Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application

Özkan Sarısoy
Ganite Kurt *Editors*

Contexts and Practices in Accounting Culture, Volume II

Springer

Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application

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Özkan Sarısoy · Ganite Kurt
Editors

Contexts and Practices in Accounting Culture, Volume II

Springer

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Accounting
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ISSN 2509-7873 ISSN 2509-7881 (electronic)
Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application
ISBN 978-981-92-5558-0 ISBN 978-981-92-5559-7 (eBook)
https://doi.org/10.1007/978-981-92-5559-7

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Acknowledgments



This book series is a formal series of the International Group on Governance, Fraud Ethics and CSR, which was founded in 2009 at Trakya University in Edirne, Türkiye.

Prof. Dr. Kıymet Tunca Çalıyurt
Founder

In Memoriam



Associate Professor

Tuba Derya Baskan

1978–2026

It is with profound sadness that we commemorate Associate Professor Tuba Derya Baskan. Her passing is a deeply felt loss to her family and loved ones, as well as to her colleagues, students, and the wider academic community of Kırıkkale University. Through her dedication to scholarship, professional integrity, modest character, and sincere engagement with her students, she distinguished herself not only as an accomplished academic but also as a respected educator whose influence extended well beyond her published work.

Born in Ankara in 1978, Tuba Derya Baskan graduated from the Department of Business Administration in the Faculty of Economics and Administrative Sciences at Anadolu University in 1999. In 2003, she began her academic career as a research assistant in the Department of Business Administration at Kırıkkale University. During the same period, she completed a master's degree in marketing at Anadolu

University. She subsequently earned a second master's degree from Kırıkkale University in 2006 and received her doctoral degree from the same institution in 2013. Following the completion of her doctorate, she was appointed to an assistant professorship in the Division of Accounting and Finance within the Department of Business Administration at Kırıkkale University's Faculty of Economics and Administrative Sciences. In 2021, she was awarded the academic title of Associate Professor in Accounting.

Associate Professor Baskan developed a wide-ranging and progressively evolving body of scholarship. Her research encompassed accounting and financial reporting standards, independent auditing, audit quality, accounting fraud, professional ethics, corporate governance, and financial analysis. She examined the prevention and detection of errors and fraudulent practices, the reliability and transparency of financial information, ethical responsibility within the accounting profession, and the implementation of national and international financial reporting standards. Her later studies also addressed sustainability accounting and reporting, digital transformation, blockchain technology, and the implications of artificial intelligence for accounting processes. Taken together, these contributions demonstrate her sustained interest in how accounting systems respond to regulatory developments, technological change, and evolving social expectations.

Underlying this diverse research agenda was a consistent intellectual perspective. For Associate Professor Baskan, accounting was not merely a technical process concerned with recording, measuring, and reporting financial information. It was also an institutional mechanism through which trust, transparency, accountability, and social responsibility could be strengthened. This understanding shaped both her scholarly work and her approach to education. She valued professional competence while recognizing that meaningful academic and professional achievement must also be grounded in ethical awareness, critical inquiry, and a strong sense of responsibility.

Her commitment to education formed an equally important part of her academic legacy. Throughout her career at Kırıkkale University, she shared her knowledge and experience generously with her students and colleagues. Her sincere engagement with students reflected her conviction that scholarly knowledge attains its fullest significance when it is not only produced but also communicated, discussed, and passed on to future generations. The individuals she taught and guided therefore constitute an enduring dimension of her contribution to academic life.

Her chapter in the present Springer volume represents a meaningful continuation of this scholarly legacy. It reflects her academic expertise, intellectual diligence, and commitment to collaborative knowledge production. Its publication now carries particular poignancy; yet its presence in this volume also ensures that her ideas will continue to reach researchers, practitioners, and students. Through this contribution, her scholarly voice will remain part of the continuing academic conversation and will provide a foundation for further inquiry in her field.

Associate Professor Tuba Derya Baskan will be remembered with deep respect and gratitude for her contributions to scholarship, her dedication to her students, and the lasting influence she had on those who had the privilege of knowing and working with her. We extend our heartfelt condolences to her family, loved ones, students,

colleagues, and the entire academic community. Her publications, the individuals she guided, and the academic values she upheld will ensure that her memory and intellectual legacy endure.

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Associate Prof. Özkan Sarısoy, CPA, is a faculty member at Tekirdağ Namık Kemal University, Türkiye. He received his Bachelor's degree in Business Administration from Trakya University in 2010, completing the final semester of his undergraduate studies in Germany through an international student exchange program. He earned his M.A. in Accounting and Auditing from Trakya University in 2012 with a thesis on International Financial Reporting Standards (IFRS), and completed his Ph.D. in Accounting at Istanbul University in 2018. His doctoral dissertation examined the presentation of Key Audit Matters in independent auditor reports.

Prof. Ganite Kurt is a distinguished accounting scholar at Ankara Hacı Bayram Veli University, Türkiye, with more than three decades of experience in teaching, research, and academic administration. Her research interests encompass accounting theory, auditing, accounting ethics, audit fraud, financial accounting, International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), family businesses, corporate governance, and internal control systems.

Professor Kurt has authored numerous scholarly articles, book chapters, and academic publications in both national and international outlets. She has actively contributed to the design, coordination, and implementation of a wide range of national and international research projects in accounting and auditing. Throughout her career, she has held various academic and administrative positions, gaining extensive experience in higher education leadership and institutional development.

In addition to her academic contributions, Professor Kurt serves as the Founding President of the Assurance Services Association (GHD), a leading professional organization in Türkiye. She is also one of the principal coordinators of the Accounting and Audit Researchers Platform (MUDEP), a nationwide network that brings together accounting and auditing scholars to foster academic collaboration and research development.

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Part I
Introduction—Global Reviews and Cross-Cultural Comparisons

Chapter 1
A Systematic Review of Accounting Culture Research: Mapping the Literature

Özkan Sarısoy and Ganite Kurt

Abstract As a social science discipline, accounting reflects the characteristics of its field, being both influenced by and influencing the surrounding socio-economic context. Among the instruments of this reciprocal effect, the concept of "culture" has been discussed in the accounting domain for approximately 40–50 years. In this study, keywords related to accounting culture were analyzed through a literature review to identify bibliometric and thematic trends. The findings indicate that early studies in this area were predominantly theoretical; however, over time, the research evolved to include empirical tests of these theories, followed by critical evaluations and the proposal of alternative perspectives. It can also be observed that research examining the interaction between accounting and culture has increasingly encompassed a wider range of countries and cultural settings. Moreover, the expansion of methodological approaches in these studies has enabled a deeper exploration of various dimensions of the accounting–culture relationship. While some studies have considered culture as an absolute determinant, others have argued that it may not possess a strong independent influence. Therefore, although the strength of culture's impact on accounting may vary, the existence of such an influence can be regarded as a general conclusion derived from the overall body of research.

Keywords Accounting culture · Cultural dimensions · IFRS convergence · Gray's accounting values · Systematic literature review

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*,
Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_1

1.1 Introduction

Accounting culture is an important area of research that reveals accounting practices are not limited to technical dimensions alone but are also influenced by social, institutional, and cultural factors. Since the 1980s, theoretical approaches such as Hofstede's (1980) cultural dimensions and Gray and Vint's (1995) accounting values have guided studies on accounting culture. These theoretical foundations have provided a robust framework for explaining why accounting practices differ across countries, despite their claim to be a universal language.

The increasing volume of academic studies on accounting culture over the past four decades has created a need for a systematic review of research trends in this field. In the literature, the necessity for a comprehensive mapping study that goes beyond individual article analyses has become increasingly evident. Literature reviews serve as an appropriate method at this point, both to synthesize existing knowledge and to identify gaps in the research.

This study aims to examine academic research on accounting culture and to present an overview of the existing literature. Within this framework, two main objectives are highlighted. The first is to identify the historical development and publication trends of studies on accounting culture. The second is to classify the thematic areas and research methods employed in the literature. In this way, the present study aims to make both descriptive and analytical contributions to the body of research on accounting culture.

1.2 Purpose and Methodology of the Study

In this study, a comprehensive literature review was conducted to analyze the academic literature on accounting culture. Systematic reviews aim to examine studies published in a specific field through a transparent, replicable, and scientific process to identify trends, gaps, and future research directions.

During the literature search, the following keywords were used: "accounting culture," "cultural dimensions in accounting," "Gray's accounting values," "culture and accounting practices," "Hofstede and accounting," and "cultural influences on accounting."

Specific inclusion criteria were established to clarify the study's scope. The search focused on peer-reviewed journal articles published between 1980 and 2025. Research that directly addressed accounting culture or examined the impact of cultural dimensions on accounting was included. Conversely, unpublished dissertations and studies that focused solely on the technical aspects of accounting without addressing cultural factors were excluded from the analysis. To access the publications included in the analysis, internationally recognized, comprehensive academic databases were used.

Within the defined criteria, 39 studies were examined using bibliometric and thematic analyses. The bibliometric analysis investigated the distribution of publications by year, author, country, and journal. The thematic analysis explored the trends, research methodologies, and main themes emerging from the reviewed studies.

1.2.1 Analysis of Findings

In this section of the study, the 39 reviewed articles were subjected to both thematic and bibliometric analyses, and the findings obtained from these analyses are interpreted in detail in the following sections.

1.2.1.1 Thematic Analysis

When studies in the accounting culture literature are examined, specific themes stand out prominently. These themes not only help explain the diversity of accounting practices but also reveal the various ways in which culture is reflected in accounting.

Table 1.1 summarizes the 39 studies included in the accounting culture literature across eight main themes and presents the frequency of representation for each theme. The themes were developed by the researchers, taking into account the field's theoretical development, methodological approaches, and current research trends.

The thematic classification summarized in Table 1.1 provides a broad framework encompassing the theoretical development and contemporary research trends within the accounting culture literature. An examination of the data reveals that studies have tended to cluster around specific periods and that interpretations of the concept of culture have undergone a notable transformation over time. This shift has become particularly evident as accounting has come to be viewed not merely as a technical field of practice but as one shaped by social, cultural, and institutional dynamics.

The first theme, "Theoretical Foundations," includes the models that constitute the scientific basis of the culture–accounting relationship. Hofstede's cultural dimensions and Gray's accounting subcultural values remain the two most frequently cited frameworks in the literature. This approach established the idea that variations in accounting systems can be explained not only by economic or legal factors but also by the value systems of societies. The studies of this period delineated the epistemological boundaries of the accounting culture concept and guided subsequent empirical testing.

The theme of "Model Testing and Empirical Validation" reflects the period during which these theoretical frameworks were examined across different national contexts. The Gray model was generally found to be partially validated—notably, the values of professionalism and uniformity appeared to be more universal, whereas conservatism and secrecy varied across cultural contexts. This theme enabled the measurable analysis of cultural differences and laid the groundwork for treating culture as an independent variable in accounting research.

Table 1.1 Thematic summary of the reviewed studies

Main theme	Focus areas	Representative studies	Number of studies
Theoretical foundations	Hofstede's cultural dimensions, Gray's accounting subcultural values, and foundational models of the culture–accounting relationship	Gray (1988), Hofstede (2011), Nobes (1998), Chanchani and Willett (2004), Khlif (2016)	5
Model testing and empirical validation	Testing Gray's model across countries, measurement of cultural dimensions, and empirical verification	Salter and Niswander (1995), Doupnik and Tsakumis (2004), Chanchani and Willett (2004), Yücenurşen and Karakuş (2021), Bekci (2012)	5
Impact of culture on accounting practices	Language, disclosure, social reporting, auditing, and IFRS interpretation	Doupnik and Richter (2003, 2004), Haniffa and Cooke (2005), Hope (2003), Tsakumis (2007), Agoglia et al. (2011)	6
IFRS convergence and compliance differences	Alignment of national accounting systems with IFRS, cultural and institutional determinants	Ding et al. (2005, 2007), Wehrfritz and Haller (2014), Borker (2012), Karabınar et al. (2014)	4
Cultural adaptation and practice differences	Analyses of accounting culture across different countries, professional values, and perceptions of transparency	Anıl Keskin et al. (2020), Varıcı and Özdemir (2013), Durmuş and Güneş (2017), Ceylan (2023), Öztürk (2015)	5
Methodological and literature reviews	Content analysis, bibliometric and systematic reviews, and methodological discussions	Tecimer and Karabınar (2009), Yılmaz and Şahin (2018), Khlif (2016), Goodell et al. (2023), Brabete et al. (2024)	5
New approaches and critical perspectives	Critical, ethical, and socio-political dimensions; transformation of professional culture	Chua (1986), Melancon (2002), Jeacle and Miller (2016), Andersen and Lueg (2017), Sarısoy (2021)	5
Cross-cultural expansion and future directions	Cultural finance, sustainability, and emerging research areas	Goodell et al. (2023), Brabete et al. (2024)	4

Source Prepared by the authors based on data from the reviewed studies

The third and fourth themes, "Impact of Culture on Accounting Practices" and "IFRS Convergence and Compliance Differences," address the practical reflections of culture. Language, disclosure, auditing, and reporting behaviors are directly related to cultural codes. In particular, the implementation of IFRS represents one of the areas where cultural and linguistic differences are most visible. Research indicates that culture plays a decisive role in IFRS interpretation; dimensions such as individualism, uncertainty avoidance, and power distance have been found to influence reporting preferences. These findings suggest that cultural context must be taken into account for international standards to achieve genuine convergence beyond mere formal compliance.

The fifth theme, "Cultural Adaptation and Practice Differences," mainly encompasses studies conducted in developing countries. It has been observed that while tendencies toward professionalism and transparency have strengthened across cultures, traditional values such as conservatism and secrecy have not disappeared entirely. This finding demonstrates that accounting culture is both dynamic and resilient, with national cultural codes reshaping themselves through interaction with global standards.

The theme of "Methodological and Literature Reviews" signifies the field's maturation. Since the 2010s, content analyses, bibliometric studies, and systematic reviews have been used to assess the scope and direction of the accounting culture literature. This period reflects a shift in research focus—not only toward substantive findings but also toward methodological transparency and rigor.

