

TYLOR'S LEGACY IN INTERNATIONAL ACCOUNTING RESEARCH

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ABSTRACT

When Hofstede published the book *Culture's Consequences - International Differences in Work-Related Values* in 1980, he established indices of culture; culture was to be a measurable variable in international business studies. Hofstede's theoretical basis is traced to a comparative approach established by George Murdock. The lack of use of Hofstede's dimensions in mainstream social sciences is described. This is sourced to the nineteenth-century scholarship of Edward Tylor, and the debate concerning "Galton's problem". Murdock took the occasion of the 1971 Huxley Memorial Lecture "Anthropology's Mythology" to renounce his own adherence to this method, and to plead for a new association between anthropology and psychology. Such a shift was paralleled by Hofstede in 1991. It is suggested that there are other methods which may better advance international comparative accounting research.

INTRODUCTION

Support for the utilisation of Hofstede cultural indices continues at a steady rate in accounting research. Recent studies incorporating some or all of Hofstede's dimensions are mostly in areas of managerial performance or behavioural research, such as Yamamura et al, 1996; O'Connor and Ekanayake, 1997; Harrison, 1992, 1993; O'Connor, 1995; Nicholson et al, 1997; Lal et al 1996; Chow, Harrison et al, 1999; Chow, Shields and Wu, 1999; Chow, Kato and Shields, 1994; and Awasthi et al, 1998. Ethics and professional studies include Tsui, 1996; Goodwin and Goodwin, 1999; Cohen et al, 1992, 1993, 1996; and Aloese et al, 1998. Recent accounting research in other areas includes Choi and McDonald, 1992; Chow et al, 1995; Douppnik and Salter, 1995; Eddie, 1997, Emenyonu and Gray, 1996; Fecher and Kilgore, 1993; Hussein, 1996; MacArthur, 1996; Morosini et al, 1998; Salter and Niswander, 1995; Sengupta et al, 1998; and Sudarwan and Fogarty, 1996. This includes accounting studies utilising the application of Sidney Gray's (1988 and 1992) extrapolation of these dimensions onto a description of individual characteristics reflecting generally perceived behavioural characteristics of accountants, such as professionalism, secrecy and conservatism. To be able to utilize the "dimensions of culture" provided by Hofstede (or Gray) allows accounting researchers to sample and survey behaviour, and apply cultural indices to isolate the impact of the social environment. It also allows international 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, such as corporate practices and ethics.

This research project crystallized into two aspects within an extended critique of Hofstede's indices: one was a paper (currently under review for publication) that examined some unresolved theoretical issues in cross-national research. This first paper suggested 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, has led to a misleading dependence on cultural indices as an explanatory variable of differences in accounting practices and behaviour. Problems examined within that paper include: (i) the assumption of equating nation with culture (ii) the difficulty, and limitations on understanding, of quantifying culture; and (iii) the alternative and multiple explanations of national differences in accounting systems. This paper also considered critiques of the utilisation of the indices, such as Harrison and McKinnon (1999).

The second aspect, which this paper addresses, offers an examination of the route Hofstede followed in his scholarship. This shows parallels between his scholarship and that of the founding fathers of Anthropology. Hofstede's scholarship merits detailed re-examination through this forum because the development of his ideas follows a well-trammeled path of earlier "giants" in the history of social sciences: Francis Galton, Edward Tylor, Emile Durkheim and George Murdock. Hofstede's contribution can also be seen as providing an exemplar of the type of scholar Barbu described as an emerging generalist, running side-by-side with the traditional type of specialist in social sciences; a generalist who takes a totalitarian perspective and is not interested in fragmentary approaches, claiming an integral knowledge of social reality (Barbu, 1971: xx).

Such emergence occurred through the application and extension of cultural

indices established in “*Culture’s Consequences - International Differences in Work-Related Values*” by Geert Hofstede. Hofstede offered a totalitarian perspective on culture and cultural differences, and has been the founding father of this paradigm, developed and expanded while anthropologists and sociologists were dismissive of his methods and the widespread application of his indices of culture in some research fields. This review will proceed as follows:

1. A summary of Hofstede’s theoretical framework and his utilization of Murdock’s comparative and universalist approach.
2. The lack of resolution by Hofstede of “Galton’s problem” in using cross-cultural indices
3. The change of mind by Murdock, and a parallel recommendation to the utilization of demonstrating a “scientific method”
4. The extent to which the appeal of Hofstede’s paradigm in international accounting research can be attributed to its suitability to be used as a component of research methods demonstrating a “scientific method”. Alternative approaches are recommended.

