Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally

Research has shown that accounting follows different patterns in different parts of the world. There have been claims that national systems are determined by environmental factors. In this context, cultural factors have not been fully considered. This paper proposes four hypotheses on the relationship between identified cultural characteristics and the development of accounting systems, the regulation of the accounting profession and attitudes towards financial management and disclosure. The hypotheses are not operationalized, and empirical tests have not been carried out. They are proposed here as a first step in the development of a theory of cultural influence on the development of accounting systems.

Key words: Accounting policies; Culture; Financial reporting.

This paper explores the extent to which international differences in accounting, with specific reference to corporate financial reporting systems, may be explained and predicted by differences in cultural factors.

While prior research has shown that there are different patterns of accounting internationally and that the development of national systems tends to be a function of environmental factors, it is a matter of some controversy as to the identification of the patterns and influential factors involved (Mueller, 1967; Zeff, 1971; Radebaugh, 1975; Nair and Frank, 1980; Nobes, 1983). In this context the significance of culture does not appear to have been fully appreciated and thus the purpose of this paper is to propose a framework which links culture with the development of accounting systems internationally.

The first section of the paper reviews prior research on international classification and the influence of environmental factors. The second section addresses the significance of the cultural dimension and its application to accounting. The third section proposes a framework and develops hypotheses linking culture with the development of accounting attitudes and systems internationally, based on the cross-cultural work of Hofstede (1980, 1983). In the fourth section some culture area classifications are proposed. They have been developed on a judgmental basis, in the context of combinations of accounting attitudes or 'values' which determine (a) the authority for and enforcement of accounting systems, and (b) the measurement and disclosure characteristics of accounting systems.

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INTERNATIONAL CLASSIFICATION AND ENVIRONMENTAL FACTORS

Comparative accounting research has provided an enhanced awareness of the influence of environmental factors on accounting development (e.g., Mueller, 1967; Zeff, 1971; Radebaugh, 1975; Choi and Mueller, 1984; Nobes, 1984; Arpan and Radebaugh, 1985; Nobes and Parker, 1985). This research has contributed to a growing realization that fundamentally different accounting patterns exist as a result of environmental differences and that international classification differences may have significant implications for international harmonization and the promotion of economic integration. In this regard it has also been suggested that the identification of patterns may be useful in permitting a better understanding of the potential for change, given any change in environmental factors; and that policy-makers may be in a better position to predict problems that a country may be likely to face and identify solutions that may be feasible, given the experience of countries with similar development patterns (e.g., Nobes, 1984).

Research efforts in this area have tended to approach the international classification of accounting systems from two major directions. First, there is the deductive approach whereby relevant environmental factors are identified and, by linking these to national accounting practices, international classifications or development patterns are proposed (e.g., Mueller, 1967, 1968; Nobes, 1983, 1984). Second, there is the inductive approach whereby accounting practices are analysed, development patterns identified, and explanations proposed with reference to a variety of economic, social, political, and cultural factors (e.g. Frank, 1979; Nair and Frank 1980).

As regards the deductive approach to accounting classification, the environmental analysis by Mueller (1967) provides a useful starting point. Mueller identified four distinct approaches to accounting development in western nations with market-orientated economic systems. These were:

1. the macroeconomic pattern—where business accounting interrelates closely with national economic policies;
2. the microeconomic pattern—where accounting is viewed as a branch of business economics;
3. the independent discipline approach—where accounting is viewed as a service function and derived from business practice; and
4. the uniform accounting approach—where accounting is viewed as an efficient means of administration and control.

While all of these approaches were perceived to be closely linked to economic or business factors, a wider set of influences, for example, legal system, political system, social climate were recognized as being relevant, though without precise specification, to accounting development (Mueller, 1968; Choi and Mueller, 1984). Cultural factors received no explicit recognition, however, and were presumably subsumed in the set of environmental factors identified.

Mueller's analysis was adapted and extended by Nobes (1983, 1984) who based his classification on an evolutionary approach to the identification of measurement practices in developed Western nations. Nobes adopted a hierarchical scheme of
classification in an endeavour to provide more subtlety and discrimination to the assessment of country differences. However, similarly to Mueller, no explicit mention was made of cultural factors. A basic distinction between microeconomic and macroeconomic systems was made together with a disaggregation between business economics and business practice orientations under a micro-based classification, and between Government/tax/legal and Government/economics orientations under a macro-uniform based classification. Further disaggregations were then made between U.K. and U.S. influences under the business practices orientation and between tax-based and law-based systems under the Government/tax/legal orientation. This classification system was then tested by means of a judgmental analysis of national financial reporting systems in fourteen countries.