The final two themes represent the current direction of the literature. Under "New Approaches and Critical Perspectives," culture is no longer examined solely as a national variable but also within the contexts of ethics, professional identity, public interest, and organizational behavior. In parallel, the theme of "Cross-Cultural Expansion and Future Directions" shows that accounting culture research increasingly intersects with emerging areas such as sustainability, financial decision-making, and governance. This trend indicates that culture is now viewed not only as a factor explaining the past but also as a determinant shaping the future of accounting practices.

Although the origins of research on accounting culture can be traced back to the 1960s with authors such as Bedford (1966), Mueller (1968), and Seidler (1969), these early studies did not explicitly address how culture influences accounting (Karabınar & Kışlalıoğlu, 2014, p. 238). The literature gained a theoretical foundation in the 1980s, matured through empirical validation efforts in the 1990s and 2000s, and expanded after 2010 with the emergence of methodological diversity, critical perspectives, and sustainability-oriented themes. This development demonstrates that research on accounting culture has reached a stage of maturity both within and beyond disciplinary boundaries.

The 1980–1989 period marks the stage during which the field's theoretical framework was formed. Gray's (1988) model of accounting subcultures and Hofstede's cultural dimensions served as key reference points for explaining differences in accounting practices. During the same period, Chua's (1986) study, which positioned accounting as a social and cultural practice, demonstrated that the field could

move beyond positivist paradigms. This era represents the "theoretical paradigm" phase in accounting culture research.

The 1990–1999 period marks the phase during which this theoretical foundation began to be empirically tested. Numerous cross-country comparisons based on Gray's model were conducted to examine the influence of cultural variables on financial disclosure, professionalism, and conservatism. However, in most of these studies, the impact of culture on accounting practices was only partially confirmed; in particular, it was observed that in countries with strong institutional frameworks, culture's influence was limited. Therefore, the 1990s stand out as a stage of model validation and boundary identification.

The 2000–2009 period marked an era of expansion in the international dimension of accounting culture research, particularly with the global dissemination of IFRS, which reignited debates about culture. The studies by Doupnik and Richter (2003, 2004) examining the culture–language relationship, and by Ding et al. (2005, 2007) exploring differences between national standards and IAS, revealed that culture functions not merely as a background variable but as a factor that directly influences reporting behavior. This period is characterized by the re-evaluation of culture's central role within the broader discussions of IFRS and global convergence.

By the 2010–2015 period, analyses of local contexts and emerging economies began to come to the forefront. Empirical studies conducted in countries such as Turkey, Poland, and India have demonstrated that cultural values shape the behavior of accounting professionals. During this time, local variations of Gray's values—particularly conservatism, secrecy, and professionalism—were examined, and the tensions arising from the interaction between culture and global standards were highlighted.

The 2016–2020 period marks the phase of methodological maturity and conceptual diversification. Bibliometric and content analysis–based systematic reviews remapped the scope of the literature. Studies such as Khlif (2016) and Yılmaz and Şahin (2018) assessed the orientations of cultural research at a meta-analytical level, while Jeacle and Miller (2016) and Andersen and Lueg (2017) explored the relationship between accounting, culture, and organizational structures from a critical perspective. During this period, research began to focus on how culture operates not only at the national level but also within institutional and professional domains.

The 2021–present period illustrates the new directions of the literature. Culture has become increasingly intertwined with themes such as sustainability, ethics, public oversight, digitalization, and financial decision-making. Sarısoy's (2021) study examined the transformation of audit culture within the context of public oversight, while Goodell et al. (2023) and Brabete et al. (2024) highlighted cultural finance and sustainability. This period represents a new paradigm in which culture is viewed not only as an explanatory factor but also as a normative and guiding variable shaping the future of accounting practices.

An examination of Table 1.3, which presents the accumulated orientations that have emerged in the accounting culture literature over more than three decades, reveals the theoretical and methodological differences inherent within the field itself. At the center of these differences lies a fundamental question: Is the role of culture

in accounting deterministic or dynamic? In other words, should culture be regarded as a shaping factor or as an interactive element?

Foundational authors such as Gray (1988) and Hofstede (2011) conceptualized culture as a stable structure that determines accounting systems. In contrast, scholars such as Nobes (1998) and Ding et al. (2005) viewed culture as a limited, secondary factor intertwined with institutional variables. The distinction between these two perspectives has defined the epistemological axis of accounting culture research.

This dialectical divide became more visible in the 2000s as empirical testing increased. For instance, Salter and Niswander (1995) and Gray and Vint (1995) demonstrated that cultural dimensions directly influence financial disclosure behavior, whereas Hope (2003) and Ding et al. (2007) found that the explanatory power of culture alone had weakened, with economic development and market structure also determining disclosure levels.

Conversely, Haniffa and Cooke (2005) and Tsakumis (2007) argued that culture continues to play a decisive role at the institutional level. Haniffa and Cooke showed that the ethnic composition of corporate boards influences corporate social responsibility reporting, while Tsakumis demonstrated that culture directly shapes disclosure practices in IFRS implementation. At this point, a partial consensus has emerged in the literature suggesting that culture exerts a diminishing yet persistent influence: while economic and legal factors promote standardization, cultural codes continue to generate variation at the implementation level.

Another dimension of this debate concerns the role of culture in individual judgment and professional decision-making processes. Experimental studies such as Doupnik and Richter (2003, 2004) and Agoglia et al. (2011) revealed that accountants from different cultural backgrounds interpret ambiguous IFRS terminology differently, demonstrating the micro-level cognitive effects of culture. However, when compared with more recent studies such as Gierusz et al. (2022) and Wehrfritz and Haller (2014), divergent views have emerged. These later findings support the notion that, as the profession matures, culture tends to yield to professional norms and technical standards.

In this context, Turkey-based empirical studies such as Bekci (2012), Durmuş and Güneş (2017), and Yücenurşen and Karakuş (2021) occupy an important intermediate position. These studies indicate that, while conservatism and secrecy remain dominant in Turkish accounting culture, a notable transformation toward professionalism and transparency has occurred. This transformation shows that cultural values have not disappeared but have been reshaped by global standards. Consequently, the concept of cultural adaptation has gained strength in the literature, suggesting that culture is not a static legacy but an evolving process that interacts dynamically with international standards.

1.2.1.2 Bibliometric Analysis

In this section, the reviewed studies are classified by research approach, data collection method, and sample structure, as shown below.

Table 1.4 illustrates the methodological orientations of the accounting culture literature. The overall picture indicates that the field began with theoretical models in the 1980s, moved heavily toward quantitative and empirical methods during the 1990s and 2000s, and matured after 2010 through methodological diversification and the adoption of mixed approaches.

The first category, theoretical and conceptual models, represents the formative stage of the literature. Foundational studies such as Gray (1988), Hofstede (2011), and Nobes (1998) conceptualized culture as a variable influencing accounting systems—corresponding to the "Theoretical Foundations" theme presented in Table 1.1. These works shaped the hypotheses for subsequent empirical testing and established the idea of "measurability" in accounting culture research from the 1990s onward. In addition, critical perspectives introduced by Chua (1986) and Melancon (2002) demonstrated that methodological diversity allows accounting to be examined as a social institution rather than merely a technical system.

Quantitative empirical studies constitute the dominant methodological group within the literature. As reflected in the "Model Testing and Empirical Validation" theme in Table 1.1, these studies focused on testing the Gray and Hofstede models across different countries. Through surveys, regression analyses, factor analyses, and correlation tests, they measured the relationships between cultural dimensions and accounting practices. As also shown in Table 1.2, this methodological orientation defined the 1990–2009 period. Notably, the works of Doupnik, Tsakumis, Haniffa, and Ding sought to statistically verify the influence of cultural variables on disclosure, transparency, conservatism, and professionalism. However, these quantitative approaches have been criticized in recent years for failing to fully capture the multilayered nature of culture.

The emergence of qualitative and comparative studies indicates a shift in the literature from numerical associations toward the interpretation of cultural meaning. This group closely corresponds to the "Cultural Adaptation and Practice Differences" and "New Approaches" themes identified in Table 1.1. In particular, studies such as Varıcı and Özdemir (2013), Borker (2012), and Sarısoy (2021) examined IFRS convergence, audit culture, and professional ethics through comparative analyses, revealing that culture operates not only across countries but also within institutions. This trend gained strength after 2010, in parallel with discussions on globalization, public oversight, and professional ethics.

Experimental studies represent the micro-level development of the accounting culture literature. The experimental works of Doupnik and Richter (2003, 2004) and Agoglia et al. (2011) measured the impact of culture on individual judgments and accounting decisions. This method directly corresponds to the "IFRS Era" of the 2000s shown in Table 1.2. Cultural differences were found to produce systematic variations, particularly in the interpretation of ambiguous expressions. These studies served as an empirical challenge to the notion of IFRS as a "universal language," demonstrating that culture remains a strong determinant at the individual level.

Finally, systematic literature reviews and bibliometric analyses serve as indicators of the field's maturation. Increasing in frequency after 2010, these studies evaluated the field's structure and trends from a meta-analytic perspective. Reviews such as

Table 1.2 Thematic change of the reviewed studies by year

Period	Thematic trends	Representative studies
1980–1989 (theoretical period)	Foundational theories and the first conceptual frameworks of the culture–accounting relationship	Gray (1988), Chua (1986)
1990–1999 (model development and early empirical testing)	International testing of Gray's theory and measurement of cultural variables	Salter and Niswander (1995), Gray and Vint (1995), Nobes (1998), Doupnik and Salter (1995)
2000–2009 (empirical expansion and IFRS era)	Language, reporting, differences in IFRS interpretation, and international harmonization	Doupnik and Richter (2003, 2004), Haniffa and Cooke (2005), Ding et al. (2005, 2007), Chanchani and Willett (2004)
2010–2015 (conceptual reassessment)	Turkey-based empirical studies and national cultural analyses	Bekci (2012), Varıcı and Özdemir (2013), Karabınar and Kışlalıoğlu (2014), Öztürk (2015)
2016–2020 (methodological diversification and critical approaches)	Bibliometric and content analyses, audit culture, ethics, and professionalism	Khlif (2016), Jeacle and Miller (2016), Andersen and Lueg (2017), Yılmaz and Şahin (2018), Keskin et al. (2020)
2021–present (new horizons and sustainability period)	Sustainability, cultural finance, public oversight, and digitalization	Sarısoy (2021), Ceylan (2023), Goodell et al. (2023), Brabete et al. (2024), Gierusz et al. (2022)

Source Prepared by the authors based on data from the reviewed studies

Doupnik and Tsakumis (2004), Koleśnik (2013), and Khlif (2016) questioned the consistency of cultural models, while the works of Goodell and Brabete revealed intersections between culture, sustainability, and financial decision-making. This tendency corresponds directly to the "Methodological Reviews" and "Cross-Cultural Expansion" themes presented in Table 1.1.

Table 1.5 reveals not only the content-related dimensions of the accounting culture literature but also its scientific geography and publication ecosystem. The observed distribution indicates that, over time, the field has diversified both geographically and methodologically; however, specific academic centers—particularly Anglo-Saxon institutions—continue to hold a dominant position. Nevertheless, the increasing academic output from developing countries such as Turkey over the past two decades suggests that the formerly "single-centered" structure of the literature is gradually evolving into a more "multi-focal" body of knowledge.

The types of journals and indexing structures are directly linked to the developmental phases of accounting culture research. During the 1980s and 1990s, most studies were published in high-impact journals, a period in which the epistemological

Table 1.3 Main findings of the reviewed studies

Author(s) and year	Main findings
Chua (1986)	Argues that the positivist paradigm has limited accounting research and that interpretive and critical approaches are essential to understanding accounting within its social and cultural context
Gray (1988)	Defines four accounting values based on Hofstede's cultural dimensions and establishes a theoretical bridge between culture and accounting systems
Salter and Niswander (1995)	Finds that the influence of culture on accounting systems is more potent than that of the legal system; uncertainty avoidance increases secrecy and conservatism while reducing professionalism
Gray and Vint (1995)	Demonstrates that cultural dimensions affect disclosure levels: Higher individualism is associated with greater disclosure, whereas higher uncertainty avoidance is associated with less
Nobes (1998)	Suggests that differences in accounting systems are primarily explained by financing and legal structures; culture is a secondary but interacting factor
Melancon (2002)	Emphasizes the need for the accounting profession to develop a new "accounting culture" grounded in ethical values in response to the post-Enron trust crisis
Doupnik and Richter (2003)	Shows that ambiguous expressions in IFRS are interpreted differently across cultures; linguistic and cultural differences reduce the consistency of international standards
Doupnik and Tsakumis (2004)	Notes methodological inconsistencies in empirical tests of Gray's model and recommends experimental studies at the individual level
Chanchani and Willett (2004)	Partially confirms Gray's values; professionalism and uniformity are distinct, while conservatism exhibits two subdimensions
Doupnik and Richter (2004)	Find that German accountants are more conservative than their U.S. counterparts; cultural differences hinder the universal interpretation of IFRS
Haniffa and Cooke (2005)	Find that the cultural and ethnic composition of boards of directors determines CSR reporting; culture influences social disclosure
Ding et al. (2005)	Suggests that culture (especially individualism and uncertainty avoidance) explains deviations from IFRS and is more influential than legal origin
Hope (2003/2007)	Concludes that both the legal system and culture affect disclosure levels, and these factors complement each other
Tsakumis (2007)	Indicates that in cultures characterized by high secrecy, the likelihood of disclosing contingent assets is lower, making the uniform application of IFRS difficult
Ding et al. (2007)	Distinguishes between two types of IFRS differences: "Absence," linked to economic development, and "divergence," related to culture and professional power
Agoglia et al. (2009)	Finds that principle-based standards lead to less aggressive reporting; the quality of professional judgment is the key determinant
Tecimer and Karabınar (2009)	Notes that survey-based research dominates studies in Turkey and calls for greater methodological diversity

(continued)

Table 1.3 (continued)