The book *Culture’s Consequences - International Differences in Work-Related Values* by Geert Hofstede (1980) was based on analysis from two surveys in 1968 and 1972 of employees in IBM subsidiaries in 40 countries; 116,000 questionnaires were analyzed. From analysis and theoretical reasoning, Hofstede postulated four dimensions on which countries differed: power distance, uncertainty avoidance, individualism and masculinity. Each of the forty countries was given a score on these dimensions.

[An example of the scores attributed to each country by Hofstede is reproduced on overhead from *Culture’s Consequences* 1980 page 315, Figure 7.1.].

On the basis of these indices, affiliations between countries were represented in a series of scatter-graphs, with three graphs to represent the possible six permutations of the four indices. Such indices avail themselves to cross-national and international research. One would expect that international accounting research scholars, especially those studying behavioural aspects, should continue to look towards sociological and anthropological research both for the foundation of such an approach, and further understanding of determinants of human behavior, because at the heart of anthropology and sociology is the idea that human behavior is conditioned by social environment (Francis, 1987: 3).

THE THEORETICAL FRAMEWORK FOR *CULTURE’S CONSEQUENCES*

From the start Hofstede had problems with alignment of his indices to current anthropological theory. In *Culture’s Consequences* he attempted to legitimate the theoretical links by utilizing approaches based on the methodology of George Murdock.

Murdock had initiated a Cross-Cultural Survey at Yale for the purpose of testing hypotheses about “culture-personality” interactions, with the support of the United States Navy during World War II (Stocking, 1986: 89). This Cross-Cultural Survey developed into the database now titled the Human Relations Area Files, partly

from the strength of Murdock's arguments regarding the practical value of such ethnographic intelligence about indigenous people in war zones (Stocking, 1991: 180). He became a Navy insider; and in 1943 arrived at Micronesia to assist the Navy to develop the control of the territory, eventually maintained on a permanent basis after World War II. Murdock's vision was for a scientific anthropology, based on formulation and verification of scientific generalizations of the universally human or cross-cultural character (Stocking, 1991: 174). There was opposition to this plan by the US Navy; but Micronesia was a rich, untouched field for anthropologists (*ibid.*: 183), and Murdock's vision for a scientific anthropology based on his experiences there provided Hofstede with the theoretical foundation of scientific indices of culture. After the war, George Murdock drove the publication of the Ethnographic Atlas in the journal *Ethnology* in its quarterly issues from 1962. This represents the "high tide mark" in datum accumulation and manipulation on a massive scale in anthropology.

Hofstede launched his survey five years after the serial publication of this data, and it appears to be a consequence of this trend in data accumulation. Hofstede's theoretical foundations were indirectly derived from the approach established by George Murdock in seeking identification of cultures by the separation of data into a limited number of descriptive criteria. However, underlying this there is a second aspect of Hofstede's foundations, not directly referenced by him. This links back to very early studies in anthropology, even to those a hundred years previous such as the paper presented by Edward Tylor in 1889. One issue raised by this study has been described as "Galton's Problem".

EDWARD TYLOR AND "GALTON'S PROBLEM"

Tylor's famous 1889 study "On a Method of Investigating the Development of Institutions: applied to Laws of Marriage and Descent" was a condensed summary representation of twenty-five years of social evolutionary argument (Stocking, 1995: 10). Tylor's application of a scientific method to comparative cultural analysis was undertaken in order to show that the problems of anthropology were amenable to scientific treatment. He examined marriage rules in 350 groups "ranging from insignificant savage hordes to great cultured nations" (1889: 247).

Galton's comment in "Discussion" following Tylor's paper raised the issue of "the degree in which the customs of the tribes and races which are compared together are independent" (Tylor, 1889: 270). W. H. Flower, another discussant, also considered it to be "perfectly obvious that the value of such a method depended entirely upon the units of comparison being of equivalent value, and this seemed to him to be a very great difficulty when dealing with groups of mankind" (*ibid.*: 271).

