1992, 1994)]. Part of their research question was: did Hofstede's measures reflect the Western values of those who designed them? In part Hofstede had addressed this issue, undertaking a Chinese Value Survey (Hofstede and Bond, 1988), subsequent to which a further dimension "Confucian Dynamism" was introduced. The uncertainty avoidance dimension had not been observed in the Chinese Value Survey, and was not found by Smith et al. There were other differences in the results of replicability tests by Smith et al., and their results were not con-

clusive. For example, "this study provided no direct confirmation of masculinity and uncertainty avoidance, despite the inclusion of some items that do seem theoretically coherent with his conception of the meaning of these constructs" (p. 257).

Accounting research by Chanchani replicated Hofstede's research on two populations (India and New Zealand) in an effort to reflect the original research as closely as possible, but this also demonstrated that the indices were not replicable. His analysis of data based on Hofstede's guidelines found that rankings for three out of the five value dimensions were opposite to that found by Hofstede (Chanchani, 1998, p. 20).

A more recent 'replication' study by Merritt (2000) was based on data from 9400 male commercial airline pilots from 19 countries. Although the title suggests a replication study, in fact he conducted two different sets of analyses. The first was a direct replication of Hofstede's methodology; the second analysis removed the constraint of item equivalence across time and populations. This second analysis proved superior, both conceptually and empirically, to the analysis using Hofstede's original items and formulae, and he found significant replication correlations for the indexes in the second analysis (Merritt, p. 295).

His approach also has merit because he did not take each airline as representing the culture of that country. Instead, in order to use the most culturally distinct groups, he used only airlines that were owned and operated by members of the same national culture, and responses from pilots whose nationality matched the nationality of the airline (Merritt, 2000, p. 285). His focus on the ethnicity of respondents thus appears to provide scores reflecting ethnic differences.

Issues raised by such replication studies remain to be resolved. Textbooks on international accounting such as Nobes and Parker (1998, p. 17) remind students that the application of these dimensions do not provide strong authority as a basis for accounting research. It remains to be seen if these critiques can influence accounting research to shift away from the aspirations of cultural quantification promised by Hofstede.

## 2. Why were such indices rejected by anthropology and sociology?

Twenty years after the publication of Hofstede's book, it is clearly apparent from this citation analysis that Hofstede's dimensions are not widely used in social sciences of sociology and anthropology. Four reasons for this rejection will be discussed in the following sections: the theoretical basis derived from George Murdock's research, the equation of nation states with cultures, the use of matrices, and adherence to the importance of observation by participant observers.

The reason for the low levels of citations in mainstream social science studies is due to the theoretical basis on which Hofstede established his methodology. Hofstede based his theory on anthropology and sociology to legitimate his theoretical links, in an attempt to recapture a methodology developed by George Murdock. Murdock inspired and drove the publication of an "Ethnographic Atlas" from 1963 to mid-1967 in quarterly issues of *Ethnology*. This represents the "high tide" mark in datum accumulation and manipulation on a massive scale in anthropology. Murdock's "Ethnographic Atlas" was based on files of data on 250 cultures, which were used for Murdock's seminal 1949 publication, *Social Structure*. The collection of data grew to be established as the Human Relations Area Files.

The objectives underlying the establishment of the Human Relations Area Files were to provide cross-cultural perspectives, relying on ethnography for source data, and providing a holistic perspective on different cultures within national groupings through intensive studies of particular units. The IBM survey started about the same time as this activity, and the theoretical basis for *Culture's Consequences* reflects Murdock's approach. The Murdock School came closest to an extreme universalist approach; based on the premise that all known variants are represented in the sample, and few (if any) barriers exist to making meaningful comparisons between a wide range of countries (Rokkan, 1996, p. 18). Rokkan considered the Murdock strategy may have been valid if human societies were isolated from each other, with only local variations; but with constantly

expanding networks of exchange and communication coupled with proselytizing religion and ideologies, the Murdock strategy ran into a variety of statistical and logical difficulties.

Hofstede's universalist approach runs into the same difficulties; although there is a twist in the tale. In social sciences, studies in which the nation is treated as the unit of analysis are primarily concerned with how differences in social institutions correspond to variations in national characteristics (Kohn, 1996, p. 30). However, when the nation was treated as the unit of analysis by Hofstede, he was concerned with how national characteristics could be one variable in the analysis of organizational or business institutional behaviour. That focus for explanatory investigation is a core distinction between cross-cultural studies in commerce and business research, compared with cross-national research in sociology and anthropology.