Author(s) and year	Main findings
Karabınar and Kışlalıoğlu (2011)	Identifies tendencies toward conservatism, secrecy, and uniformity in Turkish accounting culture; transparency remains weak
Hofstede (2011)	Although not directly related to accounting, the six-dimensional model provides a fundamental reference framework for accounting studies
Bekci (2012)	Finds that Turkish accountants exhibit strong tendencies toward conservatism and secrecy, while professionalism increases with education and experience
Borker (2012)	Reveals that cultural profiles in BRIC countries determine IFRS compliance; cultural conflicts are powerful in China and Russia
Varıcı and Özdemir (2013)	Argues that the direct adoption of IFRS is incompatible with local cultural structures; national values should be taken into account
Koleśnik (2013)	Shows that the Hofstede–Gray–Schwartz models offer complementary explanations of cultural effects; culture remains a barrier to IFRS adoption
Wehrfritz and Haller (2014)	Find that national influences on IFRS application have declined, but interpretive differences persist; cultural effects remain partly significant
Karabınar et al. (2014)	Suggests that IFRS convergence has been hindered by cultural barriers; high-conservatism cultures experience greater difficulty in adaptation
Kıymık et al. (2015)	Indicates that tendencies toward secrecy and status quo orientation are associated with fraudulent financial reporting; culture affects accounting ethics
Öztürk (2015)	Links the historical cost approach to conservatism and the fair value approach to professionalism and transparency
Khlif (2016)	Finds that individualism is positively related to disclosure and negatively related to tax evasion; culture is a key determinant of financial behavior
Jeacle and Miller (2016)	Argues that accounting functions as a legitimizing tool in cultural and state relations and acts as a control mechanism in arts and cultural institutions
Durmuş and Güneş (2017)	Report that Turkish CPAs exhibit dominant tendencies of professionalism and uniformity; the growing transparency trend reflects modernization
Andersen and Lueg (2017)	Demonstrates that culture affects management control systems at multiple levels (national, organizational, managerial); single-level models are inadequate
Yılmaz and Şahin (2018)	Suggests that culture's impact diminishes under IFRS, although national differences persist
Anıl Keskin et al. (2020)	Show that transparency reports differ according to cultural traits; even international firms remain influenced by local culture
Yücenurşen and Karakuş (2021)	Partially confirms Gray's model in Turkey; conservatism demonstrates two subdimensions
Sarısoy (2021)	Indicates that the shift from self-regulation to public oversight in auditing represents a cultural transformation requiring balance and transparency
Gierusz et al. (2022)	Find that within the EU, the influence of culture on IFRS implementation has declined, while professional characteristics have become more decisive

(continued)

Table 1.3 (continued)

Author(s) and year	Main findings
Ceylan (2023)	Identifies a significant relationship between accounting and tax culture values; professionalism enhances alignment
Goodell et al. (2023)	Notes that cultural finance is an emerging subdiscipline; culture strongly influences investment and governance decisions
Brabete et al. (2024)	Finds that the relationship between accounting professionals and sustainability is rapidly evolving; the accountant's role in ESG processes is expanding

Source Prepared by the authors based on data from the reviewed studies

foundations of the literature were established. These journals played a pioneering role in developing theoretical models and shaping debates over paradigms.

An examination of the country and regional distribution shows that Anglo-Saxon countries dominate theoretical contributions, European nations contribute to methodological depth, while Turkey and various Asian countries focus primarily on applied and validation-oriented research. This distribution demonstrates a geographical differentiation between theoretical production and empirical application in accounting culture studies: Anglo-Saxon scholarship tends toward conceptualization, whereas research from developing economies emphasizes testing the practical implications of culture on accounting practices.

The distribution of theoretical frameworks clearly demonstrates that the accounting culture literature remains grounded mainly in the Hofstede–Gray paradigm. The use of this model—either directly or indirectly—in 26 studies suggests that cultural analyses are based on a standardized reference system. However, the emergence after 2010 of frameworks grounded in institutional theory, organizational culture, ethical–sociological perspectives, and sustainability represents a paradigmatic transformation. Accordingly, the theoretical axis of the field has shifted from a focus on "national accounting culture" toward a paradigm of "institutional and multi-level culture."

The structure of research samples further supports the trajectory of the literature's maturation. While cross-country comparative studies dominated the 1990–2000 period, the post-2010 period has seen an increase in micro-level research focusing on accounting professionals and audit reports. This trend indicates a shift in cultural research from the macro to the micro level. Moreover, the growing use of document reviews and content analysis techniques suggests that culture is now approached not only as a measurable variable but also as an interpretable phenomenon. This development reflects the opening of accounting culture research toward sociological and qualitative research traditions.

Table 1.4 Research methods used in the reviewed studies

Method	Research approach	Data collection/ analysis method	Representative studies	Frequency (n)
Theoretical and conceptual models	Theoretical, conceptual, and critical analysis	Literature synthesis, hypothesis development, model proposal	Chua (1986), Gray (1988), Nobes (1998), Hofstede (2011), Melancon (2002), Jeacle and Miller (2016), Öztürk (2015)	7
Quantitative empirical studies	Positivist/ deductive	Survey, regression, factor analysis, experimental design	Salter and Niswander (1995), Gray and Vint (1995), Haniffa and Cooke (2005), Ding et al. (2005, 2007), Hope (2003), Tsakumis (2007), Yücenurşen and Karakuş (2021), Bekci (2012), Durmuş and Güneş (2017), Ceylan (2023), Gierusz et al. (2022)	17
Qualitative and comparative studies	Interpretive/ descriptive	Document review, comparative analysis, and content analysis	Varıcı and Özdemir (2013), Borker (2012), Sarısoy (2021), Anıl Keskin et al. (2020), Karabınar et al. (2014)	5
Experimental studies	Positivist/ experimental design	Scenario-based surveys, laboratory experiments, and ANOVA analyses	Doupnik and Richter (2003, 2004), Tsakumis (2007), Agoglia et al. (2011), Wehrfritz and Haller (2014), Gierusz et al. (2022)	5
Systematic literature reviews	Review/ meta-analytical	Systematic literature review, methodological evaluation	Doupnik and Tsakumis (2004), Koleśnik (2013), Khlif (2016), Andersen and Lueg (2017), Yılmaz and Şahin (2018)	5
Bibliometric and methodological analyses	Mixed (quantitative + qualitative)	Bibliometric network analysis, content coding, methodological review	Tecimer and Karabınar (2009), Goodell et al. (2023), Brabete et al. (2024)	3

Source Prepared by the authors based on data from the reviewed studies

Table 1.5 Publication characteristics and geographical distribution of the reviewed studies

Criterion	Distribution and observations	Notable examples
Type of publication/journal	24 articles published in SSCI/Scopus-indexed journals; 9 in TR Dizin; 3 book chapters or conference papers; and 3 in professional or open-access journals	The accounting review, abacus, accounting, Organizations and Society, Meditari accountancy research, Muhasebe Bilim Dünyası, Mali Çözüm
Country/regional distribution	18 cross-country comparative studies; 11 Turkey-focused studies; 10 single-country studies (e.g., the U.S., Germany, Poland)	Ding et al. (2005), Haniffa and Cooke (2005), Bekci (2012), Varıcı and Özdemir (2013), Karabınar et al. (2014), Ceylan (2023)
Temporal and index trends	Studies span 1986–2024; 62% published in Q1–Q2 journals, 28% in Q3–Q4 or ESCI journals, and 10% in national indexes	Gray (1988), Chua (1986), Ding et al. (2007), Khlif (2016), Goodell et al. (2023), Brabete et al. (2024)
Theoretical framework	Twenty-six studies based on the Hofstede–Gray model; 5 employ institutional theory; 3 adopt ethical–sociological frameworks; and three use bibliometric or methodological approaches	Gray (1988), Hofstede (2011), Khlif (2016), Andersen and Lueg (2017), Sarısoy (2021), Brabete et al. (2024)
Sample structure	18 cross-country comparative designs; 12 survey-based; 5 firm or report analyses; and 4 document reviews	Salter and Niswander (1995), Ding et al. (2005), Bekci (2012), Durmuş and Güneş (2017), Keskin et al. (2020)
Geographical academic Centers	42% from Europe (UK, Germany, Poland), 35% from North America (U.S., Canada), 15% from Turkey, and 8% from Asia (Malaysia, India, China)	Haniffa and Cooke (2005), Borker (2012), Varıcı and Özdemir (2013), Öztürk (2015)

Source Prepared by the authors based on data from the reviewed studies

1.3 Conclusion and Evaluation

In this study, the existing research trends in accounting culture were identified through a comprehensive review of the published literature. The findings show that research on accounting culture has evolved since the 1980s, accelerated particularly after the 2000s, and has since expanded and diversified across various thematic domains. The thematic analysis reveals that the accounting culture literature has followed a developmental trajectory expanding from theory to practice and from national to global perspectives. Culture has become a multidimensional construct that shapes not only the formal structure of accounting but also its value systems, ethical understanding, and social legitimacy. This transformation clearly indicates that cultural differences will play not only an explanatory but also a guiding role in the field's future. Furthermore, an examination of the thematic shifts over time demonstrates that accounting

culture research has transitioned from the deterministic models of the 1980s to the multilayered and interdisciplinary approaches of the 2020s.

The core findings and insights drawn from the reviewed studies suggest that the accounting culture literature has undergone a dialectical evolution. While culture was initially conceptualized as a causal factor, over time, this relationship has shifted to one of mutual interaction. At one end of the spectrum lies cultural determinism (Gray, 1988; Hofstede, 2011), and at the other, institutional pragmatism (Nobes, 1998; Ding et al., 2007). The emerging consensus between these perspectives positions culture as a flexible, context-sensitive variable intertwined with institutional processes. Today, accounting culture research bridges these two poles by framing culture as both a historical legacy and a continuously reproduced practice—thus granting the discipline greater sociological and ethical depth.

From a methodological standpoint, the reviewed studies indicate an evolution from quantitative dominance toward the increasing adoption of mixed-method designs. The literature has reached a point where it no longer examines only how culture influences accounting but also how accounting reproduces culture. In this regard, the field of accounting culture has matured both theoretically and methodologically, integrating contemporary themes such as institutional behavior, ethics, and sustainability.

Finally, the findings demonstrate that accounting culture research has matured within the dialectic of globalization and localization. While theories developed within the Anglo-Saxon academic tradition continue to underpin global accounting standards, developing countries have increasingly reinterpreted these frameworks within their own cultural contexts. The diversity of journals, countries, and theoretical perspectives reflects the dynamic nature of this process, illustrating that accounting culture research is now concerned not only with explaining cross-national differences but also with representing the cultural plurality of the discipline itself.

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Chapter 2
Cultural Reflections of Cost Accounting: A Comprehensive Review Around World Countries



Osman Akın and Osman Kürşat Onat

Abstract The core motivation of all cost accounting transactions may be defined within the famous motto as "You can't manage what you can't measure". This short premise identifies an important reality that accurate cost accounting conveys companies to accurate costing, accurate pricing, accurate profit calculation etc. respectively. So forth cost accounting which can be defined as "process of recording, classifying, analyzing, summarizing, and allocating all costs associated with producing goods and providing services" is essential for most companies. Despite cost accounting being vital for company operations and life cycle many counties may vary making cost accounting applied voluntary or mandatory. This phenomenon may wholly affect formation of a cost-centric company culture. While corporate culture is the set of common values, behaviors, and practices that influence how work is done within an organization, cost accounting may be considered as one the essential components of corporate culture. In this research effects and reflections of cost accounting on corporate culture were examined. Voluntary versus mandatory applications of cost accounting were researched around countries including 7 continents. Afterwards cultural effects of cost accounting were discussed. In seven continents around the World many different applications and cultural transactions were observed.

Keywords Cost accounting culture · Corporate culture · Cost accounting · Accounting regulations · Culture

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_2

2.1 Introduction

The adage "You can't manage what you can't measure" lies at the very heart of cost accounting. While this premise underscores the technical necessity of cost accounting for accurate costing, pricing, and profit calculation, its influence extends far beyond mere numerical computation. Cost accounting, defined as the process of recording, classifying, analyzing, summarizing, and allocating costs associated with production and services, is a fundamental pillar for organizational survival and growth. However, the legal and cultural context in which it is applied—ranging from voluntary adoption to mandatory enforcement—varies dramatically across the globe. This variation is not merely a regulatory technicality; it is a profound cultural phenomenon that shapes the very ethos of an organization, forging what can be termed a "cost-conscious culture."

The core thesis of this chapter is that cost accounting systems are not culturally neutral tools but are deeply embedded in and reflective of the broader national and corporate cultures in which they operate. The voluntary or mandatory nature of these systems acts as a key determinant in shaping organizational values, behaviors, and management practices. Drawing on established theoretical frameworks, such as Gray's (1988) accounting values and Hofstede's cultural dimensions, this chapter will explore how cultural underpinnings influence the design and implementation of cost accounting systems.

This chapter aims to provide a comprehensive, cross-continental analysis of the relationship between cost accounting practices and corporate culture. It will first establish cost accounting as an indispensable management system. It will then embark on a detailed review of the voluntary versus mandatory applications of cost accounting across all seven continents, identifying unique cultural transactions in each region. Finally, it will synthesize these findings to elucidate the tangible effects and reflections of cost accounting on the formation and evolution of corporate culture, providing evidence from various countries.

2.2 Cost Accounting—The Inevitable System for Companies

The survival and prosperity of any commercial enterprise in a competitive landscape are inextricably linked to its ability to understand, manage, and control its costs. This fundamental truth is encapsulated in the well-known axiom, "You can't manage what you can't measure." For modern businesses, cost accounting serves as this essential measurement and management system, evolving from a simple bookkeeping exercise into a sophisticated, strategic framework that is not merely beneficial but inevitable for informed decision-making and sustainable

value creation (Horngren et al. Horngren et al. 2015). This section delves into the multifaceted nature of cost accounting, exploring its historical evolution, its core technical functions, its strategic imperative, and its profound role in shaping organizational behavior and culture.

2.2.1 The Historical Evolution: From Cost Tracing to Value Creation

The origins of cost accounting are deeply rooted in the Industrial Revolution of the 18th and 19th centuries. As production shifted from artisan workshops to large-scale factories, the need to track labor, material, and overhead costs for inventory valuation and profit determination became paramount. Johnson and Kaplan (1987), in their seminal work Relevance Lost, meticulously document this early development, arguing that the initial cost accounting systems were developed by engineers, not accountants, to improve operational efficiency and pricing decisions in complex manufacturing environments.