This issue, which was soon labeled as "Galton's problem", was whether or not some units were closer than others because of a common source. This is related to a more general problem: Tylor described this as his concern that similar cultural phenomena were due to "the like working of men's minds under like conditions" or due to a common or shared recent origin (Stocking, 1995: 11). The likelihood that the uniqueness of each culture and its indices was affected by shared or common origins was not adequately addressed by Hofstede, in spite of the sophisticated statistical analysis. For a statistical approach to be valid, each unit should be fully independent – uniquely and unambiguously defined. Tylor's response in 1889 had been that "the

only way to meet this objection is to make separate classification depend on well-marked differences, and to do this all over the world....if this method be fairly and equably worked over the world, the correspondences brought about by historical connexion tend to set off against one another, leaving the results of general human action more or less clear" (1889: 272).

This comment has a resonance with Hofstede's defense of his data from the IBM survey; he commented that as multi-cultural corporations have subcultures of their own, this reduces cultural variability, so the remaining variability will be a conservative estimate of the true variability among countries (Hofstede, 1980: 39).

George Murdock had addressed this problem by devising the concept of a "cultural type": being "either a single unquestionably 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" (Murdock, 1963: 249). This allowed the comparative method to develop in anthropology in spite of Galton's problem. The sensitivity of the cultural type to address the issues raised by Galton's problem are not similarly accommodated in Hofstede's application of national cultural indices, because Hofstede's identification is primarily driven by the exact geographical extent of national borders.

MURDOCK'S CHANGE OF MIND

Murdockian comparativism ultimately became a significant voice of opposition to the study of culture and personality (Stocking, 1986: 173). All of the characteristics George Stocking described for Murdock's anthropology – superorganic in culture, behaviourist in psychology, evolutionist in diachronic assumption, and positivistically comparativist in method can be applied also to Hofstede's "*Cultures Consequences*". However, Murdock himself did not find the universalist approach provided the promised understanding of culture through such scientific method.

In 1971 Murdock was invited to give the annual Huxley Memorial Lecture to the Royal Anthropological Institute of Great Britain and Ireland. At that time his affiliation was to the University of Pittsburgh. He took the opportunity to review his career in an address titled *Anthropology's Mythology*, which starting by noting that he estimated that he had read the descriptive literature on "at least 2000 societies in all parts of the world and at all levels of cultural complexity. I have not only read these sources but have specifically analysed their content on a variety of subjects for comparative purposes" (1971: 17).

The mythology of anthropology alluded to in the title of his address was his belief that most of the principles advanced to order anthropological data had little in common with the pure physical sciences, and far more in common with "equally complex, but unverified and often unverifiable, systems outside the realm of science". So Murdock took this occasion to renounce his own adherence to the cultural anthropological method extant in the United States and re-examined the subject matter of anthropology:

"It now seems to me distressingly obvious that culture, social system, and all comparable supra-individual concepts, such as collective representations, group mind, and social organism, are illusory conceptual

abstractions inferred from observations of the very real phenomena of individuals interacting with one another and with their natural environments. The circumstances of their interaction often lead to similarities in the behaviour of different individuals which we tend to reify under the name of culture...But culture and social structure are actually mere epiphenomena - derivative products of the social interaction of pluralities of individuals. More precisely, they represent the illusory constructs so prevalent in the early days of the natural sciences...and systems of theory based upon them have no greater validity or utility. When I characterise the concepts of culture and social system as 'myths', I do not imply that they bear no relation to reality, for they are obviously derived from observations in the real world. I mean merely that, as reified abstractions, they cannot legitimately be used to explain human behaviour." (Murdock, 1971: 19)

Murdock saw the only path for the future development of anthropology to be from an increasing collaboration between psychology and anthropology, although he anticipated that anthropology would have to trust psychology to reveal the basic mechanisms of behaviour, and psychology to trust anthropology to ascertain the relevant configurations of conditions (*ibid.*: 22).