## 3. The assumption of equating nation states with cultures

This leads to the first major contention in the assumptions Hofstede utilized: equating nation states with cultures. Cultures do not equate with nations; for example, from the *Encyclopedia of World Cultures* (O'Leary & Levinson, 1991) it can be identified that in the Middle East the Human Relations Area Files identify 35 different cultures in 14 nations. There are 98 different cultures identified in 48 countries in Africa, and in Western Europe there are 81 cultures in 32 countries. In North America, 147 Native American cultures and nine North American folk cultures are detailed.

Any study of cross-cultural comparisons has to address two important problems:

- classification and definitions; and
- the problem of sampling and the units of comparison (Goodenough, 1964, p. 8).

Hofstede did not adequately address these basic problems. For a statistical approach to be valid, each unit should be fully independent—uniquely and unambiguously defined. Murdock had addressed this problem by devising the concept of a "cultural type": being "either a single unques-

tionably distinctive culture or group of cultures which differ from one another to a degree not significantly greater than the local variations to be expected of any homogeneous society of substantial geographical extent” (Murdoch, 1963, p. 249). Hofstede’s later attention to this issue can be observed in his studies of organizational cultures; for example, he said that with respect to organizational culture “a unit should be sufficiently homogeneous with regard to the cultural characteristics studied” (1998b, p. 1). However, any heterogeneity or suspected lack of independence of the units of analysis in *Culture’s Consequences* was not incorporated in the calculation of the “indices of culture”.

Hofstede claimed to have developed a broad conceptual framework related to fundamental problems of human society (1980, p. 398) so that the universally human, the globally imposed, and the culturally specific elements in valid theories of management and organization will be recognized (p. 399); and to transcend the limits imposed by our different mental programming (p. 400). It seems to be a method of evaluating differences. Thus, Hofstede was not trying to maximize the diversity; incorporating and equalizing cultures with nations minimized the variety in the units of analysis.

Hofstede often refers to cultural norms or societal norms, using the concepts of culture and society interchangeably. Contrast this with ethnographic analyses. In earlier ethnographic studies, the anthropologist may describe one or many societies within a nation state. More recently, these would be described as one or many cultures or ethnicities within a nation state. For example, New Zealand is most often described as bi-cultural, but New Zealand as one society equates to the nation state. Murdoch distinguished between China, being a single society, and the Australian sub-continent where there are “no fewer than 573 distinct societies which occupied the Australian continent on the aboriginal level” (Murdoch, 1963, pp. 249–225). Nowadays, these would be described as 573 cultures. That cultures are distinct from nation states should not have required debate. Yet, in the collection of data by Hofstede through the Hermes Research Project, the choice

was of units exclusively determined by the nations in which IBM had branches. Simply enough, each nation was deemed one culture. As noted by Wildavsky, cultures are not countries, and there is generally more than one culture in one country at any one time (1989, p. 71).

Sociological literature provides further evidence on the extensive debate about treating countries as a unit of analysis. In a review titled “*Pitfalls in Using Country as a Black Box*”, Scheuch described major objections to imputing differences derived from surveys in different countries; in particular

- treating percentage point differences as evidence; Scheuch reminded readers that decades of social survey research had demonstrated that many reported percentages could not be replicated; they were a property of the survey only at a moment in time (Scheuch, 1996, p. 60);
- using the country as a dummy variable for all the individual cases collected in that area; to proceed in this manner may lead to research artefacts, in spite of its “common sense” appeal (p. 59);
- failing to distinguish between dependent and independent variables; and
- assuming a stability of properties measured. In Scheuch’s studies in Germany over 30 years, the results of an “attitude to work” question differed 30 percentage points (p. 60).

Scheuch concluded that the difficulties and, as a consequence, the errors, in using country names as units for comparison led to two conclusions: firstly, that we do not really know what we are talking about when we use nation names, and secondly, that we need a great ‘store of descriptive knowledge’ before nation names can be used as explanans in comparative work” (p. 63).

