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National Culture and Sustainability Disclosure Practices: A Literature Review

Babatunji Samuel Adedeji*[1], Oluwatoyin Muse Johnson Popoola[2], Tze San Ong[1]

[1] *Department of Accounting & Finance, Faculty of Economics and Management, Universiti Putra Malaysia, Malaysia*
[2] *Tunku Puteri Intan Safinaz School of Accountancy, College of Business, Universiti Utara Malaysia, Malaysia*

Abstract: The aim of this paper is to examine the extent to which national culture is an explanatory variable for firm's disclosure choices for sustainable development in the advanced, emerging and developing nations of the world, especially that entities interact in globally knowledge-based economies. A review of theoretical and empirical studies carried out on some developed, emerging and developing nations was undertaken with particular reference to traits characterised in specific national cultural environments about their effects on sustainability disclosures. The reviews show that not much work had been done in this area of study, in particular concerning social and environmental disclosures. Furthermore, studies are in the developed nations as compared with the emerging and developing economies. The studies reviewed focused more on cross-national design with less attention on the longitudinal aspect. It was not possible to review papers that were not written in English language, just as it is also important to state that, not all published works were reviewed, especially with access denied to some online. There is a need for more empirical evidence to further justify the relevance of this study area for global sustainability disclosures and development. The review adds value with the recognition of the need to gear up researchers and policy making bodies to encourage the advancement of studies on the intellectual capital concept and resource-based value theory to enhance sustainability development globally.

Keywords: National Culture, sustainability disclosures, intellectual capital

JEL Classification: M14, M41, J24, G01, G31, G32, O16, O38
Paper Type: Research

* Corresponding author: E-mail: samtunji2014@gmail.com

1. INTRODUCTION

1.1 WHAT IS CULTURE?

According to the Oxford English Dictionary around 1430 culture was defined as "cultivation" or "tending the soil," in line with the Latin orientation. However, from the 19th century, it was viewed as "high culture," thus, connoting "the refinement of mind, taste, and manners." This basis was sustained till the mid-20th century when the understanding of what it stood for changed as expressed in the American Heritage English Dictionary till date as "the totality of socially transmitted behaviour patterns, arts, beliefs, institutions and all other products of human work and thoughts."

Precisely, the discipline of anthropology has contributed to the discuss on what culture is particularly about organisational research, as it explains it to be the practices, myths, rituals, values, languages, and beliefs of people who are highly placed, especially in glamorous arena. Edward Tyler, a British anthropologist, has been acclaimed as the first to define the term "culture" as "that complex whole which includes knowledge, arts, beliefs, law, customs, morals and various other habits and capabilities attained by an individual as a being within the society." This, therefore, forms the bedrock on which academics and practitioners alike have attempted to establish the various pattern of culture as can be seen in today's reality. However, it has not been that easy to define culture. What we have seen in recent times reflects an attempt to justify its definition based on the viewpoints of the various authors.

Hofstede (1980) defines culture as "collective programming of the mind that distinguishes the members of one category of people from another." Thus, we can use culture to determine the mental groupings of individuals for the purpose of assigning responsibilities and their assessment thereof. Schein (1985) describes culture as "the pattern of core assumptions, which a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration; have worked well enough to be considered valid; and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems." This emphasizes the fact that culture paves the way for the nurture of the behaviour of individuals engaged by a firm, thus ensuring organisational expansion and continued existence.

Nonetheless, Davis (1984) defines culture as "the pattern of shared beliefs and values that give the members of an institution meaning, and provide them with the rules for behaviour in their organisation." These can be the fundamental truth or guiding beliefs about an organisation, which forms the bedrock for the daily beliefs that constitute the feelings and rules about behaviours on a regular or everyday basis within a firm.

Most importantly, it is evident that there is no one single form or way of defining culture, hence, the continuous debate on what is the regular expression or meaning of the term culture. Therefore, a significant challenge for managers is to determine what the most effective culture is for their organisations, and when necessary, how to manage the organisational culture effectively and efficiently (Baker, 2004).

1.2 ELEMENTS OF CULTURE

As follow up to his definition of culture, Hofstede (1997) categorised culture under four main headings, namely: values, rituals, heroes and symbols as depicted in Figure 1. *Values* can be seen to be the bedrock on which culture stands, thus suggesting the dislikes and likes of the operatives and the management within an entity based on the law and morals. The *rituals* constitute the combined efforts that depict all relevant social activities within a society, while the *heroes* are those individuals celebrated because of their distinctiveness in terms of skills, connections, achievements, leadership prowess in the entity, and the *symbols* are those words, signs, objects or acts that give meaning to a group or an individual as a result of portraying something differently or widely from others at a point in time.

However, *practices* as depicted in Figure 1 explain that culture, in reality, is better understood from the perspective of attitude, teamwork or loyalty and headship traits displayed by someone or a group of people that constitutes a function of the already imbibed beliefs and norms especially from childhood or early lifestyle acquired before and in the workplace. Therefore, the broken lines suggest variation or changes in approach to behaviour subject to previous or current orientation, thus, providing evidence to the fact that outlook to situations can never be the same for different people since they never had the same background regarding parental care, education, exposure, and work experience.

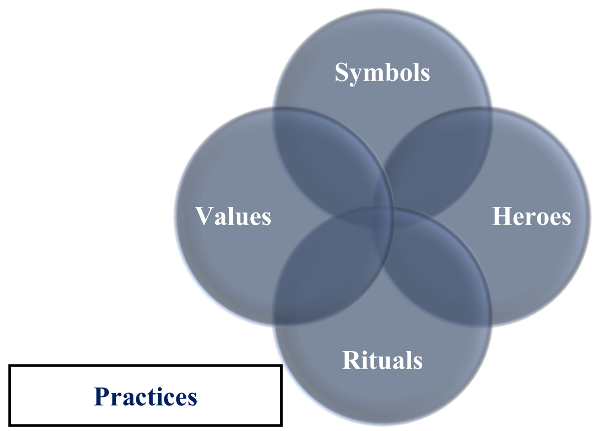

Figure 1: Elements Of Culture
Source: Hofstede, G. H. (1997). Cultures and Organisations Software of the Mind Intercultural Cooperation and its Importance for Survival. New York: McGraw-Hill, pp. 9.