HOFSTEDE'S CHANGE OF MIND

Such a cognitive shift by Murdock was paralleled twenty years later by a shift in Hofstede's utilization of the concept of culture. In the 1991 publication "*Culture and Organizations - Software of the Mind*" in a manner very similar to Murdock, Hofstede noted that "Every person carries within him or herself patterns of thinking, feeling, and potential acting which were learned throughout their lifetime...this book will call such patterns of thinking, feeling, and acting *mental programs*, or, as the sub-title goes: '*software of the mind*' (1991: 4).

Just as Murdock had concluded his renunciation of his lifetime efforts towards the reification of culture with a transfer to psychology as providing the necessary mechanism for understanding human behavior, so Hofstede looked not only inwards to the mind of the individual, but also to mechanisms of information technologies, for his descriptions of the causes of variations in human behavior.

This shows a resonance also to Tylor's description of debating whether similar cultures were due to "the like working of men's minds under like conditions." Tylor and Durkheim both considered the significance of psychology to the extrapolation of societies or cultures. Why had the social sciences not been subsumed under psychology for the last century, in the manner suggested by Murdock and Hofstede?

There has been a well-noted pattern in the development of different disciplines to separate and distinguish themselves, to build autonomous disciplines. The debate in sociology as to the relevance of psychology, typified in the writing of Emile Durkheim and Max Weber, is an example of this. The debate in anthropology concerning culture and personality, as in the studies by Ruth Benedict, Margaret Mead and Ralph Linton, is another example of the energy in the process of developing a social science discipline autonomous from psychology.

This early debate of sociology v. psychology was spearheaded by Emile

Durkheim, considered the “founding father” of sociology. Durkheim did not consider that sociology was reducible to psychological processes; his famous injunction was that “whenever a social phenomenon is directly explained by a psychological phenomenon we may be sure the explanation is false” (Rosenberg, 1988: 123). Otherwise what else is there to societies or nation states but people, whose behaviour is the business of psychology to explain? Anthropology and sociologists developed their own disciplines addressing the structure and nature and human behavior in cultures or societies, while psychology focussed on the individual.

Ultimately, the core anthropological method for comparative cultural studies was not based on large-scale data accumulation and manipulation through statistical correlation or indices for each “culture”. By the time of the 1991 publication *Culture and Organization – Software of the Mind* Hofstede did not attempt to derive theoretical foundations for his utilization of the concept of culture from Murdock or other anthropologists. Instead Hofstede briefly sourced the justification for the revised dimensions of culture to writings of the sociologist Alex Inkeles and a psychologist Daniel Levinson. Apart from a brief reference to Ruth Benedict and Margaret Mead, he had distanced the reification of culture from anthropology (Ruth Benedict was not mentioned in *Culture’s Consequences*). Thus by 1991 Hofstede had found anthropological foundation for his theory unnecessary; he noted “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: 248).

Indeed the metaphor that Hofstede now used for culture: “software of the mind” is opposite to the epistemological relativism of interpretative anthropology: that virtually all human and social psychological characteristics are culturally determined. In turn this may lead to a limitless view of cultural diversity, with cultural comparison being all but impossible. In addition, it would not be possible to interpret meanings from cultures which are not our own.

However, Hofstede had through the cultural indices found sufficient definition to quantify and separate national states. Neither the debate on “Galton’s problem”, nor the debate on the role of psychology in gaining an understanding of that thing called “culture”, diminished the utilization of Hofstede’s cultural indices. This appears to be driven by a continuing demand for cultural indices perpetuated outside the rigor of debate in the social sciences; and this demand has ensured their continuing utilization in accounting research.

THE TRAPPINGS OF SCIENCE

The utilization of Hofstede’s indices in some research disciplines can in part be attributed to the debate in academia regarding the status of particular research disciplines. For subjects such as accounting, management and psychology there were “schools” in parts of United States and the United Kingdom which advocated the utilization of the scientific method. Within accounting itself the debate crystallized at two levels: the first was the practice of accounting and the debate in the 1940's and 1950's, spearheaded by Sterling and Stamp. It was typified by Edward Stamp’s “Why can accounting not become a science like physics?” (1981). In 1976 Sterling had

described that accounting was at a crossroads - either accounting practice would emulate the law or adopt the method of science. The former gained precedence. As Sterling predicted, accountants now employ legalistic authority, and have become far more politicized in their advocacy and lobbying activities. His prediction of appeal to Congress when pressure groups don't get their way with the FASB was observed twenty years later in the events concerning accounting for stock compensation in the USA.