Furthermore, Kohn suggested that much research in which each nation is treated as context inevitably moves to more general analyses in which differences between nations become the variable in the analysis. He warns that “in many fields of sociological inquiry there is much to learn from research in which nation is treated as context before we are ready to translate ‘nations’ into

‘variables’” (1996, p. 31). The equation of nation states with cultures is one reason why most anthropologists and sociologists would disagree with Hofstede’s theorizing. Hofstede’s response to criticism that nations are not the proper units for studying culture does not address the issues, noting only that “they are usually the only kinds of units available for comparison” (1998c, p. 481). Many accounting researchers will sympathize with this position; in international accounting research the country is frequently the unit of study. But nation states are not the only units for comparison; Hofstede’s survey, as with international accounting research surveys, is based on individuals and it is the ethnicity of those individuals that affects their perceptions, attitudes and behaviour. There is no doubt ethnicity affects both the character and actions of each individual, and much research in ethnography reflects the depth of the diversity of human behaviour by different ethnic groups. But there are no indices attributed. This brings us to the second contention: the difficulties of, and limitations on, a quantification of culture based on numeric dimensions and matrices.

#### **4. The quantification of culture based on numeric dimensions and matrices.**

When *Culture’s Consequences* was published in 1980, it was based on two rounds of surveys between November 1967 and 1973 of employees in IBM subsidiaries in a total of 66 countries. Of these, only 40 countries were used for further analysis “for reasons of stability of data” (Hofstede, 1980, p. 54). From the analysis and theoretical reasoning, Hofstede postulated four cultural dimensions on which countries differ: power distance, uncertainty avoidance, individualism and masculinity. Each of the 40 countries was given a score on these dimensions. In further research, Hofstede increased both the number of dimensions and the number of countries; but the further scholarship did not address the fundamental issues as described here.

These dimensions have had their parallels in anthropological literature. For example, there is the well-known event of the presentation of a 2×2

matrix of cultural characteristics in 1889 by Edward Tylor, a founding figure in English anthropology. This was severely criticized by Francis Galton for Tylor’s lack of consideration of the possibility of cultural diffusion (Galton, 1889). Instead, sociologists and political scientists came to focus comparative analysis on units smaller than “a society”; and built communication/diffusion/innovation variables into their models.

A proposition to rank human social organizations on a dichotomous matrix appears in Mary Douglas’s study of *Natural Symbols* (1970) and *Cultural Bias* (1978). Douglas’s two axes were termed Grid and Group, indicative of the Individualism/Public classification and Social Incorporation. These are partly mirrored in Hofstede’s dimensions of Collectivism. Douglas’s work attracted much attention from organizational theorists, but she reflected that trying to work in two dimensions in her work on cultural bias was extremely difficult; the dynamic methodology demanded simplification techniques such as shifting or rotation of axes (1970, p. xxciii). However, this approach was successfully developed further with Aaron Wildavsky’s (1989) propositions of four varieties of cultural prescriptions: hierarchy/collectivism; apathy/fatalism, competition/individualism and equity/egalitarianism. In this methodology countries, societies or cultures were not to be ascribed numerate indices on these varieties of attributes, because of the dynamic and adaptive nature of the balance between such attributes.

It must be emphasized in this brief summary of the utilisation of matrices in some anthropological research that indices were not attributed with fixed numeric measures. These anthropological analyses of the utility of matrices are also different from Hofstede, because such ethnography had as a starting point the observer in a position within the culture under observation. This directs attention to a further methodological issue, the status of an observer of cultural differences.

#### **5. From within or without**

The importance of “being within” is a third cause of the dissonance between anthropological



research and Hofstede's cultural dimensions. Hofstede represented this difference as the "Malinowskian dilemma" (1980, p. 41). Hofstede suggested that few scholars took the "extreme" position attributed to Malinowski, and a diversity of positions remained on the relative importance of understanding-from-within versus measuring-from-without. In this, Hofstede is challenging mainstream social sciences. It is not correct to purport that anthropology is characterized by an unresolved dilemma in this aspect. This dilemma was resolved fully with an acceptance of fieldwork methods: characteristically, participant observation and an interpretive/non-quantitative methodological approach following Malinowski's impact on anthropological theory. Hofstede's retention of the notion of a "Malinowskian dilemma" could in a large part be attributed to the influence of Clyde Kluckhohn and his advocacy of a scientific approach to the study of values (1951); this was one of the bases of Hofstede's theoretical orientation (1980, p. 19). Subsequent developments in social anthropological theory proceeded in a very different direction from identifying phenomenal order in cultures, and Hofstede understood this. He thought that the "pure idiographer" might shy away from quantitative data and the use of statistics (p. 42). In Sahlins' treatise on *Culture and Practical Reason* there was lengthy criticism of such approaches; he considered that any theory "based on pragmatic interests and 'objective' conditions is the secondary form of a cultural illusion, and its elaborate empirical and statistical offspring" (1976, p. 220). In spite of Hofstede's cognizance of the problem, he continued to maintain there was a useful place for his methodology, and the awareness that it was going against mainstream anthropology was not sufficiently represented in the methodological justification for Hofstede's approach.