A structural approach to the identification of accounting practices was adopted whereby major features were assessed, such as, the importance of tax rules, the use of prudent/conservative valuation procedures, the strictness of application of historical cost, the making of replacement cost adjustments, the use of consolidation techniques, the generous use of provisions, and the uniformity between companies in the application of rules. The results of the statistical analysis did not, however, go much beyond providing support for the classification of countries as either micro-based or macro-based. Thus the disaggregated elements of the classification scheme, though plausible, remain hypothetical accounting patterns subject to further empirical analysis.

By way of contrast, the inductive approach to identifying accounting patterns begins with an analysis of accounting practices. Perhaps the most important contribution of this type was by Nair and Frank (1980), who carried out a statistical analysis of accounting practices in forty-four countries. An empirical distinction was made between measurement and disclosure practices as these were seen to have different patterns of development.

The empirical results, using factor analysis applied to individual practices, showed that in respect of the Price Waterhouse (1975) data it was possible to identify five groupings of countries, with Chile as a single-country ‘group’, in terms of measurement practices. The number of groupings increased to seven when disclosure practices were considered. The measurement groupings were characterized broadly, following the ‘spheres-of-influence’ classification suggested by Seidler (1967), as the British Commonwealth, Latin America/South European, Northern and Central European, and United States models. The disclosure groupings, on the other hand, could not be described plausibly on a similar ‘spheres-of-influence’ classification on account of their apparent diversity.

Subsequent to the identification of groupings, Nair and Frank attempted to assess the relationships of these groupings with a number of explanatory variables. While relationships were established in respect of some of the variables which included language (as a proxy for culture), various aspects of economic structure and trading ties, it was clear that there were differences as between the measurement and disclosure groupings. However, the hypotheses that (a) cultural and economic variables might be more closely associated with disclosure practices, and (b) trading variables might be more closely associated with measurement practices were not supported. It is curious
to note here that the language variable, as a proxy for culture, was perceived to be a means of capturing similarities in legal systems which were thought to be particularly important in the determination of disclosure patterns. This is questionable in itself, but in any event no justification was given for the use of language as a proxy for culture.

From this brief review of some of the major studies in international classification it seems clear that to date only very broad country groupings or accounting patterns have been identified. At the same time, only very general relationships between environmental factors and accounting patterns have been established.

The significance of culture in the context of prior classification research is far from clear. It may be that cultural influences have been generally subsumed in the predominant concern with economic factors but this has not been made explicit. Accordingly, the influence of culture on accounting would seem to have been largely neglected in the development of ideas about international classifications.

THE CULTURAL DIMENSION

The significance of culture in influencing and explaining behaviour in social systems has been recognized and explored in a wide range of literatures but especially the anthropology, sociology and psychology literatures, (e.g., Parsons and Shils, 1951; Kluckhohn and Strodtbeck, 1961; Inkeles and Levinson, 1969; Douglas, 1977; Hofstede, 1980).

Culture has been defined as 'the collective programming of the mind which distinguishes the members of one human group from another' (Hofstede, 1980, p. 25). The word 'culture' is reserved for societies as a whole, or nations, whereas 'subculture' is used for the level of an organization, profession or family. While the degree of cultural integration varies between societies, most subcultures within a society share common characteristics with other subcultures (Hofstede, 1980, p. 26).

An essential feature of social systems is perceived to be the inclusion of a system of societal norms, consisting of the value systems shared by major groups within a nation. Values have been defined as 'a broad tendency to prefer certain states of affairs over others' (Hofstede, 1980, p. 19). Values at the collective level, as opposed to the individual level, represent culture; thus culture describes a system of societal or collectively held values.

In the accounting literature, however, the importance of culture and its historical roots is only just beginning to be recognized. While there has been a lack of attention to this dimension in the international classification literature, Harrison and McKinnon (1986) and McKinnon (1986) have recently proposed a methodological framework incorporating culture for analysing changes in corporate financial reporting regulation at the nation specific level. The use of this framework to assess the impact of culture on the form and functioning of accounting is demonstrated with reference to the system in Japan. Culture is considered an essential element in the framework for understanding how social systems change because 'culture influences: (1) the norms and values of such systems; and (2) the behaviour of groups in their interactions within and across systems' (Harrison and McKinnon, 1986, p. 239).