To further give credence to the thoughts of Hofstede (1997), a cultural network was developed by Johnson et al., (2012) to display the inter-link between the present elements and the other various cultural elements to explain culture as a concept. As can be seen in Figure 2, the cultural network or grid is made up of seven elements as against the four in Figure 1. At the middle of it is the paradigm, that is, the generally alleged values and beliefs of the society alongside the surrounding elements (power structures, stories, control systems, symbols, organisational structures, rituals and routines), which can evolve at different stages in the life of an entity as deemed fit by the management in order to prescribe basis for what is acceptable or unacceptable attitude in the entity.

Granting the significance to enhance the understanding of culture, Guclu (2003) suggests the elements such as norms, ceremonies, myths, customs, and language. Schein (1985) mirrors culture from the viewpoint of an on-looker with three distinct levels such as artefacts, espoused values, and basic underlying assumptions. *Artefacts* are those physical elements, such as can be felt, seen and heard about the organisation that show-case cultural meaning, with examples being dressing style of staff, company slogans, facilities, visible recognition and awards, mission statements, vision statements, and offices. Espoused values refer to open norms and values that are preferable for a firm as established by the leadership of small or big entity, such as customer service, loyalty, fairness, and responsiveness. Basic underlying assumptions represents the unconsciously and intensely held beliefs, principles and thoughts of the members of an organisation that is easily taken for granted but are used to monitor corporate behaviour, for instance, environmentally friendly, socially responsible, economically viable, and financially compliant.

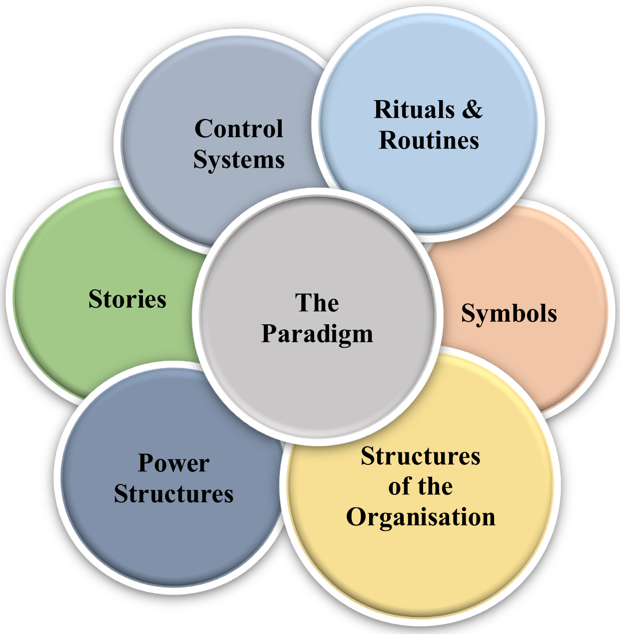

Figure 2. Cultural Network
Source: Johnson, G., Whittington, R., and Scholes, K. (2012). Fundamentals of Strategy. Harlow: Pearson Education. pp. 134.

1.3 NATIONAL CULTURE (NC)

National culture can be explained as those beliefs, norms, behaviours, and customs that obtain or can be related to the populace of an independent state or nation. Therefore, they are the values strongly upheld in a nation about evil or good, abnormal or normal, irrational or rational outlook, which citizens are rated by all and sundry at a particular point in time or over a period. In a nutshell, they are those cultural values put in place in the early life of a nation, which are strongly held and are made to experience changes gradually from generations to generations. Hence, what obtains in one social domain may not be acceptable in another. Nevertheless, this does not allow for the play down of the national culture by the organisational culture. However, the differences in national culture may be as a result of ethnicity (Tsui, 2001; Haniffa & Cooke, 2002), religion (Hamid et al., 1993), language (Belkaoui, 1980; Doupnik et al., 2003), gender (Hofstede, 2001) and age (Matsumoto et al., 2004) (cited in Egbunike & Ogbodo, 2015). Others according to Tayeb (1996) are history, climate, educational systems, social hierarchy and political and economic institutions. To further highlight on the reasons for the differences, Gjuraj (2013) identified family, an organisation of the society, extent of government's controls on the market, powerful groups, and civil society organisations. However, in Nigeria, diversity in national culture is a function of geographical location, language, and religion (Egbunike & Ogbodo, 2015).

Prior literature of Gjuraj (2013) discovers 83 percent of all mergers and acquisitions failed to produce any benefit for the shareholders, and over 50 percent destroyed organisational values. The cause was identified to be people and cultural differences rooted in roles of pressure groups, tolerance for uncertainty; language and the understanding of the views of space and time devoted to culture. Furthermore, he asserts that Banutu-Gomez (2002, p. 30) identified lack of skills in managing cultural difference as the bane of crises amongst managers, staff, and management who are from different countries of origin. However, in order to address the latter issue, Tayeb (1996) is of the opinion that culture plays a significant role in giving effect to job-related values, behaviours and attitude of every person within a given society; the level of cultural attitude and values are not the same in all environments; and the core difference in the attitudes and values of the various cultural bodies make them put up different behaviours (cited in Gjuraj, 2013). Nonetheless, the performance of an entity is not directly systematically affected by national culture; rather the effect is through the corporate strategies established and workplace environment created by an entity that designs the characteristics or traits of managers in that corporate setting (Gjuraj, 2013).

In the review by Nazarian et al. (2013), and citing from Hofstede (2007), there are five dimensions of national culture, namely:

Power distance - This measures the level to which the society is ready to come to terms with the inequality in the distribution of power;

Uncertainty avoidance - measures the extent to which the society is willing to avoid or accept risk;

Masculinity/femininity - is used to measure the allocation of tasks between the sexes;

Individualism/collectivism - measures the degree to which persons offer to be responsible for themselves and their family members as against the level of being involved in group socialisation; and

Long-term/short-term orientation - measures the level to which society persevere and thrift into the future as against the past and present values, which are a social obligation and tradition based.

Laskowska-Rutkowska and Warszawie (2009) study in alignment with Deresky (2000) classifies national culture into four areas as follows:

Obligations represent universalistic (rules, legal systems, contracts as in USA, Germany, UK) or particularistic (relationships, personal systems, interpersonal trust, duty to friends, family, such in Japan, China);

Emotional orientation in relationships refers to neutral (physical contract reserved for close friends and relatives, subtle communication such as in Japan, and the UK) or affective (physical contract more open and free, expressive, strong body language as in, for example, China, and Spain);

Involvement in relationships demonstrates specific (direct, confrontational, open, extrovert, separate work and private life as in the USA, the UK, and Germany) or diffuse (indirect, avoid confrontation, introvert, link private and work life as in Japan, Sweden, China);

Legitimisation of power and status depicts achievement (status based on competency and accomplishments, women and minorities visible at more levels of workplace, newcomers, young people, and outsiders gain respect if they prove themselves as in USA, UK, Germany) or ascription (status based on position, age, schooling or other criteria, more homogenous workforce, primarily male, such as in Japan, China, and Spain)

Nazarian et al. (2013) study show that Iran was rated very high on the national cultural value of collectivism, suggesting that Iranians believe in teamwork, but this was not supported by the work of Tayeb (1979) who asserts that Iranians are more individualistic than collective in the national culture. However, the result of the study conducted by Namazie (2003) suggests that Iranian culture is now more of western culture apart from being a collectivist and long-term orientation in nature.