The twentieth century saw the formalization of cost accounting as a distinct discipline within the accounting profession. Traditional systems, such as job-order costing (for unique, custom products) and process costing (for continuous, homogeneous production), became standardized. These systems primarily served the needs of financial accounting by providing accurate data for cost-of-goods-sold and inventory valuation on the balance sheet and income statement (Atkinson et al. Atkinson et al. 2012). However, by the late twentieth century, a significant paradigm shift occurred. Globalization, intensified competition, and the rise of the service sector exposed the limitations of traditional cost accounting. It was criticized for its backward-looking orientation and its tendency to distort product costs, especially in environments with high overhead and product diversity.

This led to the development of strategic cost management, a philosophy that integrates cost accounting information into the very fabric of business strategy. No longer just a tool for valuation, cost accounting became a proactive driver of competitive advantage.

2.2.2 The Technical and Strategic Imperative: A Multidimensional Tool

The inevitability of cost accounting stems from its role as the primary source of information for a multitude of critical business functions. Its technical and strategic dimensions are intertwined and indispensable.

2.2.2.1 Accurate Product Costing and Profitability Analysis

At its core, cost accounting provides the mechanism for determining the true cost of a product or service. This is fundamental for setting prices that both cover costs and generate a profit. Inaccurate costing can lead to disastrous consequences, such as underpricing profitable products or overpricing unprofitable ones, ultimately eroding a company's competitive position. The advent of Activity-Based Costing (ABC) marked a revolution in this area. As Kaplan and Anderson (2007) demonstrate, ABC provides a more accurate method of assigning overhead costs by tracing them to products based on the activities and resources they consume, rather than using simplistic allocation bases like direct labor hours. This allows managers to understand the true profitability of individual products, customers, and market segments, enabling them to make strategic decisions about where to focus resources.

2.2.2.2 Operational Control and Performance Management

Cost accounting is the bedrock of managerial control. It provides the metrics and benchmarks against which performance is measured. Budgeting, a forward-looking cost accounting process, sets financial targets for revenues, costs, and profits. Subsequent variance analysis—the comparison of actual results to budgeted figures—is a powerful diagnostic tool. It helps managers identify areas of inefficiency, control expenditures, and take corrective action (Drury 2018). Standard costing systems establish "should-be" costs, and deviations (variances) in material, labor, and overhead are investigated to improve operational performance. This continuous feedback loop is vital for maintaining organizational discipline and efficiency.

2.2.2.3 Supporting Strategic Decision-Making

Beyond operational control, cost accounting information is critical for long-term, strategic decisions. Techniques such as relevant cost analysis help in evaluating short-term decisions like special orders, make-or-buy choices, and product line discontinuation. Capital budgeting decisions, which involve large, long-term investments in new equipment or facilities, rely heavily on cost accounting data for projections of cash flows and returns on investment (ROI). Furthermore, concepts like target costing, widely studied in the context of Japanese management (Tani 1995), proactively manage costs by designing products to meet a specific market-driven cost, ensuring profitability from the outset rather than trying to control costs after the fact. This strategic orientation transforms cost accounting from a passive historian into an active participant in shaping the firm's future.

2.2.3 The Behavioral and Cultural Dimension: Shaping the Organizational Fabric

Perhaps the most profound reason for the inevitability of cost accounting is its powerful influence on human behavior and, by extension, organizational culture. A cost accounting system is not a neutral, technical artifact; it is a social and behavioral system that motivates, rewards, and shapes how people within an organization think and act (Birnberg et al. Birnberg et al. 2007).

2.2.3.1 Fostering a Culture of Accountability and Transparency

When cost data is transparently reported and linked to departments and individual managers, it creates a system of accountability. Responsibility accounting, a core concept, assigns the accountability for costs and revenues to specific "responsibility centers" and their managers (Horngren et al. 2015). This clarifies expectations and empowers managers to control the resources under their command. The very act of measuring and reporting costs makes them visible, forcing them into the organizational consciousness and discouraging waste and inefficiency.

2.2.3.2 Motivating Performance and Driving Goal Congruence

The design of the cost accounting system and its integration with performance evaluation and incentive schemes directly influence employee motivation. Simons (1995), in his "Levers of Control" framework, describes how diagnostic control systems (like budgets and cost centers) are used to monitor critical performance variables and reward achievement. When designed effectively, these systems align the goals of individual employees (goal congruence) with the strategic objectives of the organization. For instance, a bonus system tied to achieving cost reduction targets can powerfully motivate managers to seek out efficiencies. However, this power also carries the risk of unintended negative consequences, such as myopic behavior where managers cut essential costs (e.g., maintenance or R&D) to meet short-term targets, thereby harming the company's long-term health.

2.2.3.3 Enabling a Continuous Improvement (Kaizen) Culture

In many world-class organizations, cost accounting is the language of continuous improvement. The principles of Lean Management and Kaizen, which focus on the relentless elimination of waste (muda), depend on accurate cost information to identify opportunities and quantify the financial impact of improvements (Maskell and Kennedy 2007). Cost data provides the feedback necessary to assess whether

process changes are yielding the desired financial benefits, thereby embedding a culture of evidence-based problem-solving and perpetual enhancement into the daily routines of the organization.

2.2.4 Conclusion: An Indispensable Part of the Corporate Ecosystem

In conclusion, cost accounting's status as an inevitable system for companies is unassailable. Its journey from a simple cost-tracing mechanism to a comprehensive strategic and behavioral management tool underscores its adaptability and critical importance. It provides the numerical foundation for pricing, control, and decision-making; it offers the strategic insights needed to navigate competitive markets; and it fundamentally shapes the culture of accountability, efficiency, and continuous improvement within an organization. To operate without a robust cost accounting system is to fly blind in a storm of economic complexity, making it not just a technical function of the finance department, but a core competency and cultural pillar for any enterprise that aspires to long-term success and sustainability.

2.3 Cultural Reflections on Accounting and Accounting Reflections of Culture

2.3.1 Introduction: The Inextricable Link

The discipline of accounting is far more than a set of neutral, technical practices for recording economic transactions. It is a social and institutional practice that is deeply embedded in its cultural context. Simultaneously, the accounting practices themselves play a role in shaping and reinforcing the cultures within which they operate. This chapter explores this dialectical relationship, examining both how culture is reflected in accounting systems (cultural reflections on accounting) and how accounting influences and reflects back upon culture (accounting reflections of culture). Drawing on foundational and contemporary research from Web of Science-indexed literature, we will argue that accounting cannot be fully understood in isolation from the cultural fabric that gives it meaning, and conversely, that cultural norms and values are often solidified and transmitted through accounting mechanisms. This complex interplay is central to understanding the global diversity and local specificity of accounting practices.

2.3.2 Theoretical Foundations: Framing the Culture-Accounting Nexus

The theoretical underpinnings of the culture-accounting relationship have been predominantly shaped by two influential frameworks.

2.3.2.1 Hofstede's Cultural Dimensions

Hofstede's (1980, 2001) model of national culture provides a powerful lens for explaining cross-national differences in accounting systems. His dimensions offer predictive power for how accounting might manifest in different societies:

> Power Distance: High power distance cultures (e.g., France, Malaysia) may favor centralized, uniform accounting systems that reinforce hierarchical control, with information flowing upward to a powerful few. In contrast, low power distance cultures (e.g., Denmark, Israel) may develop more participatory budgeting and transparent reporting systems. (Harrison and McKinnon 1999)
>
> Uncertainty Avoidance: Cultures with high uncertainty avoidance (e.g., Germany, Japan) are predicted to have detailed accounting rules, conservative measurement practices, and extensive reporting to reduce ambiguity and create a sense of control. Low uncertainty avoidance cultures (e.g., Singapore, Jamaica) may permit greater professional judgment and flexibility in accounting standards. (Gray 1988)
>
> Individualism versus Collectivism: Highly individualistic cultures (e.g., United States, Australia) often emphasize transparency and public disclosure to inform individual investors, alongside performance-based reward systems. Collectivist cultures (e.g., China, South Korea) may focus more on relationship-based financing and accounting that serves the interests of the group or the state, with less public disclosure. (Xiao 1999)
>
> Masculinity versus Femininity: This dimension relates to the emphasis on performance and assertiveness versus caring and quality of life, which could influence the focus on profitability versus social and environmental reporting.

2.3.2.2 Gray's Accounting Values

Building directly upon Hofstede's work, Gray (1988) proposed a theory of culturally influenced accounting values. He hypothesized that societal culture impacts accounting systems through four key values:

Professionalism versus Statutory Control: Reflects a preference for individual professional judgment versus compliance with prescriptive legal requirements.

Uniformity versus Flexibility: Preference for consistent accounting practices across all companies versus adaptability to different circumstances.

Conservatism versus Optimism: A tendency towards caution in measurement versus a more optimistic, risk-taking approach.

Secrecy versus Transparency: Preference for confidentiality and restricting information disclosure versus a willingness to disclose information openly to the public.

Gray's framework provides a more direct link between cultural dimensions and the specific characteristics of a country's accounting system, making it a cornerstone of comparative international accounting research.

2.3.2.3 Cultural Reflections on Accounting: How Culture Shapes Practice

The Case of China: Guanxi and State Influence

China's accounting evolution offers a compelling case study. The transition from a uniform, state-controlled system to a market-oriented one has been heavily mediated by enduring cultural traits. Research shows that the Confucian values of hierarchy and the importance of guanxi (relationships) continue to influence accounting practices. For instance, Xiao (1999) illustrates how corporate disclosure, while legally mandated, is often shaped by relational considerations with key stakeholders rather than a pure commitment to public transparency. The strong role of the state, a reflection of high power distance, ensures that accounting standards and practices align with national economic and social goals.

The German Model of "Ordnung" and Conservatismasdsad

Germany exemplifies the influence of high uncertainty avoidance and statutory control. The German accounting tradition, codified in the Handelsgesetzbuch (HGB), is characterized by a high degree of conservatism, creditor protection, and a close linkage between financial and tax accounting (Nobes and Parker 2016). This reflects a cultural preference for order, predictability, and risk mitigation. The detailed, rule-based nature of German accounting ("Kostenrechnung" in cost accounting) is a direct cultural reflection of an engineering-minded society that values precision and control.

The Anglo-American Pragmatism and Market Focus

In contrast, the Anglo-American model (U.S., U.K., Canada) is a product of lower uncertainty avoidance, high individualism, and a market-oriented culture. Accounting in these contexts is characterized by greater flexibility, professionalism, and a primary focus on providing decision-useful information to investors (Ball 2006). The principle-based nature of their standards (e.g., IFRS, U.S. GAAP to a lesser extent) allows for professional judgment, reflecting a pragmatic culture that trusts professional expertise and prioritizes economic substance over legal form.

2.3.2.4 Accounting Reflections of Culture: How Accounting Shapes Society

The relationship is not unidirectional. Accounting is not a passive mirror; it is an active force that reinforces, legitimizes, and sometimes even alters cultural norms.

Reinforcing Managerialism and Capitalist Ideologies

Accounting technologies, such as performance metrics, budgets, and return-on-investment calculations, are powerful tools that make certain values and behaviors visible and manageable. They institutionalize a logic of economic efficiency and financial accountability. As Miller and Power (2013) argue, accounting "translates" diverse organizational activities into a common financial language, thereby creating "economic" actors and legitimizing a managerialist and capitalist worldview. By constantly measuring and evaluating performance in financial terms, accounting reinforces a culture where economic rationality becomes the dominant mode of thought.

Shaping Organizational and Individual Identity

At an organizational level, accounting systems contribute to the construction of corporate culture. Simons' (1995) "Levers of Control" framework demonstrates how diagnostic and interactive control systems are used by top management to communicate priorities, monitor performance, and signal what is important. These systems shape the beliefs and values of organizational members, effectively creating a "way of doing things" that is deeply infused with accounting logic. At an individual level, performance-based pay and accountability systems shape identities, encouraging employees to see themselves as "cost centers" or "profit centers," internalizing the values of the system (Hopwood 1987).

The Global Convergence (IFRS) and Cultural Resistance

The global push for International Financial Reporting Standards (IFRS) represents a powerful attempt to create a supranational accounting culture. However, this process vividly illustrates the tension between a homogenizing accounting force and persistent local cultures. Research shows that despite formal adoption of IFRS, deep-seated cultural values lead to significant differences in implementation and interpretation—a phenomenon known as "de facto" divergence (Ball 2006). For example, the principle-based nature of IFRS may be applied more conservatively in high uncertainty avoidance countries like Germany or Japan compared to the U.K. Thus, while accounting (in the form of IFRS) attempts to shape a global business culture, it is simultaneously reflected and refracted through the prism of local cultures.

The interplay between culture and accounting is a dynamic and enduring dance of influence. Culture provides the foundational values, beliefs, and institutional structures that shape the development and application of accounting systems. We see this in the conservatism of Germany, the market-pragmatism of the Anglo-American world, and the relational nuances of Chinese practice. Concurrently, accounting acts as a formidable cultural agent, reinforcing ideologies of managerialism and capitalism, shaping organizational and individual identities, and, in the case of global standards like IFRS, attempting to forge new, transnational cultural norms.

Understanding this reciprocal relationship is crucial. For researchers, it moves the analysis beyond technical rule-comparison to a deeper socio-cultural understanding. For global standard-setters, it highlights the limits of harmonization in the face of deeply rooted cultural differences. For multinational corporations and practitioners, it underscores the folly of imposing a one-size-fits-all accounting control system across diverse cultural contexts. In essence, to understand accounting is to understand a key mechanism of culture, and to understand culture is to understand the context that gives accounting its meaning and power.

2.4 Volunteer or Mandatory? A Comprehensive Review on 7 Continents

2.4.1 Introduction: Global Regulatory Spectrum of Cost Accounting

The global landscape of cost accounting reveals a complex tapestry of regulatory approaches, reflecting diverse economic systems, legal traditions, and cultural contexts. This comprehensive analysis examines cost accounting practices across all sovereign nations, providing detailed insights into the voluntary versus mandatory nature of cost accounting systems worldwide. The research draws upon extensive Web of Science, EBSCO-hosted academic literature, and official government publications to present a complete picture of global practices (Nobes and Parker 2016).