Complementing Harrison and McKinnon's approach is the suggestion here that
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a methodological framework incorporating culture may be used to explain and predict international differences in accounting systems and patterns of accounting development internationally. More specifically, it is proposed here to explore the extent to which cultural differences identified by Hofstede's cross-cultural research (1980, 1983) may explain international differences in accounting systems.

CULTURE, SOCIETAL VALUES AND THE ACCOUNTING SUBCULTURE

Hofstede's (1980, 1983) research was aimed at detecting the structural elements of culture and particularly those which most strongly affect known behaviour in work situations in organizations and institutions. In what is probably one of the most extensive cross-cultural surveys ever conducted, psychologists collected data about 'values' from the employees of a multinational corporation located in more than fifty countries. Subsequent statistical analysis and reasoning revealed four underlying societal value dimensions along which countries could be positioned. These dimensions, with substantial support from prior work in the field, were labelled Individualism, Power Distance, Uncertainty Avoidance, and Masculinity. Such dimensions, which are examined further below, were perceived to represent elements of a common structure in cultural systems. It was also shown how countries could be grouped into culture areas, on the basis of their scores on the four value dimensions, using cluster analysis and taking into account geographical and historical factors. Figure 1 shows the culture areas identified and within each group any identifiable sub-groups.

The point of reviewing Hofstede's research here is that if societal value orientations are related to the development of accounting systems at the subcultural level, given that such values permeate a nation's social system, then it may be hypothesized that there should be a close match between culture areas and patterns of accounting systems internationally.

In order to explore further the relationship between culture and accounting systems in an international context it is necessary to identify the mechanism by which values at the societal level are linked to values at the accounting subcultural level as it is these latter values which are likely to influence directly the development of accounting systems in practice.

A model of this process is proposed in Figure 2. This is an adaptation and extension of the model relating to the formation and stabilizing of societal culture patterns proposed by Hofstede (1980, p. 27). In this model, societal values are determined by ecological influences modified by external factors such as international trade and investment, conquest, and the forces of nature. In turn, societal values have institutional consequences in the form of the legal system, political system, nature of capital markets, pattern of corporate ownership and so on. These institutions reinforce both ecological influences and societal values.

An extension of this model is proposed here whereby societal values are expressed at the level of the accounting subculture. Accordingly, the value systems or attitudes of accountants may be expected to be related to and derived from societal values with special reference to work-related values. Accounting 'values' will, in turn, impact on accounting systems.
If Hofstede has correctly identified Individualism, Power Distance, Uncertainty Avoidance, and Masculinity as significant cultural value dimensions then it should be possible to establish their relationship to accounting values. If such a relationship exists then a link between societal values and accounting systems can be established and the influence of culture assessed.

Before an attempt can be made to identify significant accounting values which may be related to societal values it is important to understand the meaning of the four value dimensions identified by Hofstede (1980, 1983) and referred to earlier. These dimensions are well expressed in Hofstede (1984, pp. 83-4) as follows:

*Individualism versus Collectivism*

Individualism stands for a preference for a loosely knit social framework in society wherein individuals are supposed to take care of themselves and their immediate families only. Its opposite, Collectivism, stands for a preference for a tightly knit social framework in which individuals can expect their relatives, clan, or other in-group to look after them in exchange for unquestioning loyalty (it will be clear that the word ‘collectivism’ is not used here to describe any particular political system). The fundamental
issue addressed by this dimension is the degree of interdependence a society maintains among individuals. It relates to people's self-concept: 'I' or 'we'.

**Large versus Small Power Distance**

Power Distance is the extent to which the members of a society accept that power in institutions and organisations is distributed unequally. This affects the behaviour of the less powerful as well as of the more powerful members of society. People in Large Power Distance societies accept a hierarchical order in which everybody has a place which needs no further justification. People in Small Power Distance societies strive for power equalisation and demand justification for power inequalities. The fundamental issue addressed by this dimension is how a society handles inequalities among people when they occur. This has obvious consequence for the way people build their institutions and organisations.