This brief description of part of the critique of Hofstede's theoretical basis, when added to other critiques such as Harrison and McKinnon (1999), alerts the researcher to be wary of indices in cross-national studies. The problems experienced by other social scientists should have a salutary impact on our research paradigms.

## 6. Relationship of indices to other national data

This review of aspects of Hofstede's theoretical foundations has identified why most anthropologists would disagree with the validity of Hofstede's "dimensions" of culture. One significant aspect to *Culture's Consequences* which deserves more attention is the transparency with which Hofstede related the cultural dimensions with other studies of country or national differences for the purposes of making international comparisons. For each dimension the index was compared to seven other national measurements: GNP, economic growth, latitude, population size, population growth, population density and organization size. In addition to this general comparison, Hofstede also examined, in detail, comparisons with other cross-cultural studies; for example, Power Distance shows a close relationship to educational and occupational class indices (1980, p. 107). Low scores of Power Distance relate to high levels of education and high status occupations among those surveyed (p. 105), and 58% of the variance in Power Distance can be predicted from national wealth, population size and latitude (p. 122).

With regards to Uncertainty Avoidance, there is a strong relationship between uncertainty avoidance and the average age of respondents, and anxiety-related behaviours (Hofstede, 1980, pp. 167–168). It relates also to national death rate or accident statistics (p. 169), and again also to latitude as well as population density (p. 203). Furthermore, there is a reflection of the same clustering of countries when countries are studied from the viewpoint of their democratic processes (old and young democracies), and Hofstede describes how the idea of "tight" and "loose" societies is related to uncertainty avoidance (p. 179).

Individualism reflects in measures of social mobility, sectorial inequality, press freedom (Hofstede, 1980, p. 257), but then also relates to organization size (p. 255) and Gross National Product per capita (p. 231). As with Power Distance, Individualism may be predicted from the basis of national wealth.

Masculinity/Femininity indices relate to levels of developmental assistance from the United

Nations, population growth data, and also the percentage of professional and technical females in the work force.

This summary of the embeddedness of the four dimensions in the social, political or economic measures indicates that the dimensions identified by Hofstede describe characteristics of different nations, most of which could be identified as socio-economic in origin. These are not cultural dimensions, and much socio-economic data may reflect mechanisms of social organization, or strengths and opportunism of different nations, which may be epiphenomenal to historical origins.

### 7. Implications for further research

The use of Hofstede's dimensions by accounting scholars raises more problems than it solves. What does this mean for accounting scholars who are trying to use them? As reminded by Hopwood (1999, p. 378), it is the pressure from trends to internationalism which provide the impetus to better understand the national and cultural specificity of accounting. If research in accounting is to better identify the drivers to this specificity in accounting, it requires systematic modeling of characteristics of nations based on well-established economic indices, as well as indices to take account of the nexus of historical and political tensions in each nation. A research approach in international accounting can include readily accessible data which encapsulates, or can provide proxies for, socio-political differences between nations; whether these be the GDP, GNP, population size and density, market size, stock market characteristics, political dominance, religious dominance, class structures, or education statistics. Sufficient observations of a number of countries with clusters of characteristics reflecting the wealth, economy, political and social organization of that nation may then lead to identifying why and how accounting is undertaken in that nation. There is a large body of existing research in international accounting which already discusses the importance of such factors without utilising Hofstede's methodology.

Accounting researchers may then be in a position to provide a robust theory for explaining international differences in accounting practice and behaviour. Such research would locate accounting practices and behaviour in the nexus of the economic and business functions which accounting serves. Then the socially located nature of accounting will not be concealed behind reified icons of "cultural" differences.

Secondly, accounting research may develop to examine and analyze individual behavioural differences by accountants in different nations; then it is required for each researcher to ask survey participants to make their ethnic self-identification in such a survey, and to determine if these mirror some of the "cultural" indices established by Hofstede.