In the case of Nigeria, Emeni and Ugbogbo (2014) finds that power distance is positively related to the development of accounting framework. However, the study by Egbunike and Ogbodo (2015) on Nigeria indicate that cultural values influence the: choice of methods and perception of accountants in carrying out their functions; enforcement and usage of accounting standards and the manner in which auditors engage in their assignments. Nonetheless, the two studies on Nigeria do not cover all of the dimensions of the cultural values and were only related to accounting disclosures without the legal systems, thus, covering only one disclosure area, as against the three areas of economic or financial, social and environmental required for sustainability disclosures.

The study of Ijose and Iossifova (2012) shows that national culture plays a significant part in the appreciation of the adoption and diffusion of corporate practices such as the understanding that workers come with their different cultural orientation to the organisation and holding company cannot easily move their practices to the foreign operations through institutional reorganisation.

The study by Linowes (1993) cited in Laskowska-Rutkowska and Warszawie (2009) asserts that the collectivist behaviour and attention to long-term objectives are associated with Asian nations, while individualism and a short-term orientation are favoured by the USA and nations affected by the USA culture.

For the Chinese, the loyalty to the family embracing the whole clan give prominence to assistance that relations enjoy, thus creating ‘interplanetary’ affection anywhere the Chinese find themselves. On the other hand, the Japanese in business terms focus on ‘proper place’ concept, thus, in any workplace, a Japanese will always endeavour to find a rightful place in the scheme of things (Laskowska-Rutkowska & Warszawie, 2009).

In their study, Halkos et al., (2008) suggest that home country’s national culture has a direct impact on MNCs performance and that the latter with higher performance has clear and distinct characteristics. As far back as 1982, Deal and Kennedy, canvassed that corporate development should be strongly joined with culture to enhance efficiency in the work output of people. On the other hand, entities adopt various resources and methods to monitor change and behaviour and, therefore, organisational culture indirectly influence attitudes by adopting a couple of managerial techniques such as strategic lens and direction, technology, communication skills, inter-personal relationships, cooperation, routine checks, tasks, and goals for the purpose of getting things done (Martins & Terblanche, 2003).

In relation to the development of an organisation, culture (Andrew, 1995) can be applied as various tools to assist the organisation achieves success through enhancing corporate performance and at the same time create a competitive advantage against the competitors of the organisation. Furthermore, Hellriegel and Woodman (2001) assert that culture has the prospect to increase organisational performance, personal satisfaction, and the ability to solve problems. Schein (1985) affirms that culture has important roles to play as a result of increased globalisation, alliances, competition, mergers and various employee related developments which have generated needs for product motivation; strategic innovation; management of diverse workforce; cross-cultural management of global entities and multi-national alliances.

Nevertheless, Baker (2004) emphasises that optimising the value of the labour force as intellectual assets requires a culture that enhances their intellectual contribution and ensures both organisational and personal learning, new knowledge formation and use, and the mindset to part with the knowledge to others. National culture is a means of identification. Hence, the assessment of a firm or establishment is made by reference to its culture (Yildiz, 2014).

1.4 INTELLECTUAL CAPITAL (IC)

Intellectual capital can be defined as “all non-physical and non-monetary resources that are wholly or partly controlled by the organisation and contribute to the organisation’s value creation” (Roos et al., 2005). On the other hand, Harrison et al., (2006) are of the opinion that a firm’s value consists of both intangible and tangible assets that can be turned to income or revenue. Thus, IC can be seen as an intangible asset that cannot have monetary value ascribed to it, and it is made up of three elements, namely: human capital, structural capital and relational capital (Earnest & Sofian, 2013).

Human capital is the value associated with a personality such as knowledge, education, capabilities, experience, innovativeness, competence, and skills. On the other hand, structural capital is the firm’s intangibles which are depicted in a written manner which include systems, patents, databases, trademarks, organisational structures, operating procedures and manuals, corporate strategies, and culture. Nonetheless, relational capital is that which showcase the business standing of a firm on customer satisfaction, reputation, alliances and partnerships, distribution networks, relationships with stakeholders and governments, and relationships with suppliers or customers.

In their formal review of the important concepts that are related to intellectual capital, Martin-de-Castro et al. (2011) categorise the dimensions and proxies of the intellectual capital as relational capital, structural capital, organisational capital, technological capital and human capital. First, relational capital consists of suppliers, an array of customers, sales efficiency, customers’ loyalty, market proximity, and interactions with other parties. Second, structural capital comprises organisational capital (values and attitudes, organisational design, organisational culture, capabilities related to information communication technology); technological capital (intellectual and industrial property, research and development efforts, and technological infrastructure). Third, human capital relates to behaviours (beliefs, models, flexibility, creativity, group interactions, workforce satisfaction, paradigms, and personal-motivation); knowledge (training, official education, staff improvement and staff knowledge); and Skills (personal learning, alliance for team spirit, diffusion of individual knowledge and know-how, and governance).

1.5 SUSTAINABILITY DISCLOSURES AND REPORTING (SDR)

The Global Reporting Initiative (GRI, 2006) explains sustainability as the practice measuring performance on economic, environmental and social impacts to internal and external stakeholders. However, KPMG (2008) adopts the phrase ‘corporate responsibility’ to characterise the moral, economic, environmental and social influence as well as matters that relate to the private sector.

Corporate sustainability is defined by Holcomb et al. (2007) as a “business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market’s potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.”

For the purpose of this study, the GRI (2006) definition constitutes the best choice and hence its adoption because of its embracing nature that covers six significant elements of economic, human rights, product responsibilities, labour practices and decent work, society, and the environment. This definition was also adopted by Clarkson et al. (2008) and Frost et al. (2005) as the basis for determining an entity's sustainability communications. To further substantiate the position or GRI, Chang (2016) defines corporate sustainability as a broad concept that covers a lot of social impact elements like social justice, governance, environmental protection, product safety, diversity, community well-being and employee welfare. This is to ensure that sustainability is seen as an essential component and integrated element of corporate strategy for everyone entity (Håkanson,2010; Moura-Leite et al., 2014).