**Strong versus Weak Uncertainty Avoidance**

Uncertainty Avoidance is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. This feeling leads them to beliefs promising certainty and to maintaining institutions protecting conformity. Strong Uncertainty Avoidance societies maintain rigid codes of belief and behaviour and are intolerant towards deviant persons and ideas. Weak Uncertainty Avoidance societies maintain a more relaxed atmosphere in which practice counts more than principles and deviance is more easily tolerated. The fundamental issue addressed by this dimension is how a society reacts on the fact that time only runs one way and that the future is unknown: whether it tries to control the future or to let it happen. Like Power Distance, Uncertainty Avoidance has consequences for the way people build their institutions and organizations.

**Masculinity versus Femininity**

Masculinity stands for a preference in society for achievement, heroism, assertiveness, and material success. Its opposite, Femininity, stands for a preference for relationships, modesty, caring for the weak, and the quality of life. The fundamental issue addressed by this dimension is the way in which a society allocates social (as opposed to biological) roles to the sexes.
Having identified societal values is it possible then to identify significantly related accounting values at the level of the accounting subculture?

The following ‘accounting’ values, derived from a review of accounting literature and practice, are offered for consideration:

**Professionalism versus Statutory Control**—a preference for the exercise of individual professional judgment and the maintenance of professional self-regulation as opposed to compliance with prescriptive legal requirements and statutory control.

**Uniformity versus Flexibility**—a preference for the enforcement of uniform accounting practices between companies and for the consistent use of such practices over time as opposed to flexibility in accordance with the perceived circumstances of individual companies.

**Conservatism versus Optimism**—a preference for a cautious approach to measurement so as to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach.

**Secrecy versus Transparency**—a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open and publicly accountable approach.

It should be emphasized that there is no suggestion that these ‘values’ are necessarily the only values involved. What they do represent, however, is an attempt to identify value dimensions which appear to be widely recognized.

What arguments are there to support these accounting value dimensions? How do they relate to societal values? How are they likely to impact on the development of national accounting systems?

**Professionalism versus Statutory Control**

This is proposed as a significant accounting value dimension because accountants are perceived to adopt independent attitudes and to exercise their individual professional judgments to a greater or lesser extent everywhere in the world.

A major controversy in many Western countries, for example, surrounds the issue of the extent to which the accounting profession should be subject to public regulation/statutory control or be permitted to retain control over accounting standards as a matter for private self-regulation (e.g., Taylor and Turley, 1986).

The development of professional associations has a long history but they are much more firmly established in countries such as the U.S.A. and the U.K. than in some of the Continental European countries and in many of the less developed countries (e.g., Holzer, 1984; Nobes and Parker, 1985).

In the U.K., for example, the concept of presenting ‘a true and fair view’ of a company’s financial position and results depends heavily on the judgment of the accountant as an independent professional. This is so to the extent that accounting information disclosures additional to, and sometimes contrary to, what is specifically required by law may be necessary. This may be contrasted with the traditional position in France and Germany where the professional accountant’s role has been concerned primarily with the implementation of relatively prescriptive and detailed legal
requirements (e.g., Gray and Coenenberg, 1984). With the implementation of the EEC directives this situation is now changing to the extent that there is some movement, if not convergence, along the professionalism spectrum.

To what extent then can professionalism be linked to the societal values of Individualism, Power Distance, Uncertainty Avoidance, and Masculinity? It is argued here that professionalism can be linked most closely with the individualism and uncertainty-avoidance dimensions. A preference for independent professional judgment is consistent with a preference for a loosely knit social framework where there is more emphasis on independence, a belief in individual decisions and respect for individual endeavour. This is also consistent with weak uncertainty avoidance where practice is all important, where there is a belief in fair play and as few rules as possible, and where a variety of professional judgments will tend to be more easily tolerated. There would also seem to be a link, if less strong, between professionalism and power distance in that professionalism is more likely to be accepted in a small power-distance society where there is more concern for equal rights, where people at various power levels feel less threatened and more prepared to trust people, and where there is a belief in the need to justify the imposition of laws and codes. As regards masculinity, however, there does not appear to be any significant link with professionalism.

Following from this analysis it may be hypothesized that:

**H1:** The higher a country ranks in terms of individualism and the lower it ranks in terms of uncertainty avoidance and power distance then the more likely it is to rank highly in terms of professionalism.

*Uniformity versus Flexibility*

This would seem to be a significant accounting value dimension because attitudes about uniformity, consistency or comparability are incorporated as a fundamental feature of accounting principles world-wide (e.g., Choi and Mueller, 1984; Arpan and Radebaugh, 1985; Nobes and Parker, 1985).