Such a focus on ethnicity of survey subjects may demonstrate the merit of selecting representative samples of ethnic groups within each nation, and then examining whether or not ethnic characteristics are more strongly correlated with Hofstede's dimensions of culture than the economic indices he examined. If there is a strong relationship between ethnic characteristics and "cultural" indices, and there is a clear rationale for these findings, then accounting research could develop to examine the relation between these dimensions of ethnicity and accounting practice.

Thirdly, international accounting research may follow a diverse range of differing methodologies which, while being informed by anthropology, may have a variety of objectives and foci. Research into one particular cultural or ethnic group such as the study of accountability in Maori society by Mataira (1994) demonstrates an approach typical of cultural holism. The opportunistic adaptation of other anthropological or sociological approaches may establish new exemplars of qualitative and contextual analysis in international accounting research.

### 8. After "*Culture's Consequences...*"

The objective of this report was to examine the utilization of and theoretical foundations for the cultural indices proposed from research on corpo-

rate values by Geert Hofstede. Hofstede continued for many years making a very significant contribution to studies of organizational cultures, and his scholarship remains within the mainstream theory in international business research and management studies.

The theoretical foundation for his subsequent publication *Culture and Organizations—Software of the Mind* (Hofstede, 1991) was not derived from a universalist concept of culture, but instead he only briefly sourced the justification for the dimensions of culture to writings of a sociologist, Inkeles, and a psychologist, Daniel Levinson. He had distanced the reification of culture from anthropology as a foundation for his work, apart from a brief reference to Ruth Benedict and Margaret Mead; Ruth Benedict was not mentioned in *Culture's Consequences*. Thus, by 1991, Hofstede had found an anthropological foundation for his theory unnecessary; noting “mainstream anthropology in recent decades has contained itself to marginal groups and to problems which for society as a whole are fairly trivial. It has avoided touching areas where it could be relevant to other disciplines and to practitioners” (Hofstede, 1991, p. 248). This shift to a psychological approach based on Inkeles’ studies meant that he was developing studies of national character, rather than national culture. Hofstede termed these variables “national value differences” (Hofstede, 1998c, p. 480), considering that national culture was more or less synonymous with national character.<sup>1</sup> Hofstede retained a preference for the word ‘culture’ as it “allows more emphasis on the environment in which people function” (Hofstede, 1998a, p. 17). Such use of the word was now far-removed from its invocation and layered meanings in anthropology and sociology.

Looking back at the evolution of anthropological theory at the same time as Hofstede was developing his dimensions of culture, it can be observed that all of the characteristics the historian Stocking described for Murdock’s anthropology: superorganic in culture, behaviourist in psychology, evolutionist in diachronic assumptions, and positivistically comparativist in method

(Stocking, 1986, p. 173), can be applied also to Hofstede’s approach. Sahllins typified the reaction from mainstream anthropology to such a universalist approach in his essays in *Culture and Practical Reason*, noting that: “culture is not a dependent variable” (1976, p. 206). The variable “culture” remains just that: variable and dynamic, qualitative not quantitative. By this time, Murdock himself had not found the universalist approach provided the promised understanding of culture through this universalist methodology, and he renounced such an approach (Murdock, 1971, p. 19).

The universalist approach using Hofstede’s dimensions has also failed to deliver on its promise. As observed by Harrison and McKinnon in management accounting research: there has been too much selectivity among the cultural dimensions; cultural dimensions have been treated as equally important across nation states, and the value dimensions have been accorded only a superficial and naive understanding (1999, p. 502). Such problems have ramifications for the utilization of Hofstede’s cultural indices, and implications for cross-cultural accounting research which should not be ignored.

The use of Hofstede’s indices of cultural dimensions appeared to give cross-cultural studies in accounting stature and scientific legitimacy, and respectability within accounting research. Those researchers who utilize these dimensions successfully should be prepared to include in their application of the cultural indices a consideration of how their research addressed the problems of the concept of nations versus cultures, and the problems inherent in the universalist approach as debated earlier last century during the formative years in anthropology.

### Acknowledgements

Appreciation for the guidance, assistance and encouragement in the numerous revisions of this paper are expressed in particular to Haim Falk and Shalin Chanchani. Comments also from other academic colleagues at Victoria University, Wellington, the University of Auckland, participants at the October 1998 Asia-Pacific Conference in

<sup>1</sup> Inkeles published his *National Character—A Psycho-Social Perspective* in 1997.