In order to further encourage research efforts on sustainability issues, a couple of sustainability initiatives and advocates that promote social effects issues are now being set up, and they include the likes of B Corporation, Dow Jones Sustainability Index, Aspen Institute, Global Reporting Initiatives, ISO 26000, International Society of Sustainability Professionals, Sustainability Accounting Standards Board, UN Global Impact and MSCI ESG (formerly KLD) (Chang, 2016).

The issue of corporate sustainability evolved initially as environmental occurrences with eventual translation to being an economic portent with the advent of literature on economic phenomena. The discuss on sustainability as far as management and business are concerned never became pronounced until the 1980's and 1990's due to the stakeholder's outcry for the recognition of responsibility for social issues from the business managers (Kakabadse et al., 2005).

Nevertheless, business sustainability disclosures have had recognition, especially in the developed economies regarding depth, quantity, quality and content which had enveloped both financial and non-financial disclosures (ACCA 2007). Furthermore, corporate organisations have had their survival level tasked the most due to increased regulatory, legal, cultural, social, environmental disclosures as well as modernisation of businesses regarding technological advancements (Ernst & Young, 2009).

The evolution of corporate reporting began in the 1850's with the disclosure of the main financial facts through to the 1980's when corporate governance issues took centre stage. However, in other to meet up with the yearnings of stakeholders for better disclosures of business activities, the need for social and environmental reporting became prominent in the 1990's. Further still, based on the increasing pressures from the stakeholders, the issue has since the 2000's till date focusing on the corporate sustainability disclosures which cover economic, social and environmental related matters (ACCA, 2009).

From the extant literature, the issue of corporate sustainability has been taken seriously in the advanced economies of Europe, America, Australia, Russia and Japan, India, China in the Eastern bloc, whereas, the less developed nations or emerging economies of Asia and Africa, this issue, has been of very low essence especially in terms of quantity, quality, and content (Branco et al., 2006; Brine et al., 2007; Ioannou et al., 2014).

Prior literature on sustainability disclosures show many types of research have been conducted especially from the developed and developing countries about the various dimensions of sustainability disclosures such as environmental management, performance and disclosures (Teoh et al., 1998; Al-Tuwaijri et al., 2003; Clarkson et al., 2006; Yusoff & Lehman, 2003; Bebbington et al., 2010; Connors et al., 2011; Adebambo et al., 2014; Innocent et al., 2014; Ullah et al., 2014; Chaklader et al., 2015; Eljayash, 2015; Nor et al., 2016); social and environmental disclosures (Tsang, 1998; Uwalomwa et al., 2011; Ioannou et al., 2012; James et al., 2013; Adhikari et al., 2015; Akanno et al., 2015;); and financial disclosures (Chand et al., 2008; Akman, 2011; Demaki, 2013; Imeokparia et al., 2013; Madawaki, 2014).

Other literature include environmental disclosures (Guan & Pourjalali, 2010; Once et al., 2014); culture and governance on social reporting (Haniffa & Cooke, 2005; Orij, 2010); culture and legal institutions of corporate social disclosure (Adelopo, Moure & Obalola, 2013); cultural influence on accounting disclosures (Hofstede, 1980; Gray, 1988; Tsakumis, 2007; Finch, 2009; Kuchta et al., 2011; Kolesnik, 2013; Young, 2013; Emeni & Ugbogbo, 2014; Tabara et al., 2014; Tartaraj & Hoxha, 2014; Egbunike & Ogbodo, 2015; Naghshbandi, Ombati & Khosravi, 2016); culture and auditor choice (Hope, Kang, Thomas & Yoo, 2008); culture and legal origin or systems on financial disclosures (Jaggi & Low, 2000; Hope, 2003); national culture and institutional environment on internal control (Emanuels et al., 2010) economic consequences of legal origins (La Porta et al., 2000).

Although, certain economic benefits such as cost saving through cleaner production systems and reduced carbon emission have been associated with sustainability disclosures and reporting. Despite, there is still a deficiency in terms of the required skills and knowledge as well as an understanding of sustainability issues to be reflected in reports, thus, constituting a source of great concern to the achievement of designed corporate objectives (Fakoya, 2013). Therefore, for this lack of direction, many entities have embraced the culture of sponsoring donations for social and community activities as a basis for projecting sustainable development.

2. MODELS

Despite not being easy coming up with an adequate model to drive home the core issues involved in national culture and performance, an attempt is made here to review a couple of the models that seem to be in existence to support the understanding of the knowledge area of the current study. Therefore, the models as propounded by the various scholars identified are as follows:

2.1 HOFSTEDE'S DIMENSIONS OF CULTURE MODEL (1980)

Hofstede theory (1980) was about the assessment of the differences in the cultural values measures of 72 different nations within three regions of the globe by administering questionnaires answered by 116,000 employees of big multi-national corporations, with the intention to locate those aspects of culture that may influence the behaviour of firms. In an attempt to justify this study, he was able to group the cultural values measure into four main dimensions and refers to them as power distance; individualism/collectivism; masculinity/femininity; and uncertainty avoidance. However, Hofstede and Bond (1988) added the fifth dimension called the long-term or short-term social value.

Power distance is the extent to which power inequality or quality becomes acceptable or not based on the hierarchical nature of the organisation.

Masculinity versus femininity - this demonstrates the degree to which responsibilities are differentiated based on gender in the society with a preference for the masculine values of contribution and physical attainment, while the femininity is viewed as modest, relationship inclined and concern for the fragile.

Individualism versus collectivism - the focus here is regarding the level a person expects self-autonomy about taking up of roles as compared with ethnic, household and country-wide linings.

Uncertainty avoidance - represents the degree to which organisations put in place protective devices regarding laws, procedures, and technology and reduce the volatility of risky events.

Long versus Short-term orientation: In culture with a long-term direction, the general consensus is that truth is a function of time, situation, and context with capability to adopt traditions in changing conditions, alongside a high propensity for savings and investments, prudence, and persistence in attaining results and on the other hand, a short-term orientation displays great honour for traditions, with a relatively low inclination for savings and investments and focus on attaining fast results.

Nonetheless, Hofstede assertion was later opposed by Baskerville (2003), when he argues that a particular nation might project many cultures. Furthermore, Earley (2006) demonstrates that real behaviour and organisational outlook might not be measurable, especially when managerial beliefs underlie the carrying out of studies on wide-scale many – nation basis.