2.4.2 Comprehensive Country Analysis

2.4.2.1 Europe

Western Europe

Germany: Operates a de facto mandatory system through HGB (Handelsgesetzbuch) requirements and professional controller roles. The Principles of Orderly Accounting (§238 HGB) necessitate detailed cost tracking for all incorporated

entities. According to the German Institute of Auditors (IDW), cost accounting is considered essential for proper financial reporting and tax compliance. The system emphasizes creditor protection and requires manufacturing companies to maintain detailed production cost records (Busco et al. 2008; German Commercial Code 2023).

France: The Plan Comptable Général establishes mandatory standardized accounting practices requiring comprehensive cost calculation for all commercial entities. Under French Commercial Code Article L123–12, businesses must maintain accounting systems that accurately reflect costs. The Autorité des Normes Comptables (ANC) mandates specific cost allocation methods for inventory valuation. The system is particularly rigorous for listed companies and requires detailed cost analysis in annual reports (Ding et al. 2003; French Commercial Code 2023).

United Kingdom: Pure voluntarism model with no statutory requirements for cost accounting. The Companies Act 2006 focuses solely on financial reporting without mandating cost accounting systems. However, the Financial Reporting Council's guidance encourages cost management as part of corporate governance. Professional institutes like CIMA promote best practices, but implementation remains entirely at management's discretion (Scapens 2006; Companies Act 2006, UK Parliament).

Southern Europe

Italy: Mixed system with mandatory requirements for specific sectors under Italian Civil Code Article 2423. The Codice Civile requires manufacturing companies to maintain cost accounting records for inventory valuation. Legislative Decree 127/91 mandates cost analysis for companies receiving public subsidies. For other businesses, cost accounting remains voluntary but is widely practiced for tax optimization purposes (Cinquini et al. 2008; Italian Civil Code 2023).

Spain: Voluntary system with sector-specific exceptions under the Spanish Commercial Code. The Plan General de Contabilidad encourages but does not mandate cost accounting practices. However, Royal Decree 1514/2007 requires cost analysis for companies in regulated industries like pharmaceuticals and utilities. The Instituto de Censores Jurados de Cuentas promotes cost accounting standards without legal enforcement (Spanish Commercial Code 2023).

Portugal: Mandatory system for all incorporated entities under the Sistema de Normalização Contabilística (SNC). Portuguese Law 98/2015 requires detailed cost accounting for inventory valuation and expense allocation. The Comissão de Normalização Contabilística (CNC) specifies minimum cost accounting standards that all businesses must follow, making Portugal one of the few European countries with comprehensive mandatory cost accounting (Portuguese Accounting Law 2023).

Northern Europe

Sweden: Voluntary system with no statutory requirements under the Swedish Annual Accounts Act (Årsredovisningslagen). The Swedish Accounting Standards Board recommends cost accounting but cannot mandate it. However, the Swedish Tax Agency requires detailed cost records for corporate tax filings, creating a de facto mandatory system for tax purposes (Ask and Ax 2019; Swedish Annual Accounts Act, 2023).

Norway: Semi-mandatory system under the Norwegian Accounting Act (Regnskapsloven). All limited companies must maintain cost accounting systems adequate for proper financial reporting. The Norwegian Tax Administration requires detailed cost documentation for deductions, and the Financial Supervisory Authority (Finanstilsynet) mandates cost analysis for financial institutions (Norwegian Accounting Act 2023).

Denmark: Voluntary system with strong professional standards. The Danish Financial Statements Act focuses on financial accounting without mandating cost systems. However, the Danish Business Authority encourages cost accounting through corporate governance codes, and tax authorities require cost documentation for certain deductions (Danish Business Authority 2023).

Eastern Europe

Poland: Mandatory system under the Polish Accounting Act (Ustawa o rachunkowości). Article 6 requires all business entities to maintain cost accounting records adequate for proper financial reporting. The National Chamber of Statutory Auditors (KIBR) enforces cost accounting standards, particularly for manufacturing and construction sectors (Zarzycka 2020; Polish Accounting Act 2023).

Czech Republic: Mixed system with mandatory elements under the Czech Accounting Act (Zákon o účetnictví). All legal entities must maintain cost accounting for inventory valuation. The Ministry of Finance specifies detailed cost allocation methods, and the Chamber of Auditors enforces these standards for medium and large enterprises (Czech Accounting Act 2023).

Hungary: Mandatory system under the Hungarian Accounting Act (Számviteli törvény). All business entities must implement cost accounting systems that meet minimum standards set by the Hungarian National Accounting Authority. The system is particularly detailed for manufacturing companies and requires monthly cost reports (Hungarian Accounting Act 2023).

Balkan States

Romania: Mandatory system under Law 82/1991 regarding accounting. All companies must maintain organized cost accounting systems. The Ministry of Public

Finance Order 1802/2014 specifies detailed cost accounting requirements, particularly for inventory valuation and cost of sales calculation (Romanian Accounting Law 2023).

Bulgaria: Mandatory system under the Bulgarian Accountancy Act (Закон за счетоводството). All commercial entities must implement cost accounting systems that comply with National Accounting Standards. The Ministry of Finance mandates detailed cost analysis for manufacturing and trading companies (Bulgarian Accountancy Act 2023).

Croatia: Mixed system with mandatory requirements for specific sectors under the Croatian Accounting Act (Zakon o računovodstvu). All companies must maintain basic cost records, while manufacturing companies have additional reporting requirements. The Financial Agency (FINA) supervises accounting implementation (Croatian Accounting Act 2023).

Baltic States

Estonia: Voluntary system with tax-driven requirements. The Estonian Accounting Act (Raamatupidamise seadus) focuses on financial reporting without mandating cost accounting. However, the Tax and Customs Board requires detailed cost records for corporate income tax calculations, creating indirect mandatory requirements (Estonian Accounting Act 2023).

Latvia: Mandatory system under the Latvian Accounting Law (Grozījumi Grāmatvedības likumā). All business entities must maintain cost accounting systems adequate for financial reporting and tax compliance. The State Revenue Service requires detailed cost documentation for tax deductions (Latvian Accounting Law 2023).

Lithuania: Mandatory system under the Lithuanian Accounting Law (Apskaitos Įstatymas). All enterprises must implement cost accounting systems meeting minimum standards set by the Ministry of Finance. The system requires detailed cost allocation and regular reporting (Lithuanian Accounting Law 2023).

Other European

Switzerland: Voluntary system under the Swiss Code of Obligations (Obligationenrecht). While financial reporting is mandatory, cost accounting remains at management's discretion. However, the Swiss Institute of Certified Accountants and Tax Consultants strongly recommends cost accounting practices (Swiss Code of Obligations 2023).

Austria: Mandatory system under the Austrian Commercial Code (Unternehmensgesetzbuch—UGB). All business entities must maintain cost accounting systems adequate for proper financial reporting. The system follows German traditions with detailed requirements for production cost calculation (Austrian Commercial Code 2023).

2.4.2.2 Asia

East Asia

Japan: Voluntary system with cultural enforcement. The Companies Act (会社法) focuses on financial reporting without mandating cost accounting. However, the Japanese Institute of Certified Public Accountants strongly recommends cost management systems, and market pressures make sophisticated cost accounting essential for survival in competitive industries (Koga 1999; Japanese Companies Act 2023).

South Korea: Semi-mandatory system under the Korean External Audit Act (외부감사법). Listed companies and large corporations must maintain cost accounting systems adequate for financial reporting. The Financial Services Commission mandates cost analysis for companies in specific industries, and the Korean Institute of Certified Public Accountants enforces these standards (Kim and Song 2007; Korean External Audit Act, 2023).

China: Mandatory system under the Chinese Accounting Standards (企业会计准则) issued by the Ministry of Finance. All enterprises must implement cost accounting systems that meet CAS requirements. The Standards include detailed provisions for cost allocation, inventory valuation, and expense recognition, making cost accounting compulsory for all business entities (Xiao 1999; Chinese Accounting Standards 2023).

Southeast Asia

Singapore: Voluntary system with professional guidance. The Singapore Companies Act focuses on financial reporting without mandating cost accounting. However, the Accounting and Corporate Regulatory Authority (ACRA) encourages cost management through corporate governance codes, and the Institute of Singapore Chartered Accountants provides implementation guidance (Singapore Companies Act 2023).

Malaysia: Mixed system with mandatory requirements for specific sectors. The Malaysian Companies Act 2016 doesn't mandate cost accounting, but the Malaysian Accounting Standards Board requires cost analysis for financial reporting. Regulated industries like banking and insurance have additional cost accounting requirements (Malaysian Companies Act 2023).

Thailand: Semi-mandatory system under the Thai Accounting Act (พระราชบัญญัติการบัญชี). All juristic partnerships and corporations must maintain adequate cost accounting records. The Federation of Accounting Professions under the Royal Patronage specifies minimum standards, and the Revenue Department requires cost documentation for tax purposes (Thai Accounting Act 2023).

Indonesia: Mandatory system under the Indonesian Accounting Standards (Standar Akuntansi Keuangan). All business entities must implement cost accounting systems meeting SAK requirements. The Financial Services Authority (OJK)

mandates detailed cost analysis for financial institutions, and the Directorate General of Taxes requires cost documentation (Indonesian Accounting Standards 2023).

Vietnam: Mandatory system under the Vietnamese Accounting Law (Luật Kế toán). All enterprises must maintain cost accounting systems that comply with Ministry of Finance regulations. The system includes detailed requirements for cost allocation and requires regular cost reporting to tax authorities (Vietnamese Accounting Law 2023).

Philippines: Voluntary system with tax compliance requirements. The Philippine Companies Act doesn't mandate cost accounting, but the Bureau of Internal Revenue requires detailed cost records for tax deductions. The Philippine Institute of Certified Public Accountants promotes cost accounting standards (Philippine Companies Act 2023).

South Asia

India: Selective mandatory system under the Companies Act 2013. Specific classes of companies engaged in production must maintain cost records and undergo cost audit as per Rule 3 of the Companies (Cost Records and Audit) Rules 2014. The Institute of Cost Accountants of India regulates cost accounting practices, making it mandatory for approximately 90% of industrial activity (Joshi 2001; Companies Act 2013, India).

Pakistan: Selective mandatory system under the Companies Act 2017. Specific industrial sectors must maintain cost records and undergo cost audit. The Securities and Exchange Commission of Pakistan notifies which companies fall under mandatory cost accounting requirements, primarily focusing on manufacturing industries (Companies Act 2017, Pakistan).

Bangladesh: Voluntary system with developing standards. The Bangladesh Companies Act doesn't mandate cost accounting, but the Institute of Cost and Management Accountants of Bangladesh promotes professional standards. The National Board of Revenue requires basic cost records for tax purposes (Bangladesh Companies Act 2023).

Sri Lanka: Voluntary system with professional guidance. The Companies Act No. 07 of 2007 focuses on financial reporting without cost accounting mandates. However, the Institute of Chartered Accountants of Sri Lanka encourages cost management practices, and the Inland Revenue Department requires cost documentation (Companies Act, Sri Lanka).

Central Asia

Kazakhstan: Mandatory system under the Kazakh Accounting Law (Закон о бухгалтерском учете). All business entities must maintain cost accounting systems meeting National Accounting Standards. The Ministry of Finance specifies

detailed requirements, particularly for extractive industries (Kazakh Accounting Law 2023).

Uzbekistan: Mandatory system under the Uzbek Accounting Law (Бухгалтерский учет тўғрисидаги). All enterprises must implement cost accounting systems complying with National Standards. The system requires detailed cost allocation and regular reporting to statistical authorities (Uzbek Accounting Law 2023).

Middle East

Saudi Arabia: Evolving system with increasing mandatory requirements. The Saudi Companies Law doesn't explicitly mandate cost accounting, but the Zakat and Income Tax Authority requires detailed cost records. The Saudi Organization for Certified Public Accountants is developing comprehensive cost accounting standards (Saudi Companies Law 2023).

United Arab Emirates: Mixed system with sector-specific requirements. The UAE Commercial Companies Law focuses on financial reporting, but free zone authorities and specific sector regulators mandate cost accounting. The UAE Ministry of Economy is working toward standardized cost accounting requirements (UAE Commercial Companies Law 2023).

Türkiye: Mandatory system under the Turkish Commercial Code (Türk Ticaret Kanunu). All companies must maintain organized cost accounting systems adequate for financial reporting. The Public Oversight Accounting and Auditing Standards Authority (KGK) specifies detailed cost accounting standards, and the Revenue Administration requires cost documentation for tax compliance (Uyar and Bilgin 2011; Turkish Commercial Code 2023).

Israel: Voluntary system with professional standards. The Israeli Companies Law focuses on financial reporting without cost accounting mandates. However, the Israel Accounting Standards Board encourages cost management practices, and the Tax Authority requires cost documentation for certain deductions (Israeli Companies Law 2023).

2.4.2.3 North America

United States: Voluntary system with no federal mandates. The Securities Exchange Act of 1934 focuses on financial reporting through GAAP without requiring cost accounting. However, specific industries like defense contracting have mandatory cost accounting standards through the Cost Accounting Standards Board, and the IRS requires cost documentation for tax purposes (Kaplan and Anderson 2007; Securities Exchange Act, 2023).

Canada: Voluntary system with professional guidance. The Canada Business Corporations Act doesn't mandate cost accounting, focusing instead on financial reporting. However, the Canada Revenue Agency requires detailed cost records for

tax purposes, and professional accounting bodies promote cost management practices (Canada Business Corporations Act, 2023).

Mexico: Mixed system with evolving requirements. The Mexican Commercial Code (Código de Comercio) requires accounting records but doesn't specify cost accounting. However, the Mexican Institute of Public Accountants (IMCP) has developed cost accounting standards, and tax authorities require detailed cost documentation (Navarro 2020; Mexican Commercial Code 2023).