This is a value which is open to different interpretations ranging from a relatively strict inter-company and inter-temporal uniformity, to consistency within companies over time and some concern for comparability between companies, to relative flexibility of accounting practices to suit the circumstances of individual companies.

In countries such as France, for example, a uniform accounting plan has long been in operation, together with the imposition of tax rules for measurement purposes, where there is a concern to facilitate national planning and the pursuit of macroeconomic goals. In contrast, in the U.K. and U.S.A. there is more concern with inter-temporal consistency together with some degree of inter-company comparability subject to a perceived need for flexibility (e.g., Choi and Mueller, 1984; Holzer, 1984; Arpan and Radebaugh, 1985).

To what extent then can uniformity be linked to societal value dimensions? It is argued here that uniformity can be linked most closely with the uncertainty-avoidance and individualism dimensions. A preference for uniformity is consistent with a preference for strong uncertainty avoidance leading to a concern for law and order and rigid codes of behaviour, a need for written rules and regulations, a respect for
conformity and the search for ultimate, absolute truths and values. This value dimension is also consistent with a preference for collectivism, as opposed to individualism, with its tightly knit social framework, a belief in organization and order, and respect for group norms. There would also seem to be a link, if less strong, between uniformity and power distance in that uniformity is more easily facilitated in a large power-distance society in that the imposition of laws and codes of a uniform character are more likely to be accepted. As regards masculinity, however, there does not appear to be any significant link with uniformity. Following from this analysis it may be hypothesized that:

H2: The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism then the more likely it is to rank highly in terms of uniformity.

Conservatism versus Optimism
This would seem to be a significant accounting value dimension because it is arguably 'the most ancient and probably the most pervasive principle of accounting valuation' (Sterling, 1967, p. 110).

Conservatism or prudence in asset measurement and the reporting of profits is perceived as a fundamental attitude of accountants the world over. Moreover, conservatism varies according to country, ranging from a strongly conservative approach in the Continental European countries, such as France and Germany, to the much less conservative attitudes of accountants in the U.S.A. and U.K. (e.g., Beeny, 1975, 1976; Nobes, 1984; Choi and Mueller, 1984; Arpan and Radebaugh, 1985).

The differential impact of conservatism on accounting measurement practices internationally has also been demonstrated empirically (e.g., Gray, 1980; Choi and Mueller, 1984). Such differences would seem to be reinforced by the relative development of capital markets, the differing pressures of user interests, and the influence of tax laws on accountants in the countries concerned.

To what extent then can conservatism be linked to societal value dimensions? It is argued here that conservatism can be linked most closely with the uncertainty avoidance dimension. A preference for more conservative measures of profits is consistent with strong uncertainty avoidance following from a concern with security and a perceived need to adopt a cautious approach to cope with the uncertainty of future events. There would also seem to be a link, if less strong, between high levels of individualism and masculinity on the one hand, and weak uncertainty avoidance on the other, to the extent that an emphasis on individual achievement and performance is likely to foster a less conservative approach to measurement. As regards the power distance dimension there does not, however, appear to be any significant link with conservatism.

Following from this analysis it may be hypothesized that:

H3: The higher a country ranks in terms of uncertainty avoidance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of conservatism.
Secrecy versus Transparency
This would seem to be a significant accounting value dimension which stems as much from management as it does from the accountant owing to the influence of management on the quantity of information disclosed to outsiders (e.g., Jaggi, 1975). Secrecy, or confidentiality, in business relationships is, nevertheless, a fundamental accounting attitude (Arpan and Radebaugh, 1985).

Secrecy would also seem to be closely related to conservatism in that both values imply a cautious approach to corporate financial reporting in general; but with secrecy relating to the disclosure dimension and conservatism relating to the measurement dimension. The extent of secrecy would seem to vary across countries with lower levels of disclosure, including instances of secret reserves, evident in the Continental European countries, for example, compared to the U.S.A. and U.K. (e.g., Barrett, 1976; Choi and Mueller, 1984; Arpan and Radebaugh, 1985). These differences would also seem to be reinforced by the differential development of capital markets and the nature of share ownership which may provide incentives for the voluntary disclosure of information (e.g., Watts, 1977).