These dimensions refer to the effects that national cultural values can have on management decision-making efforts and how they can be adopted in establishing policies to meet local needs.

3. LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

3.1 NATIONAL CULTURE (NC) AND SUSTAINABILITY DISCLOSURES (SD)

The issue of national culture (as proxied by Masculinity vs. femininity, Long vs. short-term orientation, Individualism vs. collectivism, Power distance, and Uncertainty avoidance) in relation to sustainability disclosures (as represented from the perspectives of financial, environmental and social dimensions) is highlighted in Sections 3.1.1 – 3.1.3.

3.1.1 National Culture (NC) and Financial Disclosures (FD)

According to Gray (1988), the accounting values from literature and practice can be discussed as follows:

Professionalism versus Statutory Control - in this case, there is the choice of sustenance of professional self-regulation and the display of individual professional judgement as against the compliance with statutory control and laid down legal requirements. This is a fall-out of the fact that accountants are seen to exercise independent attitudes and individual professional judgements to a lesser or greater degree worldwide.

Conservatism versus Optimism - this entails the exercise of a modest outlook to the measurement of transactions to deal with the uncertainty of future events as compared to a more risk-taking or optimistic method.

Secrecy versus Transparency - under this circumstance, dissemination of financial information is restricted to a given number of users to ensure confidentiality or secrecy as compared to the transparent method that allows the same set of information to be made available to a larger number of users.

Uniformity versus Flexibility - in this case, allowance is given for the execution and persistent use of uniform or common accounting practices in firms over a specified period as against flexibility which recognises the unusual nature or circumstance of a particular firm.

Nevertheless, the relationship between Gray's accounting values and Hofstede's cultural dimensions have been summarised in the work of Tabara et al., (2014) as follows:

a) Professionalism is positively related to a high degree of individualism, based on the personal judgement of an accountant and disrespect for legal control. Meanwhile, uncertainty avoidance is low, based on the unavoidable recognition of diversity in their professional judgement. However, professionalism is linked to masculinity and low power distance, taking cognisance of the relevance of basic trust within the accountancy profession.
b) Uniformity is principally linked to strong uncertainty avoidance and a low degree of individualism. Nonetheless, uniformity is also related to high power distance, under the circumstance where the law is superimposed on the workforce.
c) Conservatism is associated with a high degree of uncertainty avoidance, with the attendant linkage between high masculinity and low individualism.
d) Secrecy has a high correlation with strong uncertainty avoidance and high power distance.

Jaggi and Low (2000) in their study of three nations with code law and three nations with common law applied the Hofstede (1980) dimensions of culture to examine the influence of culture and legal origin in elucidating on disclosure levels. Their finding was that national cultural values do not seem to have a significant impact on financial disclosures. However, they are of the opinion that legal systems are influenced by cultural values. Hence, the impact of cultural values on financial disclosures can be revealed via a nation's legal systems. Thus, their direct influence on financial disclosures would be insignificant.

Schultz and Lopez (2001) in their study of USA, Germany, and France examine the influence of culture on accountant's interpretation and application of the same financial accounting reporting standards based on the theories of Hofstede and Gray. The outcomes show that, even with the same rules and facts available to the accountants, there is significant variation in the degree of accountants' judgement. For instance, accountants in France and Germany are more conservative in their professional judgements because of the high level of uncertainty avoidance in their nations as against accountants from the USA who operate under low uncertainty avoidance.

Hope (2003) based his study on the theories of Hofstede and Schwartz to determine whether the national culture in 39 and 42 countries is correlated with an entity's financial disclosure levels. The findings do not show any links between culture and the degree of financial disclosures. Nevertheless, a caveat was put on the conclusions as to *"it is too early to dismiss culture as an explanatory variable for firm's disclosure choices*."

Ding et al. (2005) in their study of 52 nations used the Hofstede and Schwartz's frameworks to determine the role of culture as an explanatory variable underscoring the differences between national and international accounting standards adopting *divergence* and *absence* as the basis for the measurement. The result of the study shows that a strong relationship existed between cultural values and the divergence index. However, no significant relationship existed between the cultural values and the absence index.

Doupnik et al., (2006) study of Brazil and USA based on Gray's theory, investigated two of Gray's hypotheses (conservatism and secrecy) to establish whether the differences in culture influence accountants in different nations to interpret and apply similar financial reporting standards differently. The accounting standards focused on were: IAS 11-Construction Contracts and IAS 18- Revenues due to decreasing and increasing nature respectively as well as the need to exercise professional judgement. The findings show a strong relationship between the conservatism hypothesis and recognition of income-increasing elements. However, there was no relationship between the hypothesis and recognition of income-decreasing elements. Nevertheless, it was found out that a close correlation existed between the secrecy hypothesis and disclosure of financial information.

Tsakumis (2007) in his study of Greece and USA with the adoption of Hofstede and Gray's frameworks investigates the influence of cultural factors on accountant's application of financial reporting standards. The standard evaluated was IAS 37, Provisions, Contingent Liabilities and Contingent Assets that involves giving professional judgement. In this case, the respondents had the choice of recognizing or disclosing a contingent liability or contingent asset in accordance with the requirements of a financial reporting standard. The findings show that accountants in Greece are more secretive in disclosing the existence of both contingent liabilities and assets when compared to those in the USA. Hence, the outcome of the study established that there is a strong relationship between secrecy hypothesis of Gray with accounting disclosure practices. Nonetheless, there were no significant differences established regarding professional judgement and recognition of contingent liabilities and assets between the two nations.

Noravesh et al. (2007) carried and out a study in Iran to determine the relationship between cultural values as established by Hofstede accounting values as explained by Gray. Their results show a confirmation of eight out of Gray's thirteen hypotheses. Meanwhile, in contrast to Gray's assertions, they established that there was no positive relationship between uncertainty avoidance and secrecy hypothesis on one hand and individualism and professionalism hypothesis on the contrary. Furthermore, there was no positive relationship between power distance and conservatism hypothesis on one hand and masculinity and professionalism in contrast.

Chand (2008) carried out a study on Fiji and Australia firms based on Hofstede cultural values to determine the effects of both non-cultural and cultural factors on the exercise of professional judgement by accountants. The results of the study show the accountants in Fiji are more conservative when compared to their counterparts from Australia. Furthermore, the results indicate that national culture has a significant impact on the way the professional judgement is expressed by accountants in line with the requirements of the International Financial Reporting Standards.