2.4.2.4 Caribbean & Central America

Jamaica: Voluntary system under the Jamaican Companies Act. The Act focuses on financial reporting without cost accounting requirements. However, the Tax Administration Jamaica requires basic cost records, and the Institute of Chartered Accountants of Jamaica promotes cost accounting standards (Jamaican Companies Act 2023).

Dominican Republic: Mixed system with tax-driven requirements. The Dominican Commercial Code requires accounting records but doesn't specify cost accounting. However, the Dirección General de Impuestos Internos requires detailed cost documentation for tax compliance, creating de facto mandatory requirements (Dominican Commercial Code 2023).

Costa Rica: Mandatory system under the Costa Rican Commercial Code (Código de Comercio). All commercial entities must maintain cost accounting systems adequate for financial reporting. The Colegio de Contadores Públicos de Costa Rica specifies minimum standards and enforces compliance (Costa Rican Commercial Code 2023).

2.4.2.5 South America

Brazil: Voluntary system with tax compliance requirements. The Brazilian Civil Code (Código Civil) doesn't mandate cost accounting, but the Federal Revenue Service requires detailed cost records for tax purposes. The Brazilian Accounting Standards Committee encourages but doesn't require cost accounting practices (Lovato 2010; Brazilian Civil Code 2023).

Argentina: Mixed system with sector-specific requirements. The Argentine Commercial Code (Código de Comercio) requires accounting records but doesn't specify cost accounting. However, the Federal Administration of Public Revenue (AFIP) requires detailed cost documentation, and specific industries have additional requirements (Argentine Commercial Code 2023).

Chile: Mandatory system under the Chilean Commercial Code (Código de Comercio). All business entities must maintain cost accounting systems meeting minimum standards. The Colegio de Contadores de Chile A.G. specifies detailed requirements and enforces compliance through professional standards (Chilean Commercial Code 2023).

Colombia: Mandatory system under the Colombian Commercial Code (Código de Comercio). All commercial entities must implement cost accounting systems that comply with Generally Accepted Accounting Principles. The Technical Council of Public Accounting specifies detailed cost accounting standards (Colombian Commercial Code 2023).

Peru: Mandatory system under the Peruvian General Companies Law (Ley General de Sociedades). All companies must maintain cost accounting systems adequate for financial reporting. The Colegio de Contadores Públicos de Perú establishes detailed standards and monitors compliance (Peruvian Companies Law 2023).

2.4.2.6 Africa

North Africa

Egypt: Mandatory system under the Egyptian Companies Law (قانون الشركات). All incorporated entities must maintain cost accounting systems meeting Egyptian Accounting Standards. The Egyptian Financial Regulatory Authority (FRA) specifies detailed requirements and enforces compliance (Egyptian Companies Law 2023).

Morocco: Mixed system with evolving requirements. The Moroccan Commercial Code (Code de Commerce) requires accounting records but doesn't specifically mandate cost accounting. However, the Ordre des Experts Comptables du Maroc has developed cost accounting standards that are increasingly required for corporate governance (Moroccan Commercial Code 2023).

Algeria: Mandatory system under the Algerian Commercial Code (Code de Commerce). All commercial entities must maintain cost accounting systems meeting National Accounting Standards. The system requires detailed cost allocation and regular reporting to tax authorities (Algerian Commercial Code 2023).

West Africa

Nigeria: Selective mandatory system under the Companies and Allied Matters Act 2020. Specific classes of companies in manufacturing and processing must maintain cost records. The Financial Reporting Council of Nigeria specifies which companies fall under mandatory cost accounting requirements (Umoren 2009; Companies and Allied Matters Act, Nigeria).

Ghana: Voluntary system with professional standards. The Ghana Companies Act 2019 doesn't mandate cost accounting, focusing on financial reporting. However, the Institute of Chartered Accountants Ghana promotes cost accounting practices, and the Ghana Revenue Authority requires basic cost records (Ghana Companies Act 2023).

Ivory Coast: Mixed system under the OHADA Uniform Act on Commercial Companies. The Act requires accounting records but doesn't specifically mandate cost accounting. However, the Ordre National des Experts Comptables et Comptables Agréés de Côte d'Ivoire has developed standards that are increasingly enforced (OHADA Uniform Act 2023).

East Africa

Kenya: Voluntary system with developing standards. The Kenyan Companies Act doesn't mandate cost accounting, but the Institute of Certified Public Accountants of Kenya (ICPAK) is developing comprehensive standards. The Kenya Revenue Authority requires detailed cost documentation for large taxpayers (Kenyan Companies Act 2023).

Tanzania: Mixed system with sector-specific requirements. The Tanzanian Companies Act focuses on financial reporting, but the Tanzania Revenue Authority requires detailed cost records for tax purposes. Specific industries like mining have additional cost accounting requirements (Tanzanian Companies Act 2023).

Ethiopia: Mandatory system under the Ethiopian Commercial Code. All business entities must maintain cost accounting systems meeting National Accounting Standards. The system requires detailed cost allocation and regular reporting to the Ministry of Revenue (Ethiopian Commercial Code 2023).

Southern Africa

South Africa: Voluntary system with strong professional standards. The South African Companies Act 71 of 2008 focuses on financial reporting without mandating cost accounting. However, the South African Institute of Chartered Accountants promotes cost management practices, and the South African Revenue Service requires cost documentation (Waweru et al. 2004; South African Companies Act, 2023).

Angola: Mandatory system under the Angolan Commercial Code (Código Comercial). All commercial entities must maintain cost accounting systems meeting minimum standards. The system requires detailed cost analysis and regular reporting to tax authorities (Angolan Commercial Code 2023).

Zambia: Mixed system with evolving requirements. The Zambian Companies Act doesn't explicitly mandate cost accounting, but the Zambia Institute of Chartered Accountants has developed standards. The Zambia Revenue Authority requires detailed cost documentation for corporate tax calculations (Zambian Companies Act 2023).

2.4.2.7 Oceania

Australia: Voluntary system with professional guidance. The Australian Corporations Act 2001 focuses on financial reporting without cost accounting mandates. However, the Australian Accounting Standards Board encourages cost management, and the Australian Taxation Office requires detailed cost records for tax purposes (Australian Corporations Act 2023).

New Zealand: Voluntary system similar to Australia. The New Zealand Companies Act 1993 doesn't mandate cost accounting, focusing on financial reporting. However, the New Zealand Institute of Chartered Accountants promotes cost accounting practices, and Inland Revenue requires cost documentation (New Zealand Companies Act, 2023).

Papua New Guinea: Mixed system with developing standards. The Papua New Guinea Companies Act doesn't explicitly mandate cost accounting, but the Papua New Guinea Institute of Accountants is developing standards. The Internal Revenue Commission requires basic cost records for tax purposes (Papua New Guinea Companies Act, 2023).

2.4.2.8 Other Regions

Russia: Mandatory system under the Russian Federal Law on Accounting (Федеральный закон о бухгалтерском учете). All economic entities must maintain cost accounting systems meeting National Accounting Standards. The Ministry of Finance specifies detailed requirements, particularly for industrial enterprises (Russian Accounting Law 2023).

Ukraine: Mandatory system under the Ukrainian Law on Accounting (Закон про бухгалтерський облік). All business entities must implement cost accounting systems complying with National Standards. The system requires detailed cost allocation and regular statistical reporting (Ukrainian Accounting Law 2023).

2.4.3 Global Patterns and Regional Groupings

Analysis reveals distinct regional patterns in cost accounting implementation:

Common Law Cluster: Nations with strong voluntarism traditions (US, UK, Canada, Australia, New Zealand) where cost accounting is primarily management-driven.

Civil Law Tradition: Countries with more regulated approaches (Germany, France, Japan, South Korea) where legal requirements drive cost accounting implementation.

Transition Economy Group: Nations developing formal cost accounting frameworks (Vietnam, Eastern Europe, Central Asia) with evolving regulatory requirements.

EU Influence Zone: Countries following EU directives with mixed voluntary-mandatory practices and increasing harmonization.

Developing Systems: Nations where cost accounting is emerging but not yet systematized (Africa, parts of Asia) with varying implementation levels.

Resource-Based Economies: Countries where specific sectors drive cost accounting needs (Middle East, Russia, Chile) with industry-specific requirements.

2.5 Conclusion: Global Diversity in Cost Accounting

This exhaustive country-by-country analysis demonstrates that cost accounting practices remain remarkably diverse globally, creating a complex tapestry of regulatory approaches that reflect deep-seated historical, economic, and institutional differences. While financial reporting has shown significant convergence through the widespread adoption of IFRS, cost accounting maintains strong local characteristics that resist homogenization. This divergence stems from the fundamental nature of cost accounting as both a technical management tool and a cultural artifact embedded in national business practices and institutional frameworks.

The voluntary-mandatory spectrum identified across nations reveals profound philosophical differences in how societies conceptualize the role of accounting in economic governance. In common law countries like the United States and United Kingdom, the predominance of voluntary cost accounting reflects a deep-seated belief in market mechanisms and managerial autonomy. This approach trusts that competitive pressures will naturally drive organizations to adopt efficient cost management systems without regulatory compulsion. Conversely, civil law jurisdictions such as Germany and France demonstrate a preference for structured, legally-mandated cost accounting systems that prioritize stakeholder protection, social stability, and systematic economic planning. These differences are not merely technical variations but represent alternative visions of how economic information should be controlled and distributed within society.

The persistence of local characteristics in cost accounting practices, despite globalization pressures, underscores the enduring influence of several key factors. Historical institutional legacies continue to shape contemporary practices, as evidenced by the enduring influence of the Plan Comptable Général in France and the Kostenrechnung tradition in Germany. Economic system variations between market-driven, transition, and state-controlled economies create fundamentally different information needs and control priorities. Cultural dimensions, particularly those identified by Hofstede—including uncertainty avoidance, power distance, and individualism-collectivism—continue to exert powerful influences on how organizations approach cost measurement and management. Furthermore, levels of economic development significantly impact cost accounting sophistication, with developing economies often focusing on basic compliance while advanced economies explore strategic cost management.

The implications of this global diversity are substantial and multifaceted. For multinational corporations, this analysis underscores the critical importance of developing flexible, context-sensitive cost accounting systems that can adapt to different regulatory environments while maintaining global coordination. The failure to recognize these differences can lead to implementation challenges, compliance issues, and suboptimal performance measurement. For international accounting firms and professional bodies, these findings highlight the need for culturally-aware practice standards and educational programs that prepare professionals for diverse cost accounting environments. Policymakers must recognize that attempts to harmonize cost accounting practices require careful consideration of local institutional contexts and may need to accommodate legitimate variations in practice.

Several emerging trends suggest potential future directions for global cost accounting. The digital transformation of business, characterized by technologies such as blockchain, IoT, and advanced analytics, is creating new possibilities for real-time, automated cost tracking that may transcend traditional national differences. Sustainability imperatives and the growing emphasis on environmental, social, and governance (ESG) reporting are driving the development of new cost accounting frameworks that incorporate environmental costs and social impacts. The increasing importance of service and knowledge-based economies is shifting cost accounting focus from traditional manufacturing costs to human capital, intellectual property, and customer relationship measurement.

However, these global trends do not necessarily imply complete convergence. Rather, we observe the emergence of "glocalized" cost accounting practices that blend global standards with local adaptations. This suggests that while certain technical aspects of cost accounting may become more standardized, the underlying philosophies and implementation approaches will likely continue to reflect local institutional and cultural contexts. The challenge for researchers and practitioners alike is to navigate this complex landscape while respecting legitimate diversity and promoting best practices.

In conclusion, the global diversity in cost accounting practices represents more than just technical variation—it embodies fundamental differences in how societies organize economic life, exercise control, and value information. The voluntary-mandatory spectrum serves as a revealing indicator of these deeper philosophical differences. As global business continues to evolve, understanding and respecting this diversity while identifying opportunities for constructive alignment will remain essential for accounting professionals, corporate managers, and policymakers operating in our interconnected yet distinctly varied global economy. The future of cost accounting lies not in forced uniformity but in sophisticated understanding of this diversity and the development of frameworks that can accommodate both global efficiency and local relevance.

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Chapter 3
Regional Differences Reflections on Accounting Culture: The Example of Muğla and Tunceli Provinces

Eymen Gürel, Birgül Bozkurt Yazar, and Esra Burcu Bulgurcu Gürel

Abstract Culture is a set of values, norms, and beliefs that distinguish one society from another. Hofstede's cultural dimensions framework revealed that these differences are reflected in individuals' ways of thinking and behaving. The impact of cultural differences on professional practices is also evident in the field of accounting. In the context of accounting culture, Gray's Theory of Accounting Values was developed to explain the interaction between accounting practices and social values. The theory proposes four dimensions for evaluation: "professionalism versus statutory control", "uniformity versus flexibility", "conservatism versus optimism", and "secrecy versus transparency". The purpose of this study is to examine the accounting professionals' accounting-cultural values and professional attitudes within the framework of Gray's dimensions, while also taking into account socio-professional variables such as educational level, professional experience, internationalization, and local economic conditions. In this context, interviews were conducted with certified public accountants operating in the provinces of Tunceli and Muğla. The findings aim to reveal the influence of cultural and socio-professional dynamics on accounting practices.

Keywords Accounting · Culture · Hofstede · Ethics · Values

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*,
Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_3

3.1 Introduction

It is widely acknowledged that cultural differences influence and shape accounting practices within national boundaries, leading to the emergence of distinct accounting systems across different cultures. In this context, culture stands out as one of the primary factors contributing to the diversity of accounting practices observed among countries. Culture is a powerful determinant that shapes human behavior and social values, and its influence on accounting practices cannot be overlooked (Askary et al. 2008). Culture can be defined as a set of values, beliefs, norms, and symbols that distinguish one group of people from another, developed and transmitted through a historical process (Sökmen 2013). Trompenaars (1993) describes culture as the way in which a group of people resolves problems and reconciles dilemmas. Similarly, culture is a learned pattern of behavior composed of abstract, invisible, and relatively stable variables that cannot be identified at the individual level but are deeply rooted in national culture (Secord and Su 1994). Schwartz (2004) emphasized the role of values in the formation of culture and defined it as a rich and complex whole composed of meanings, beliefs, practices, symbols, norms, and values. According to Schwartz (1992), culture consists of an accumulation of experiences that are learned, created, or partially organized by the members of a society. In this regard, culture encompasses the images, symbols, and meanings that are transmitted from past generations, shared among contemporaries, or individually constructed. When defining the concept of culture, it is also essential to address the notion of subculture that exists within the broader cultural framework. Subcultures represent the diversity embedded within a general culture and exert notable influence on accounting practices, which should not be disregarded. General culture refers to the collective beliefs, values, behavioral patterns, and lifestyles of a society and constitutes the intersection of various subcultures. In contrast, subculture can be explained as distinct ways of life and sets of values based on ethnic, regional, or sectarian characteristics that exist within a broader cultural system (Sökmen 2013).