International Accounting Issues, and those attending the ASAA/NZ Conference “Displaying Culture” in August 1999 were of great assistance. The anonymous reviewers made a significant contribution in providing generous assistance and advice to further the development of the paper.

## References

- Aloese, A. S., Perera, H. & Chua, F. (1998). The cultural relativity of accounting professionalism: further evidence from New Zealand and Western Samoa. Paper presented to the 10th Asian-Pacific Conference on International Accounting Issues, HI, USA.
- Awasthi, V. N., Chow, C. W., & Wu, A. (1998). Performance measurement and resource expenditure choices in a team-work environment: the effects of national culture. *Management Accounting Research*, 9, 119–138.
- Bond, M. H. (1988). Finding universal dimensions of individual variation in multicultural studies of values: the Rokeach and Chinese Value Studies. *Journal of Personality and Social Psychology*, 55, 1009–1015.
- Chanchani, S. (1998). An empirical validation of Hofstede’s dimensions of value. Working paper, School of Accounting and Commercial Law, Victoria University, Wellington, New Zealand.
- Choi, A. -M., & McDonald, B. C. (1992). Comparative analysis on the standards of consolidated financial reports between Australia and Korea: a cultural perspective. Paper presented to the 4th Asian-Pacific Conference on International Accounting Issues, Dunedin, New Zealand.
- Chow, C. W., Harrison, G. L., McKinnon, J. L., & Wu, A. (1999). Cultural influences on informal information sharing in Chinese and Anglo-American organizations: an exploratory study. *Accounting, Organizations and Society*, 24, 561–582.
- Chow, C. W., Kato, Y., & Shields, M. D. (1994). National culture and the preference for management controls: an exploratory study of the firm-labor market interface. *Accounting, Organizations and Society*, 19, 381–400.
- Chow, C. W., Shields, M. D., & Wu, A. (1999). The importance of national culture in the design of and preference for management controls for multi-national operations. *Accounting, Organizations and Society*, 24, 441–461.
- Chow, L. M., Chau, G. K., & Gray, S. J. (1995). Accounting reforms in China: cultural constraints on implementation and development. *Accounting and Business Research*, 26, 29–49.
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1992). Cultural and socioeconomic constraints on international codes of ethics: lessons from accounting. *Journal of Business Ethics*, 11, 687–700.
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1993). Culture-based ethical conflicts confronting multinational accounting firms. *Accounting Horizons*, 7, 1–13.
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1996). A methodological note on cross-cultural accounting ethics research. *International Journal of Accounting*, 31, 55–66.
- Douglas, M. (1970). *Natural symbols: explorations in cosmology*. London: Barrie & Rockliff.
- Douglas, M. (1978). *Cultural bias*. London: Royal Anthropological Institute.
- Doupnik, T. S., & Salter, S. S. (1995). External environment, culture and accounting practice: a preliminary test of a general model of international accounting development. *International Journal of Accounting*, 30, 189–207.
- Durden, G. C., & Ellis, L. V. (1993). A method for identifying the most influential articles in an academic discipline. *Atlantic Economic Journal*, 21, 1–10.
- Eddie, I. A. (1997). The development of a contingency model for explaining national differences in consolidation accounting. Paper presented to the AAANZ Conference, Christchurch, New Zealand.
- Emenyonu, E. E., & Gray, S. J. (1996). International accounting harmonization and the major developed stock market countries: an empirical study. *International Journal of Accounting*, 31, 269–279.
- Fechner, H. H. E., & Kilgore, A. (1993). The influence of cultural factors on accounting practice. *International Journal of Accounting*, 29, 265–277.
- Freilich, M. (1989). Introduction: is culture still relevant? In M. Freilich (Ed.), *The relevance of culture* (pp. 1–26). New York: Bergin and Garvey.
- Galton, F. (1889). “Discussion” following E. B. Tylor: ‘on a method of investigating the development of institutions: applied to laws of marriage and descent’. *Journal of the Anthropological Institute of Great Britain and Ireland*, 18, 270.
- Gamble, G. O., O’Doherty, B., & Hyman, L. M. (1987). The development of agency thought: a citation analysis of the literature. *Accounting Historians Journal Spring*, 7–26.
- Geertz, C. (1993). *The interpretation of cultures*. London: Fontana Press.
- Gernon, H., & Wallace, R. S. O. (1995). International accounting research: a review of its ecology, contending theories and methodologies. *Journal of Accounting Literature*, 14, 54–106.
- Goodenough, W. H. (1964). *Explorations in cultural anthropology—essays in honor of George Peter Murdock*. New York: McGraw-Hill Book Company.
- Goodwin, J., & Goodwin, D. (1999). Ethical judgments across cultures: a comparison between business students from Malaysia and New Zealand. *Journal of Business Ethics*, 18, 267–281.
- Gray, S. J. (1988). Towards a theory of cultural influences on the development of accounting systems internationally. *Abacus*, 24, 1–15.
- Gray, S. J. (1992). Cultural dimensions of information: a comparative international financial reporting perspective. Paper presented to the 4th Asian Pacific Conference on International Accounting Issues, Dunedin, New Zealand.
- Harrison, G. L. (1992). The cross-cultural generalizability of the relation between participation, budget emphasis and job