Akman (2011) in his study of six countries used the Hofstede's cultural dimensions to investigate whether the difference in financial disclosure due to culture have diminished after the use of IFRS. The result shows that the cultural dimensions of individualism, power distance, uncertainty avoidance and masculinity significantly affect the level of financial disclosure of sample firms. Therefore, the effect of culture still prevails on the amount of disclosure even after the use of IFRS. However, the level of disclosure increases in all of the nations evaluated. Therefore, the use of a single set of accounting standards does not eliminate the impact of culture on financial disclosure.

Kuchta et al., (2011) carried out an empirical review of the influence of culture on internal accounting systems, external accounting systems, and tax accounting systems. The review was unable to confirm whether the conclusions drawn from the works of Gray, Hofstede and Radebaugh, and Gray and Black are right. Therefore, they suggest further research be conducted to find out what exact influence culture has on the various accounting systems. Furthermore, investigations need be carried out to determine the extent to which the disparity in the practice of the various accounting systems is attributable to culture.

Salter and Lewis (2011) in their study of 15 countries used both Gray and Hofstede's accounting values and cultural dimensions on actual data for seven years to determine the relationships between one of Gray's accounting values (conservatism) and Hofstede's cultural dimensions. The outcome of the evaluation shows that cultural value of individualism is significantly and positively related to differences in income measurement practices between nations. Furthermore, it was also asserted that a nation's association with the European Union and corporate tax rate is related to differences in income measurement practices.

Perera et al. (2012) carried out their study in Samoa and New Zealand, which are culturally distinctively different using the Gray and Hofstede's accounting values and cultural dimensions respectively to examine their value systems as a basis for establishing the relationships between accounting and culture. The study was basically to confirm the likelihood of linkages between accounting professionalism and cultural values. The outcome of the study shows that there is a high degree of professionalism in New Zealand as compared to Samoa. The conclusion is that culture might have been responsible for the difference noticed.

Emeni and Ugbogbo (2014) examine the distinct cross-cultural dimensions of culture (Hofstede's power distance and individualism/collectivism) and its effects on accounting disclosures practices in Nigeria for one year with 278 audit firms being the participants. It is observed that collectivism and power distance dimensions of culture impact positively on accounting disclosures practices. However, collectivism is found to be significant, while individualism is found to be negatively and non-significantly associated with accounting disclosure practices in Nigeria.

Naghshbandi et al. (2016) carried out the empirical review to examine the cultural impacts on IFRS implementation, i.e. to find out if culture influences accounting practices especially IFRS practices. It is concluded that culture is likely to influence the level of information disclosed, through accounting value of secrecy on IFRS practices. With regards to measurement practices, culture through accounting value of conservatism is expected to have less influence on the practice of IFRS. However, institutional consequences such as capital markets and legal systems may be other influencing factors that explain insignificant mean response differences in accountant's attitude. Furthermore, it is discovered that implementation of IFRS has economic effects such as reduction of cost of capital and improved market efficiency. It is suggested that attention should be directed at examining the cause of different degrees of compliance across nations that adopt IFRS.

The indicators for the national culture are individualism/collectivism; power distance; uncertainty avoidance; masculinity/femininity and long-term/short-term orientation as indicated above under Hofstede model (1980).

The indicators for financial disclosures are ROA, ROE, risk (leverage), firm size, industry type, auditors and stock exchange listings.

3.1.2 National Culture (NC) and Environmental Disclosures (ED)

Yusoff and Lehman (2003) study of environmental disclosure practices between Malaysian and Australian companies with the adoption of the stakeholder theory, which is consistent with the studies of Ullman (1985), Gray et al. (1995) and Teoh et al. (1998) based on the assertion that survival of firms is a function of the recognition given by stakeholders, which is subject to the receipt of a consent, and the business of the firms adjusted to secure such consent. Therefore, social reporting is accepted as part of the consensus between the firm and its stakeholders. It was discovered that Malaysian companies accredited with ISO 14001 certification tend to disclose more environmental information publicly and this is inconsistent with previous studies of (Deegan and Gordon (1996); Roy and Ghosh (2011) whereby environmentally sensitive companies report more extensive environmental information than the non-environmentally sensitive companies. Other studies with similar results are those of Halme and Huse (1997) and Frost and Wilmshusrt (2000). However, in the case of the Australian companies, high financial performance, and ISO 14001 certification are among the significant determinants of environmental disclosures. This result is in tandem with that of Teoh et al.(1998) and Alnajjar (2000).

Once et al. (2014) based on the research of Gray and Hofstede carried out a study in 20 nations to investigate a cross-cultural comparison of the effects on national cultural values on corporate environmental disclosures (CED) in consideration of the Annual reports of 655 large companies. Voluntary environmental disclosure variables were used. The result indicates that two of Hofstede's cultural dimensions are linked to the higher degree of corporate environmental disclosures (individualism and long-term orientation (LTO)). This is the only reviewed study so far that used LTO. Furthermore, nations with a high degree of power distance are related to the low degree of corporate environmental disclosure. The control variables are significantly related to corporate environmental disclosures.

In the study by Nor et al. (2016), there is a significant relationship between total environmental disclosure and profit margin. This is in line with the study of Perry et al. (2011) in which it was found out that disclosure of the environmental information would create a market advantage in addition to having profited from investment environmental upgrading. Nonetheless, the variables of ROA, ROE and EPS did not reveal a significant relationship between total environmental disclosures. However, the following studies indicated that there was no relationship between environmental disclosure and financial performance (Sarumpaet (2005; Rahman et al. (2009); while the outcome of the study by Saleh et al. (2011) showed a positive and significant relationship. Nevertheless, the study by Chiong (2010) shows a negative relationship.

The proxies for environmental disclosures are expenditures and risks; laws and regulation conformity; pollution abatement; sustainable development; land remediation and contamination; and environmental management (Fakoya, 2013; Once et al., 2014).

3.1.3 National Culture (NC) and Social Disclosures (SD)

Orij (2010) conducted his study in 22 countries on 600 large companies with the adoption of the Hofstede and Gray's cultural and accounting value frameworks to determine whether corporate social disclosures alongside stakeholder theory relate to national cultures. The outcome of the study supports the fact that national cultures are likely to have an impact on corporate social disclosure levels.