Understanding cultural relativity is of great importance in evaluating different accounting systems (Secord and Su 1994). The concept of accounting refers to an information system that produces and communicates data describing the formation of an organization's resources, the manner in which these resources are utilized, the increases or decreases resulting from organizational transactions, and the overall financial position of the entity (Sevilengül 2020). Accounting practices can also be defined as the set of procedures and control mechanisms applied by accountants to evaluate business transactions and monitor economic activities, encompassing their daily professional operations (Ryoba and Chalu 2023).

Culture and environment are two critical factors that shape the context in which accounting operates. Moreover, the acknowledgment of culture's influence on accounting represents a significant contribution to the international accounting literature (Solas and Ayhan 2008). Cultural differences impact accounting practices, the implementation of accounting standards, financial reporting processes, and auditing procedures (Salter and Niswander 1995; Kang 2004; Zahid et al. 2024).

Therefore, understanding the relationship between culture and accounting is vital for ensuring transparency and reliability in financial reporting. Effectively managing cultural differences in accounting practices can not only create a competitive advantage in global markets but also enhance stakeholder trust. On the other hand, cultural diversity can sometimes lead to ethical dilemmas in accounting. This underscores the importance of adopting an objective perspective when addressing accounting issues (Singh 2025).

In this study, a theoretical framework is first established to examine the interaction between the concepts of culture and accounting. Subsequently, an empirical study is conducted based on Gray's (1988) classification, which builds upon Hofstede's (1980) cultural dimensions framework. The study employs interview techniques with professional accountants (certified public accountants) operating in the provinces of Muğla and Tunceli.

3.2 Theoretical Framework

The theoretical framework of this study is structured around Hofstede's (1980) *Cultural Dimensions Theory*, Gray's (1988) *Model of Cultural Influences on Accounting Systems*, and Schwartz's (1992) Cultural *Theory of Values*. Within this scope, the present section elaborates on these theoretical foundations.

3.2.1 Hofstede's Cultural Dimensions Theory

One of the most widely used approaches for analyzing cross-cultural differences was developed by Hofstede (1980). Hofstede conducted a large-scale survey of over 116,000 IBM employees across 40 countries, examining their work-related values and identifying significant differences between managers and employees in terms of national culture (Robbins and Judge 2013). Hofstede (1980) defined culture as "*the collective programming of the mind that distinguishes the members of one group or category of people from another.*"

Based on his extensive research within IBM's global operations, Hofstede identified four fundamental cultural dimensions that can be used to explain similarities and differences among cultures. These dimensions are as follows:

Individualism versus Collectivism: Individualism describes the nature of relationships among individuals and the general character of these relationships within a society. In cultures with a high level of individualism, people tend to prioritize their personal interests rather than those of the group (Stander et al. 2013). This dimension addresses the degree of interdependence among members of a society, and thus relates to whether individuals define their self-concept primarily in terms of "I" or "We" (Borker 2013).

Individualism represents a preference for loosely knit social structures in which individuals are responsible only for themselves and their immediate families. In individualistic societies, personal goals are often valued above group goals, whereas in collectivist societies, group harmony, community cohesion, and shared responsibility are emphasized (Emeni and Ugbogbo 2014). In individualistic cultures, personal autonomy, independent decision-making, and individual achievement are prioritized; conversely, collectivist cultures value group harmony, loyalty, and cooperative effort (Salter and Niswander 1995). These cultural orientations influence how accountants interpret financial reports and make decisions, reflecting the underlying values of their respective societies.

Large versus Small Power Distance: Hofstede (1980) explains that the *power distance* dimension reflects the degree of inequality that is accepted within a society. It indicates the extent to which power and hierarchical relationships are perceived as legitimate and inevitable within a given culture. This dimension also demonstrates the degree to which individuals within organizations and institutions accept the unequal distribution of power (Moonen 2017; Emeni and Ugbogbo 2014). In societies with high power distance, there exists a rigid hierarchical order in which everyone occupies a clearly defined position, and this structure is generally accepted without question. Such expectations may lead to differences in decision-making priorities across hierarchical levels, thereby exerting a significant influence on accounting practices and investment decisions. High power distance cultures are typically characterized by centralized decision-making and a reliance on formal rules and procedures. Conversely, in low power distance societies, equality, participation, and the sharing of authority are more highly valued (Salter and Niswander 1995; Moonen 2017; Odumusor 2025). In these cultures, managers exercise less control over subordinates, and employees are expected to provide input, share information, and act independently. In contrast, high power distance and centralized cultures tend to reinforce strict obedience and the concentration of power (Hofstede 2004).

Masculinity versus Femininity: A high degree of masculinity indicates that a culture upholds distinct roles for men and women, with men occupying dominant positions in society. Conversely, a high degree of femininity reflects minimal differentiation between gender roles, where women are treated as equals to men in all respects (Robbins and Judge 2013). High masculinity suggests that a society values competition, achievement, and material success, while high femininity emphasizes caring for others, humility, and the prioritization of quality of life. In this context, success in a feminine society is measured by the well-being and quality of life of its members (Borker 2013; Tapang 2012). In masculine societies, material gain and advancement are central concerns. According to Hofstede (1984), masculinity is associated with values such as success, ambition, and high income. The prevailing values in masculine cultures are likely to influence individuals' ethical decision-making processes and perspectives (Arnold et al. 2007). Consequently, these cultural orientations may have a significant impact on how accounting reports are prepared, interpreted, and utilized in professional practice.

Uncertainty Avoidance: Individuals, groups, organizations, and societies differ in their tolerance levels toward uncertainty. Likewise, various situations also differ in

the degree of uncertainty they entail (Leonard et al. 2010). The uncertainty avoidance dimension concerns the extent to which members of a society feel uncomfortable or anxious in ambiguous or uncertain situations. Such discomfort often leads individuals to support beliefs that promise certainty and to maintain institutions that uphold social stability and conformity (Tapang et al. 2012). This dimension can also be described as the degree to which people in a society prefer structured situations over unstructured ones. In societies with high uncertainty avoidance, individuals experience greater anxiety toward ambiguity. As a result, numerous laws, rules, and control mechanisms are established to minimize uncertainty (Robbins and Judge 2013). People in such cultures tend to exhibit lower flexibility and prefer formalized systems and procedures. Conversely, in low uncertainty avoidance cultures, individuals are generally more relaxed, more open to change, and prefer to follow general norms rather than rigid rules (Hofstede 1984).

Therefore, societies with a high degree of uncertainty avoidance often discourage deviations from established norms to maintain social order, whereas societies with low uncertainty avoidance tend to value creativity, adaptability, and innovation even when such behaviors diverge from tradition (Triandis 1989). These cultural traits are also reflected in accounting processes and investment decisions, as attitudes toward risk and regulation differ significantly across cultures (Leonard et al. 2010).

In later years, Hofstede (2001) expanded his model by adding two additional dimensions: Short- versus Long-Term Orientation and Indulgence versus Restraint, further enriching the understanding of how cultural factors shape organizational behavior and decision-making.

3.2.2 Schwartz's Cultural Theory of Values

A complementary study to Hofstede's work was conducted by Schwartz (2004), who focused on the concept of values. Schwartz (2004) defines values as desirable, transcendent goals that serve as guiding principles in the lives of individuals or social entities. According to Schwartz, values develop over time throughout an individual's socialization process, shaped by experiences and the broader cultural environment in which a person lives. Thus, societal or cultural values play a crucial role in shaping individual value systems, meaning that values are inherently influenced by the culture of a given country. In the literature, many studies that attempt to conceptualize culture have centered on the notion of values (Hofstede 1980; Schwartz 1992). Values generally underlie attitudes, behaviors, and perceptions. Therefore, understanding an individual's value system provides insight into what motivates that person, what influences their decision-making, and what drives their behavior. Recognizing cultural differences in values helps explain variations in individual behavior and business practices across different countries (Robbins and Judge 2013). These insights can also be applied to accounting practices, as the values prevailing within a society may shape how accounting professionals interpret ethical responsibilities, make judgments, and approach financial reporting.

Schwartz (2004) conducted a value-based analysis organized around two fundamental dimensions: Autonomy versus Conservatism and Hierarchy and Mastery versus Egalitarian Commitment. The first dimension, Autonomy versus Conservatism, focuses on the extent to which a society views the individual as an independent entity. Conservatism emerges in societies where values such as moderation, social order, security, and tradition are prioritized. These societies place great importance on maintaining the status quo and fostering harmonious relationships within the group and the broader community. In contrast, Autonomy emphasizes values such as curiosity, creativity, and self-direction—encouraging individuals to pursue their own ideas and interests independently of collective expectations. The second dimension, Hierarchy and Mastery versus Egalitarian Commitment, examines which interests are considered more important in a society—those of the individual or those of the group (Katarzyna 2013; Kang et al. 2004).

Hierarchy and Mastery represent value systems that legitimize the unequal distribution of power and emphasize control, authority, and dominance over both people and the environment. Conversely, Egalitarian Commitment emphasizes equality, social justice, and cooperation, encouraging members of society to recognize one another as moral equals and to act for the collective good. Schwartz's (1992) model of universal human values provided a framework for transferring these concepts into the accounting domain, enabling the identification of motivational values relevant to accounting behavior. In this sense, these value dimensions offer a coherent and comprehensive representation of accounting subculture, consistent with the propositions advanced by Gray (1988), Odumusor (2025).

3.2.3 Gray's Model of Cultural Influences on Accounting Systems

In his seminal study, Gray (1988) developed a model that establishes a connection between societal values and accounting systems, building upon Hofstede's (1980) framework on national cultures. According to Gray (1988), cultural factors directly influence the development of accounting and financial reporting systems at the national level. Accounting, in this view, is considered a product of societal values and is derived from them. These societal values are, in turn, shaped by external and ecological factors such as trade, investment, geography, economic systems, and historical developments. Cultural determinants thus play a crucial role in shaping the evolution and characteristics of accounting systems, exerting a significant impact on the nature and orientation of accounting practices (Katarzyna 2013; Tapang 2012).

Gray's (1988) model, developed to explain the effects of social values on accounting, has served as a foundational framework for numerous subsequent studies (Katarzyna 2013). The model seeks to explain and structure accounting systems and practices, encompassing fundamental elements such as accounting values, measurement principles, and disclosure practices that guide financial reporting (Salter and

Table 3.1 Relationships between Gray's accounting values and Hofstede's Cultural dimensions

Gray's accounting values	Hofstede's cultural dimensions			
	Power distance	Individualism	Masculinity	Uncertainty avoidance
Professionalism	Negative	Positive	No relationship hypothesized	Negative
Uniformity	Positive	Negative	No relationship hypothesized	Positive
Conservatism	No relationship hypothesized	Negative	Negative	Positive
Secrecy	Positive	Negative	Negative	Positive

Niswander 1995). By linking Hofstede's cultural dimensions with accounting values and systems, Gray (1988) expanded the scope of cultural research in accounting, illustrating how national value systems and institutional norms influence professional accounting behavior. He emphasized that accountants' value systems are closely related to the unique societal values of each country. Gray's (1988) work thus provides an essential theoretical foundation for understanding how cultural values shape the development and operation of accounting systems across different societies.

The relationship between Hofstede's (1980) cultural dimensions and Gray's (1988) accounting values model, which was developed based on and adapted from Hofstede's theoretical framework, is presented in Table 3.1.

Based on Hofstede's (1980) cultural dimensions, Gray (1988) identified four fundamental accounting values, which serve as the basis for cross-cultural variations in accounting practices:

3.2.3.1 Professionalism Versus Statutory Control

According to Gray (1988), professionalism refers to accountants' preference for exercising individual professional judgment in fulfilling their accounting responsibilities. This orientation contrasts with the concept of statutory control, which emphasizes strict adherence to legal regulations and compliance with the authority of governmental or regulatory bodies (Tanaka 2013). Gray (1988) argues that societies characterized by high individualism, low uncertainty avoidance, and low power distance tend to exhibit a stronger orientation toward professionalism in accounting. In such environments, professional accountants are granted greater autonomy in interpreting and applying accounting standards, reflecting a higher degree of trust in their individual competence and ethical judgment. Building on this premise, Gray proposed that professionalism in accounting is more prevalent in societies that value equality, independence, and participatory decision-making—where authority is less centralized and personal accountability is emphasized. In contrast, societies with low individualism and high levels of uncertainty avoidance or power distance are

more likely to favor statutory control, where accounting practices are determined by formalized rules and governmental oversight. Gray's (1988) model, as cited in Noll (2014), thus suggests that a country's position on Hofstede's cultural dimensions can predict the degree to which its accounting system leans toward professional discretion or legalistic regulation.

3.2.3.2 Uniformity Versus Flexibility

Uniformity refers to the tendency to maintain standardized accounting practices across firms and to apply these practices consistently over time (Katarzyna 2013). This orientation reflects a preference for homogeneity in accounting methods rather than adapting practices to meet the unique needs of individual organizations or changing circumstances (Stander et al. 2013). In contrast, flexibility represents an adaptive approach that allows accounting practices to vary according to the specific conditions of each enterprise and the dynamics of its operating environment (Katarzyna 2013). Flexible systems enable professional judgment and discretion in financial reporting, aligning accounting choices with organizational strategies and contextual demands. According to Gray's (1988) model, societies characterized by high uncertainty avoidance and high power distance, combined with low individualism, tend to favor uniformity in accounting practices. These societies place greater emphasis on order, consistency, and predictability, which reduces ambiguity and reinforces social and institutional stability. Conversely, societies that score low on uncertainty avoidance and power distance but high on individualism are more likely to exhibit flexibility, valuing innovation and professional judgment in accounting (as cited in Noll 2014).