- related attitudes. *Accounting, Organizations and Society*, 17, 1–15.
- Harrison, G. L. (1993). Reliance on accounting performance measures in superior evaluative style -the influence of national culture and personality. *Accounting, Organizations and Society*, 18, 319–339.
- Harrison, G. L., McKinnon, J. L., Panchapakesan, S., & Leung, M. (1994). The influence of culture on organizational design and planning and control in Australia and the United States compared with Singapore and Hong Kong. *Journal of International Financial Management and Accounting*, 5, 242–261.
- Harrison, G. L., & McKinnon, J. L. (1999). Cross-cultural research in management control systems design: a review of the current state. *Accounting, Organizations and Society*, 24, 483–506.
- Hofstede, G. (1980). *Culture's consequences—international differences in work-related values*. Beverly Hills, London: Sage Publications.
- Hofstede, G. (1991). *Culture and organizations—software of the mind*. London: McGraw-Hill.
- Hofstede, G. (1998a). A case for comparing apples with oranges—international differences in values. *International Journal of Comparative Sociology*, 39, 16–31.
- Hofstede, G. (1998b). Identifying organizational subcultures: an empirical approach. *Journal of Management Studies*, 35, 1–12.
- Hofstede, G. (1998c). Attitudes, values and organizational cultures: disentangling the concepts. *Organization Studies*, 19, 477–492.
- Hofstede, G. H., & Bond, M. H. (1988). The Confucius connection: from cultural roots to economic growth. *Organizational Dynamics*, 16, 4–21.
- Hopwood, A. G. (1999). Situating the practice of management accounting in its cultural context: an introduction. *Accounting, Organizations, and Society*, 24, 377–378.
- Hussein, M. E. (1996). A comparative study of cultural influences on financial reporting in the US and the Netherlands. *International Journal of Accounting*, 31, 95–120.
- Inkeles, A. (1997). *National character: a psycho-social perspective*. New Brunswick, N.J.: Transaction Publishers.
- Kluckhohn, C. (1951). Values and value orientations in the theory of action. An exploration in definition and classification. In T. Parsons, & E. A. Shils (Eds.), *Toward a general theory of action* (pp. 388–433). New York: Harper and Row.
- Kohn, M. L. (1996). Cross-national research as an analytic strategy: American Sociological Association, 1987 Presidential address. In A. Inkeles, & M. Sasaki (Eds.), *Comparing nations and cultures; readings in a cross-disciplinary perspective* (pp. 28–53). NJ: Prentice Hall.
- Kuper, A. (1999). *Culture—the anthropologists' account*. London: Harvard University Press.
- Lal, M., Dunk, A. S., & Smith, G. D. (1996). The propensity of managers to create budgetary slack: a cross-national re-examination using random sampling. *International Journal of Accounting*, 31, 483–496.
- MacArthur, J. B. (1996). An investigation into the influence of cultural factors in the international lobbying of the International Accounting Standards Committee: the case of E32, Comparability of Financial Statements. *International Journal of Accounting*, 31, 213–237.
- Mataira, K. (1994). Accountability in Maori society. *New Zealand Accountants' Journal*, 73, 32–33.
- Merritt, A. (2000). Culture in the cockpit: do Hofstede's dimensions replicate? *Journal of Cross-Cultural Psychology*, 31, 283–301.
- Morosini, P., Shane, S., & Singh, H. (1998). National cultural distance and cross-border acquisition performance. *Journal of International Business Studies*, 29, 137–158.
- Murdock, G. P. (1949). *Social structure*. New York: MacMillan Company.
- Murdoch, G. P. (1963). *Ethnographic atlas*. *Ethnology*.
- Murdoch, G. P. (1971). Anthropology's mythology—the Huxley Memorial Lecture 1971. *Proceedings of the Royal Anthropological Institute of Great Britain and Ireland* (pp. 17–24).
- Nicholson, J. G., George, C. R., & Church, P. H. (1997). Performance evaluation and compensation systems: multinational considerations. Paper presented to the AAA Conference, TX, USA.
- Nobes, C., & Parker, R. (1998). *Comparative international accounting* (5th ed.). London: Prentice Hall.
- O'Connor, N. G. (1995). The influence of organizational culture in the usefulness of budget participation by Singaporean-Chinese managers. *Accounting, Organizations and Society*, 20, 383–403.
- O'Connor, N. G., & Ekanayake, S. (1997). *A cross-cultural comparison of budget emphasis: some methodological issues and empirical evidence from four nations*. Paper presented to the AAA conference, TX, USA.
- O'Leary, T. J., & Levinson, D. (1991). *Encyclopedia of world cultures (Vol. 1)*. Boston, MA: G. K. Hall & Company.
- Rokkan, S. (1996). Cross-cultural, cross-societal, and cross-national research. In A. Inkeles, & M. Sasaki (Eds.), *Comparing nations and cultures; readings in a cross-disciplinary perspective* (pp. 18–27). NJ: Prentice Hall.
- Sahlins, M. (1976). *Culture and practical reason*. London: University of Chicago Press.
- Salter, S. B., & Niswander, F. (1995). Cultural influence on the development of accounting systems internationally: a test of Gray's (1988) theory. *Journal of International Business Studies*, 26, 379–397.
- Scheuch, E. K. (1996). Theoretical implications of comparative survey in research: why the wheel of cross-cultural methodology keeps on being reinvented. In A. Inkeles, & M. Sasaki (Eds.), *Comparing nations and cultures; readings in a cross-disciplinary perspective* (pp. 57–73). NJ: Prentice Hall.
- Schwartz, S. H. (1992). Universals in the content and structure of values: theoretical advances and empirical tests in 20 countries. In M. P. Zanna (Ed.), *Advances in experimental social psychology* 25 (pp. 1–65). New York: Academic Press.
- Schwartz, S. H. (1994). Beyond individualism/collectivism—new cultural dimensions of values. In U. Kim, H. C. Triandis, C. Kagitcibasi, S. C. Choi, & G. Yoon (Eds.), *Individualism*