Adelopo et al. (2013) in their study of a period of three years used two of Hofstede's cultural dimensions to examine the impact of legal origin and culture on Corporate Social Responsibility Disclosures by large banks in fourteen Western European nations. The findings show that nation's legal origin and culture affect disclosure behaviours of banks. Banks in Civil law nations make more employee and shareholder social disclosures than those in Common law and Scandinavian nations. Furthermore, banks in high uncertainty avoidance cultures make more social disclosures than banks in low uncertainty avoidance cultures. Nevertheless, no relationship is found between Corporate Social Responsibility disclosure and individualism/collectivism cultural dimensions. The study supports the institutional theory and cross-country studies.

The indicators for social disclosures as are likely to be derived from SiRi (2006) and GRI (2010) include ethics, community, customer, employees, environment, corporate governance. Thus, the limited theoretical linkages suggest the hypotheses of the paper:

- H_1: National cultural values have a significant relationship with sustainability disclosures.
- H_2: National cultural values do have a significant relationship with financial disclosures.
- H_3: National cultural values do have a significant relationship with environmental disclosures.

H_4: National cultural values do have significant relationships with social disclosures.

3.2 National Culture and IC

Ioan-Franc et al. (2013) carried out a study on some EU countries to identify the nature and the extent of the relationship between the national culture dimensions and the intellectual capital dimensions concerning Hofstede's model. The outcome of the study reveals that some national cultural dimensions, such as indulgence versus restraint and individualism versus collectivism are positively correlated with the intellectual capital, while others, like uncertainty avoidance and power distance, are negatively correlated.

The paper adopts proxies for intellectual capital as human capital, structural capital and relational capital as the basis for relating to performance (Martin-de-Castro et al., 2011; Mention, 2012).

Dindire and Sirok (2013) comparative study of Romania and Slovenia reveal that the nations exhibited superlative performance of structural capital are Sweden (1), Finland (0.91), Denmark (0.89), Germany (0.85), and the Netherlands (0.82); with the reverse being the case for Bulgaria (0), Romania (0.02), Greece (0.03), Hungary (0.13), Slovakia (0.13), Latvia (0.16), Poland (0.17), and Slovenia (0.25) of the structural capital, thus giving it a superior performance above Romania.

Based on the correlation scores of the facets of national culture concerning the performance indices of the structural capital, Dindire and Sirok (2013) assert that the nations that scored high regarding power distance exhibited low performance while those with lesser power distance benefited the most from the structural capital. In contrast, the nations with a high level of individualism have the highest performance, while nations branded by a higher degree of collectivism displayed the lowest performance of the structural capital. Also, the nations with a high level of uncertainty avoidance, have the low performance of the structural capital when compared with those that have poor scores.

With reference to relational capital, highest performance is attained by the United Kingdom (1), Ireland (0.91), Sweden (0.90), Belgium (0.86), Denmark (0.78), Finland (0.71), but the lowest performances feature with Greece (0), Malta (0.09), Romania (0.21), Slovakia (0.21), Bulgaria (0.22), and Hungary (0.28). However, Slovenia, with an index of 0.49 of the relational capital performed better than Romania.

Regarding correlation of relational capital on the aspects of national culture, the literature demonstrates that nations with high power distance rating recorded lowest performances when compared with nations with low power distance. Individualism based nations reported highest performances concerning relational capital, as against collectivism based which have the lowest values. The uncertainty avoidance inclination is related to the low performance of relational capital while performing nations on relational capital, show low uncertainty avoidance scores.

Previous studies on human capital reported the highest performance in Sweden (1), the Netherlands (0.86), Denmark (0.86), Finland (0.85), Luxembourg (0.84), and the United Kingdom (0.82). On the contrary, the lowest performance is reported in Greece (0), Bulgaria (0.01), Romania (0.05), and Italy (0.08). Even with Slovenia, having a higher score than Romania at 0.20 regarding the human capital dimension, the performance was worst when compared with the structural and relational capital.

The relationship of the dimensions of the national culture on human capital showed that high power distance nations relate to low human capital performance. Whereas nations with low power distance, posted high performance of the human capital. Nations branded by individualism have the highest performance of the human capital, but nations that are collectivism based have the lowest performances of the human capital. In like manner, nations with low levels of the uncertainty avoidance dimension show high performances of the human capital. Based on the theoretical linkage, the hypothesis is formulated thus:

H_5: The national cultural dimensions do not positively influence the intellectual capital dimensions.

3.3 Intellectual Capital (IC) and Sustainability Disclosures (SD)

Undeniably, when IC may not be converted into the physical item, there is evidence to show that it can be observed as new services, brand, innovations, ideas, and customer loyalty. However, not having IC by a firm could lead to loss of profits and competitive edge. This position is in agreement with the resource-based-view (RBV) theory which stipulates that firm's resources whether tangible or intangible must be recognised, protected and used to achieve the company's corporate objectives to enhance firm performance (Wernerfelt, 1984).

For the purpose of relating IC with corporate performance, the RBV is usually of relevance, because it postulates that a company's resources fundamentally enhances profitability, competitive advantages, and important performance. It effectively ensures that a company's capabilities and inventory of resources result in enhanced financial performance and consistent sustainability (Raja Adzrin et al., 2009). However, lack of protection, maintenance, measure and evaluation of the resources of a firm can lead to loss of efficiency, effectiveness, and profit (Earnest & Sofian, 2013).

In their submission, Robinson et al., (2005) suggest that knowledge management and learning culture approaches are essential to improving corporate performance for an entity to sustain innovation regarding technologies, processes and products. Therefore, according to Jones et al., (2006) organisational culture can be accepted as a basis for knowledge since it affords the workforce to acquire, create, transfer and accomplish knowledge within a given framework.

Knowledge conversion is a social means of ensuring that people with different knowledge base relate together for the aim of creating new knowledge that enhances the quantity and quality of both implicit and overt knowledge (Sanchez & Palacios, 2008). Thus, knowledge management efforts are significant in enhancing the strength of staff to carry out knowledge-based deals and, hence evolve genius thoughts that are innovative for improving the financial outcomes of a firm (Chang & Ahn, 2005). Therefore, the factor responsible for the increasing performance of a firm is a sound knowledge base (Lai & Lee, 2007).

Wang & Chang (2005) find evidence that human capital is the most important element of intellectual capital in Taiwanese IT organizations, as it affects both innovation and process capital directly. In turn, process capital affects customer capital directly and further on performance, while innovation capital has an indirect effect on customer capital, through process capital, and consequently on performance. Their study uses accurate measures for each of the constructs, e.g. return on assets for performance, R & D expenses for innovation capital, advertising expenditures for customer capital, employee turnover for human capital and administrative expense per employee for process capital. In a similar setting, Yang & Kang (2008) confirm the interaction effects of innovation and customer capital on performance in high-tech firms, although the effect of customer capital is lower among these firms than for their low-tech counterparts. The effect of innovation capital remains stable, whether firms belong to high tech or low tech manufacturing sectors.