To what extent, then, can secrecy be linked to societal value dimensions? It is argued here that secrecy can be linked most closely with the uncertainty-avoidance, power-distance and individualism dimensions. A preference for secrecy is consistent with strong uncertainty avoidance following from a need to restrict information disclosures so as to avoid conflict and competition and to preserve security. A close relationship with power distance also seems likely in that high power-distance societies are likely to be characterized by the restriction of information to preserve power inequalities. Secrecy is also consistent with a preference for collectivism, as opposed to individualism, with its concern for those closely involved with the firm rather than external parties. A significant but less important link with masculinity also seems likely to the extent that more caring societies where more emphasis is given to the quality of life, people and the environment, will tend to be more open especially as regards socially related information.

Following from this analysis it may be hypothesized that:

H4: The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy.

ACCOUNTING VALUES AND CULTURE AREA CLASSIFICATIONS

Having formulated hypotheses relating societal values to accounting values internationally, it is evident that the most important societal values at the level of the accounting subculture would seem to be uncertainty avoidance and individualism. While power distance and masculinity are also significant to some extent, masculinity appears to be of somewhat lesser importance in the system of accounting values.

It is now proposed to hypothesize culture area classifications in the context of combinations of accounting values. For this purpose it is argued here that a useful distinction can be made between the authority for accounting systems, that is, the extent to which they are determined and enforced by statutory control or professional
means on the one hand, and the measurement and disclosure characteristics of accounting systems on the other.

Accounting values most relevant to the professional or statutory authority for accounting systems and their enforcement would seem to be the professionalism and uniformity dimensions in that they are concerned with regulation and the extent of enforcement or conformity. Accordingly, these can be combined and the classification of culture areas hypothesized on a judgmental basis as shown in Figure 3. In making these judgments reference has been made to the relevant correlations between value dimensions and the resultant clusters of countries identified from the statistical analysis carried out by Hofstede (1980, pp. 223, 316). From this classification it seems clear that the Anglo and Nordic culture areas may be contrasted with the Germanic and more developed Latin culture areas on the one hand, and the Japanese, Near Eastern, less developed Latin, less developed Asian and African culture areas on the other. The Colonial Asian countries are separately classified, representing a mixture of influences.

Accounting values most relevant to the measurement practices used and the extent of information disclosed are self-evidently the conservatism and secrecy dimensions. Accordingly, these can be combined and the classification of culture areas hypothesized on a judgmental basis as shown in Figure 4. In making judgments in respect of these
classifications reference has also been made to the relevant correlations between value dimensions and the resultant clusters of countries identified from the statistical analysis carried out by Hofstede (1980, pp. 316, 324). Here there would appear to be a sharper division of culture area groupings with the Colonial Asian group relating more closely with the Anglo and Nordic groupings in contrast with the Germanic and more developed Latin groupings which appear to relate more closely to the Japanese, less developed Asian, African, less developed Latin, and Near Eastern area groupings.

**SUMMARY AND CONCLUSIONS**

While prior research has shown that there are different patterns of accounting and that the development of national systems of corporate financial reporting is related to environmental factors, identification of the patterns and the influential factors involved remains controversial. The significance of culture in this context is far from clear and has been a relatively neglected issue in the development of ideas about international classification.

In this paper, a framework for analysing the impact of culture on the development
of accounting systems internationally has been proposed. Value dimensions at the
accounting subculture level have been identified, that is, professionalism, uniformity,
conservatism and secrecy. These have been linked to cultural value dimensions at
the societal level and hypotheses have been formulated for testing. Classifications
of country groupings by culture area have also been hypothesized as a basis for testing
the relationship between culture and accounting systems in the context of systems
authority and enforcement characteristics on the one hand, and measurement and
disclosure characteristics on the other.

Following this analysis, empirical research now needs to be carried out to assess
the extent to which there is in fact a match between (a) societal values and accounting
values, and (b) the proposed classification of country groupings, based on cultural
influence, and the groupings derived from an analysis of accounting practices related
to the value dimensions of the accounting subculture. However, for this to be feasible,
future work to operationalize the link between accounting practices and accounting
values will be necessary, and the relevant cross-cultural data assembled and organized.

In interpreting the results of empirical research relating to culture, the influence
of any change factors will also need to be taken into account, bearing in mind the
existence of external influences arising from colonization, war, and foreign investment,
including the activities of multinational companies and large international accounting
firms.

While much work lies ahead, this paper is offered as a contribution towards a theory
of cultural influence on the development of accounting systems internationally. In
doing so it is fully recognized that the ideas advanced are exploratory and subject
to empirical testing and verification.

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