- and collectivism: theory, method, and application* (pp. 85–119). Thousand Oaks: Sage Publications.
- Sengupta, P., Pourjalali, H., & Ordway, N. (1998). *Effect of cultural environment and accounting regulation on earnings manipulation: a cross-country analysis*. Paper presented to the 10th Asian-Pacific Conference on International Accounting Issues, HI, USA.
- Smith, P. B., Dugan, S., & Trompenaars, F. (1996). National culture and the values of organizational employees—a dimensional analysis across 43 nations. *Journal of Cross-Cultural Psychology*, 27, 231–264.
- Sondergaard, M. (1984). Research note: Hofstede's consequences: a study of reviews, citations and replications. *Organization Studies*, 15, 447–456.
- Stocking, G. W. (1986). Malinowski, Rivers, Benedict, and others: essays on culture and personality. *History of Anthropology* (Vol. 4). WI: University of Wisconsin Press.
- Sudarwan, M., & Fogarty, T. J. (1996). Culture and accounting in Indonesia: an empirical examination. *International Journal of Accounting*, 31, 463–481.
- Tsui, J. S. L. (1996). Auditors' ethical reasoning: some audit conflict and cross cultural evidence. *International Journal of Accounting*, 31, 121–133.
- Volkema, R. J. (1999). Ethnicity in negotiations: an analysis of perceptual similarities and difference between Brazil and the United States. *Journal of Business Research*, 45, 59–68.
- Wildavsky, A. (1989). Frames of reference come from cultures: a predictive theory. In M. Freilichs (Ed.), *The relevance of culture* (pp. 58–74). New York: Bergin and Garvey.
- Yamamura, J. H., Frakes, A. F., Sanders, D. L., & Ahn, S. K. (1996). A comparison of Japanese and US auditor decision-making behaviour. *International Journal of Accounting*, 31, 347–363.