Hermans and Kauranen (2005) empirically verify the effect of intellectual capital on anticipated future sales of 72 SMEs belonging to the biotechnology industry in Finland.

They conclude that two IC-related factors, both factors being a combination of items related to human, relational and structural capital, systematically explain the anticipated future sales.

In their investigation of 93 US firms, Subramaniam and Youndt (2005) demonstrate that structural capital positively affects incremental innovative capability, while human capital is negatively associated with the basic innovative capability. Though, when interacted with social capital, human capital positively influences radical innovative capacity. Thus, the formulation of the hypothesis that:

H_6: The intellectual capital dimensions have significant relationships with sustainability disclosures.

3.4 IS as Mediator between NC and SD

Intervening or mediating variable is that which describes the association or relationship between a dependent and independent variable (Popoola, 2014; Sekaran, 2003; Baron & Kenny, 1986). Previous research efforts have asserted that the effect of stakeholder orientation on the performance of organisations may be mediated by innovation (Han et al., 1998).

Ghorbanhosseini (2013) examine the effect of organisational culture, teamwork and organisational development on organisational commitment: the mediating role of human capital based on 266 employees of SAFA Industrial Group in Iran, and the findings show that culture, teamwork, and organisational development have a direct and significant impact on human capital. Furthermore, human capital has a positive effect on organisational commitment, while culture, teamwork, and organisational development have a direct and significant effect on organisational commitment. Finally, human capital plays a mediating role between culture, teamwork, organisational development and organisational commitment. Implications of this study are that organisations should provide a common pattern of attitude, beliefs, and shared values that are peculiar to most members of an organisation. For example, managers are to entrench teamwork basis to enhance organisational commitment. Organisational development is fundamental for creating organisational potentials required to bring about organisational commitment, and organisations should endeavour to enhance human capital as the basis for sustaining organisational commitment.

Nevertheless, the relevance of intellectual capital cannot be wished away as a variable required for efficient and effective sustainable development in both the advanced and emerging economies, especially now that we all live in a knowledge-based global economy. Thus, this paper formulates the hypothesis:

H_7: Intellectual capital mediates the relationship between national cultural values and sustainability disclosures.

3.5 Conceptual Framework of the Study

The conceptual relationship between national culture, intellectual capital and sustainability disclosures is illustrated in Figure 3. The conceptual framework of the study investigates the direct effect of national culture on sustainability disclosure and intellectual capital as well as the direct effect of intellectual capital on sustainability disclosure. The framework also examines the indirect (i.e. mediating) effect of intellectual capital on the relationship between national culture and sustainability disclosures. Most studies reviewed have only argued based on the direct relationship between national culture, and the individual sustainability elements (Gray, 1988; Hope, 2003; Duopnik et al. 2006; Perera et al., 2012; Emeni et al., 2014) assessed the relationship from the financial disclosures point of view. Once et al., (2014) viewed the relationship from the perspective of the environmental disclosures while the studies by Orij (2010) and Adelopo et al. (2013) were from the social disclosure point of view. Nevertheless, Wernerfelt (1984), Wang and Chang (2005) and Raja Adzrin (2009) argued for the relevance of resources and capability management for effective disclosure responsibilities. Therefore, this paper suggests that studies be carried out along this line of thought.

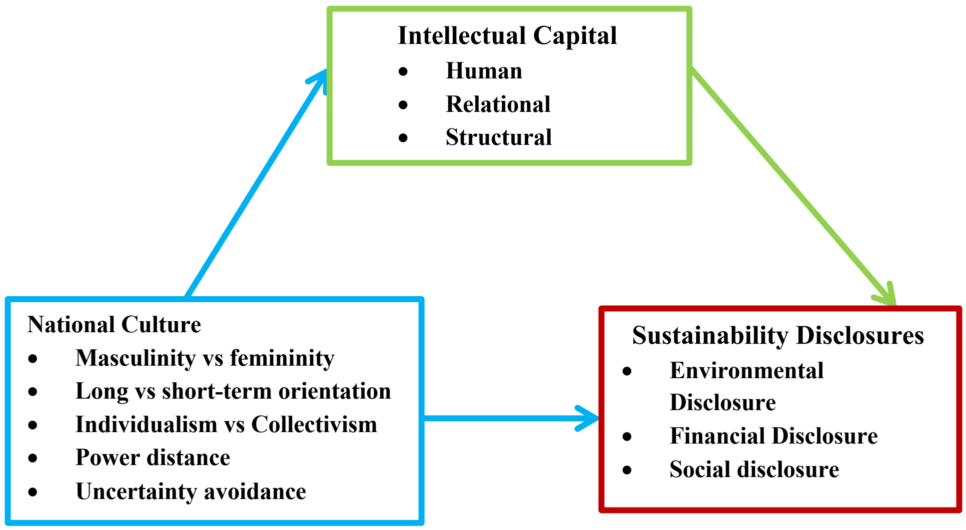

Figure 3: The Conceptual Framework Of The Study

4. LITERATURE GAPS

Granting the fact that there is no one single way of defining culture, this study affirms a continuous debate on what is the regular expression or meaning of the term "culture." Therefore, one significant challenge for managers is to determine what the most effective culture is for the society and organisations and, when necessary, how to manage the culture effectively and efficiently (Baker, 2004).

The effect of national culture on accounting systems and performance, social disclosures and environmental disclosures and performance was focused on the developed economies, and little has been done in the less developed nations. Most of the studies on cultural dimensions and accounting values did not incorporate the legal origin and the environmental disclosures (Schultz & Lopez, 2001; Ding et al., 2005; Doupnik & Riccio, 2006; Orij, 2010; Salter & Lewis, 2011; Yesil & Kaya, 2013; Emeni & Ugbogbo, 2014; Once & Algagtome, 2014; Egbunike & Ogbodo, 2015).

Not much literature was found regarding cultural dimensions and legal systems and sustainability disclosures, thus creating the need for further study especially about institutional influence on disclosure responsibilities by corporate entities. Prior literature focused on the need to reflect intellectual capital in the corporate reports as a separate item rather than as a factor for ensuring efficiency in corporate performance reporting or disclosures.

5. CONCLUSION

Since sustainability is to ensure that the society is not left worse than it was met, efforts are, therefore, required to ensure the integration of the disclosure dimensions giving due recognition to a national culture that aids compliance in the different regions all over the globe.

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