The second level at which the debate focused was the approach which should be adopted in accounting research, including international accounting research. The advocacy of Positive methodologies gained ascendancy, advocating hypothesis setting and testing to give a "scientific" credibility and objectivity to the research. This is now the paradigm under which we prepare Honours students for future academic careers dependant on orthodox research programmes.

Generally, other social sciences such as sociology find this debate on whether or not their discipline can or should emulate the natural sciences less of an issue than for accounting academics. As summarized by Giddens, "Sociology is a scientific discipline in that it involves systematic methods of investigation, the analysis of data and assessment of theories in the light of evidence and logical argument. But unlike objects in nature, human beings confer sense and purpose on what they do. Therefore social sciences cannot completely resemble natural sciences in procedures and the characters of research findings" (Giddens, 1989: 21).

In the natural sciences, recognition of the constraints from a particular body of knowledge, be it a research tradition or paradigm, leads to some skepticism, as in Knight's comment that "the idea that there is a 'scientific method' in anything but the most banal sense has been generally abandoned; it is true that anybody working in the sciences must take account of observations and perhaps do experiments, but people work within research traditions and paradigms" (Knight, 1986: 1).

Stocking's description of the development of American anthropology after the death of Boas in 1942 suggested that these post-war years "witnessed a heightened receptivity to approaches to social phenomena in terms which professed to be scientific" (Stocking 1995: 432). One manifestation of this was in the utilization of data in the Human Relations Areas Files by George Murdock, considered by Stocking to be a direct methodological descendent of Tylor's essay of 1889 (Stocking, 1995: 432).

In psychology as well, Hudson describes the belief in his early years that all knowledge consisted of facts: hard little nuggets of reality that one could assemble like building blocks into patterns. However, "in its drive to be scientifically respectable, psychology had not merely become trivial: it was contributing to a tide...of social mischief" (Hudson, 1972: 74).

In a similar fashion, it is suggested that it was the impetus to be "scientific" that caused other disciplines in business faculties to find the quantitative indices of culture supplied from Hofstede's data invaluable. Hofstede's indices enabled a further sophistication of statistical methodology in the research traditions of comparative international research. But to achieve this, cultural indices were developed as if the cultures were a frozen snap-shot, with the significance or likelihood of common origins ignored. Hofstede's 1991 "*Culture and Organizations – Software of the Mind*"

clearly sought to distinguish the manner in which individuals in different nation states show “the like working of men’s minds under like conditions”. Did cultural evolution play no part in Hofstede’s clusters of cultures? It appears that he was satisfied to reify cultures as independent of each other as asteroids, and as static as the crown jewels.

IMPLICATIONS FOR FUTURE INTERNATIONAL ACCOUNTING RESEARCH

Hopwood (1999, p. 378), suggested that the pressure from trends to internationalism provide the impetus to better understand the national and cultural specificity of accounting. If international accounting research is to better isolate drivers to such national specificity it can readily isolate data such as GNP and demographic markers such as population size and density, market size, stock market characteristics, political dominance, religious dominance, class structures, or education statistics which drive national differences. This 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. Then the national difference which drive differences in accounting behaviour will not be concealed behind reified icons of “cultural” differences.

Secondly, accounting research may develop to examine and analyze individual behavioural differences by accountants with different cultural backgrounds; 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. Comparative 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 could better focus on one particular nation, or one particular ethnic group, such as the study of accountability in Maori society by Mataira (1994) which demonstrates an approach typical of cultural holism.

CONCLUSION

The legacy of Hofstede's *Culture's Consequences* is a largely unrecognized and undebated dissonance between cross-cultural studies in commerce or behavioral research, and comparative studies in sociology and anthropology. Those who continue the use of Hofstede’s cultural dimensions for research in international accounting research may find knowledge of earlier debates on the use of statistical groupings and the weighting given to psychology relevant when assessing the validity of such indices for cross-cultural studies.

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