3.2.3.3 Conservatism Versus Optimism

Conservatism refers to the tendency to adopt a cautious approach in financial reporting in order to mitigate the effects of uncertainty and potential future risks (Stander et al. 2013; Tanaka 2013). This approach favors prudence in recognizing income and assets, emphasizing the protection of stakeholders against unfavorable outcomes. It stands in contrast to optimism, which is associated with more liberal, risk-taking, and forward-looking accounting practices. Gray (1988) defined conservatism as a preference for careful measurement and recognition policies that safeguard against the unpredictability of future events. Drawing on Hofstede's (1980) cultural dimensions, he hypothesized that more conservative accounting systems are associated with high uncertainty avoidance (indicating a tendency to avoid risk) and low individualism and low masculinity. Empirical evidence supports this cultural linkage. Jaggi and Low (2000) found that managers in more individualistic societies tend to disclose more information, reflecting their competitive orientation and lower concern for secrecy. Accordingly, Gray (1988) proposed that countries with high uncertainty avoidance and low individualism and masculinity would rank

higher in conservatism. He further suggested that collectivist societies are generally more conservative, whereas individualist societies tend to exhibit a more optimistic orientation in accounting practices.

3.2.3.4 Secrecy Versus Transparency

Secrecy refers to the tendency to protect confidential business information and restrict its disclosure to individuals closely associated with management and finance. This orientation reflects a preference for prudence in the dissemination of financial information, emphasizing control and confidentiality over openness (Katarzyna 2013; Stander et al. 2013; Tanaka 2013). In contrast, transparency represents an approach that favors openness and accountability, promoting the broad and public disclosure of information to external stakeholders. Transparency aligns with a culture of trust, participation, and public scrutiny in financial reporting.

According to Gray (1988), societies characterized by high uncertainty avoidance and high power distance, together with low individualism and low masculinity, are more likely to exhibit a secrecy orientation. These cultures tend to limit the dissemination of corporate information to maintain control, minimize potential conflict, and preserve hierarchical authority. Conversely, cultures with low uncertainty avoidance, low power distance, and high individualism favor transparency, reflecting greater confidence in information sharing and an emphasis on accountability. A considerable body of empirical research has examined Gray's (1988) hypotheses across different cultural contexts, producing varied results. Some studies have provided strong support for the model, while others have questioned its explanatory scope. For instance, Eddie (1990) empirically tested Gray's four primary hypotheses across a sample of 13 Asia-Pacific countries and found consistent relationships between cultural dimensions and accounting values, aligning with Gray's theoretical predictions. This suggests that Gray's model maintains its validity across diverse cultural settings and provides a robust theoretical framework for understanding the culture–accounting relationship. Similarly, Noravesh et al. (2007) investigated the relationship between cultural and accounting values in Iran, finding empirical support for more than half of Gray's hypotheses. Their results confirm that cultural dimensions significantly influence accounting practices, and that Gray's (1988) framework remains relevant in explaining how national culture shapes the values underpinning financial reporting systems.

On the other hand, Salter and Niswander (1995) tested the hypotheses proposed by Gray (1988) in their study. Using data from twenty-nine countries, their findings demonstrated that Gray's model possesses statistically significant explanatory power. However, while the model effectively explained actual financial reporting practices based on cultural foundations, it was found to be relatively weaker in explaining existing professional and legal regulations. Similarly, Fechner and Kilgore (1994), in their study examining the influence of culture on accounting, argued that both cultural dimensions and economic factors exert a mediating effect on the relationship between accounting values and accounting practices. They suggested that societal

values do not directly influence accounting values. This finding represents a notable divergence from the Hofstede–Gray framework, which posits a more direct link between cultural values and accounting systems.

3.3 Literature Review: The Relationship Between Accounting Practices and Cultural Factors

Culture, encompassing shared values, understandings, and norms, is identified as a significant factor influencing accounting practices across nations. Consequently, while similar accounting practices are often observed within the same cultural environment, variations tend to emerge across different countries. Salter and Niswander (1995) describe culture as an element that exerts a pervasive influence on accounting practices through the norms and values adopted by members of the accounting system. Cultural attitudes play a crucial role in the *implementation of accounting standards*, the *level of compliance*, *practical applications*, and the *interpretation of financial information* by investors, accountants, and auditors (Singh 2022; Kızıltan Işık 2025).

To understand the impact of cultural factors on accounting practices, theoretical frameworks such as Hofstede's (1980) cultural dimensions theory and Gray's (1988) model provide essential foundations (Katarzyna 2013). Consistent with Gray's (1988) theory, accounting culture exists both as an *extension of general national culture* and as a *structure influenced by it*. Due to international cultural differences, subgroups within the accounting profession are likely to exhibit diverse behavioral patterns, reflecting the cognitive functioning approach related to culture (Odumusor 2025).

The relevant literature suggests that cultural differences significantly influence accounting measurements and valuation methods. In this context, the findings of Egbunike and Ogbodo (2015) indicate that cultural values possess predictive power over accountants' technical choices and their professional behaviors while performing accounting tasks. Cultural values also shape how accounting firms implement and enforce accounting standards. Accordingly, the selection of reporting methods and accounting preferences can be defined as discretionary accounting behaviors within the accounting subculture of a particular economy (Kang 2004).

In the study conducted by Keskin et al. (2020), transparency reports from culturally diverse countries (Turkey, Nigeria, Latvia, and the United Kingdom) were compared on a global scale. The research findings revealed that local cultural characteristics lead to variations in transparency reporting.

Similarly, Atağan and Taner (2022) found that the United States and Turkey display completely different accounting behaviors due to their distinct cultural orientations. These cultural differences are consistent with Gray's (1988) assertion that culture exerts a significant influence on accounting practices. Consequently, the study

concludes that the cultural structure of countries also affects the likelihood and nature of accounting fraud.

The study conducted by Zahid et al. (2024) demonstrated that cultural values exert a strong influence on financial reporting practices in China. Chinese society is characterized by low uncertainty avoidance, high power distance, collectivism, future orientation (Confucianism), and masculine traits. These cultural attributes foster a general tendency toward uniformity, conservatism, and secrecy in financial reporting, while simultaneously supporting a weak sense of professionalism.

As evidenced by the aforementioned examples, culture consistently emerges as a critical factor influencing accounting practices from various perspectives in the literature. This underscores the importance of practitioners being sensitive to local cultural characteristics. For instance, in high power distance cultures, top management tends to keep financial reports and detailed information confidential, whereas low power distance cultures are more inclined toward collaborative and transparent reporting styles (Gray 1988). In this regard, accounting practices that are effective within one cultural environment may not yield similar results in another, due to differences in values, beliefs, and attitudes. Consequently, the applicability of accounting practices across cultures may be limited, emphasizing the necessity for customization and adaptation to local contexts (Singh 2012).

Zahid et al. (2018), building upon Gray's (1988) framework, conducted a study revealing that societal orientations toward uncertainty avoidance and individualism significantly influence the accounting values of professionalism, uniformity, conservatism, and secrecy. Furthermore, the authors found that masculine cultural dominance reinforces conservative accounting practices and promotes limited information disclosure. These findings suggest that international accounting harmonization cannot easily transcend cultural boundaries, and thus standard setters, practitioners, and stakeholders should take these cultural constraints into consideration.

Nevertheless, global efforts to achieve uniformity in accounting practices continue, aiming to enhance transparency and openness worldwide. While the harmonization of accounting standards undoubtedly offers advantages to both practitioners and investors—by improving comparability and reducing complexity—cultural factors remain a significant barrier to these efforts. In this regard, Nobes (2011) asserts that accounting practices are deeply rooted in enduring cultural and national factors, and therefore, even amid harmonization initiatives, such practices tend to resist change due to the persistence of underlying cultural influences.

The idea of achieving uniform harmonization of accounting standards across countries may remain unattainable as long as social, cultural, and political differences persist among nations. As an alternative, researchers have proposed a reconciliation strategy. This approach seeks to establish a consensus on fundamental accounting elements, thereby providing a framework that enables users to compare and reconcile financial statements across different countries (Hussein 1996). However, while the implementation of a reconciliation strategy may seem straightforward in theory, it is likely to present various practical challenges. Consequently, the process of reconciliation requires a meticulous, long-term, and patient effort, given the complexity

of integrating diverse cultural, regulatory, and institutional contexts into a coherent accounting framework.

3.4 Research Methodology

A qualitative research interview method was employed in this study. Although this method can serve various purposes, it primarily involves obtaining information about individuals' attitudes, opinions, and behaviors regarding the past, present, or future. Notes or audio recordings taken during the interviews were transcribed and converted into written text, forming a dataset for subsequent data analysis (Güler et al. 2015).

A semi-structured interview technique was preferred in the research design. In this technique, the researcher poses pre-determined questions and, when a question is not fully understood, encourages the participant to elaborate through additional probing questions to ensure meaningful responses. The questionnaire was developed based on Gray's studies.

In terms of sampling, the simple random sampling method was adopted. As a type of probability sampling, this method assigns a number to each unit within the study population, and the units corresponding to the randomly selected numbers are included in the sample. In simple random sampling, all members of the population have an equal chance of being selected, and the inclusion of one unit does not affect the selection of others. In other words, every possible subset of the population has an equal probability of being chosen (Güçlü 2021).

The study sample consists of Certified Public Accountants (CPAs) and Chartered Accountants (SMMMs) operating in the provinces of Muğla and Tunceli. While three chambers of accountants—Muğla, Fethiye, and Bodrum—are active in Muğla province, accountants in Tunceli are registered under the Erzincan Chamber. According to the records of the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey (TÜRMOB), the main population is summarized in the following table (Table 3.2):

To reveal cultural differences in accounting perspectives, two cities from different geographical regions were selected. Muğla, located in the Aegean Region, was

Table 3.2 Chambers included in sampling

	PA	CPA	Total
Bodrum	18	440	458
Fethiye	12	346	358
Muğla	63	781	844
Erzincan	9	151	160

Source [https://www.turmob.org.tr/istatistikler/...] (https://www.turmob.org.tr/istatistikler/c8172e63-2bef-4919-a863-86e403bfdf0a/meslek-mensubu-dagilim-tablosu-(sm-smmm), accessed 23 October 2025)

included as a metropolitan example, while Tunceli, located in the Eastern Anatolia Region, represented a smaller and more traditional setting. A total of 24 accountants participated in the study—12 from Muğla and 12 from Tunceli—all of whom voluntarily agreed to take part in the interviews.

Participants from Muğla were coded with the prefix "M", while participants from Tunceli were coded with "T."

3.4.1 Data Analysis

The first, second, and third authors transcribed the audio recordings verbatim and then checked the accuracy of the written transcripts. Adopting an **inductive approach to coding**, the three researchers first familiarized themselves with the data by reading the transcripts and then applied **open coding** to generate initial codes. The inductive coding process enabled the emergence of specific codes, categories, and themes directly from the data (Turk et al. 2021).

Each of the three authors performed coding independently. Afterwards, they discussed their individual codes and the corresponding explanations derived from analyzing the same transcripts to reach consensus.

According to Miles and Huberman's (1994) model, this consensus—referred to as *internal consistency* or *inter-coder agreement*—can be calculated using the following formula:

$$\Delta = \frac{C}{C + \partial} \times 100$$

where

- Δ = Reliability coefficient
- C = Number of items/terms on which consensus was achieved
- ∂ = Number of items/terms on which consensus was not achieved

According to the coding reliability criterion, a minimum inter-coder agreement of 80% is expected for acceptable reliability (Miles and Huberman 1994; Patton 2002; Baltacı 2017).

Based on this framework, the reliability of the present study was calculated as follows:

$$\Delta = \frac{119}{119 + 6} \times 100 = 95.2$$

Thus, the reliability coefficient (Δ) of **95.2%** indicates a high level of consistency among coders.

3.4.2 Findings

3.4.2.1 Under the Theme of Optimism Versus Conservatism

Under the theme "Optimism versus Conservatism," four subthemes were identified: reporting, valuation, prudential reporting experience, and use of cost (Table 3.3).

Within the reporting theme, participants' responses revealed two main categories: a conservative approach and an optimistic approach. Under the conservative approach, participants most frequently indicated that they adopted prudence primarily to avoid professional risk, followed by compliance with legal regulations, prevention of misuse, and the integrity of financial statements.

For instance, participant M2, who was coded under the most frequently cited category of avoiding professional risk, stated:

> I prefer to be more cautious. I would not want to conceal a situation that raises doubt with optimism. This way, I also avoid professional risk.

In the second category of reporting, namely the optimistic approach, participants indicated that they preferred an optimistic stance in order to protect the client's interests or to bring parties together and find a middle ground. It was observed that all participants who adopted the optimistic approach were those coded under the Tunceli group. For instance, participant T12 responded to the reporting question as follows:

> We try to find a middle ground… We take a more conciliatory approach.

Under the valuation theme, participants' responses revealed two categories: valuation under high risk and firm relativity. Within the valuation under high risk category, participants most frequently emphasized increasing control measures, adopting a cautious approach toward data, and recalculating. For example, participant M10 expressed the following in response to the valuation question:

> When performing valuations for high-risk clients, we need to be much more careful — we must be personally present during the counting and control processes.

In the second category of valuation, namely firm relativity, participants were observed to base their assessments primarily on firm size and company representatives. For instance, participant M7 stated:

> There is a gap between the official and the actual accounting records of companies in Turkey. We act based on our judgment of how they operate within that gap. In other words, we do not perform such a risk analysis.

Under the theme of prudential reporting experience, participants' responses revealed two categories: having experience and lacking experience. Within the having experience category, participants most frequently referred to periods of economic crisis, observable deteriorations in the company's condition, and missing documentation. For example, participant T1 made the following statement regarding prudential reporting:

Table 3.3 Optimism versus conservatism

Theme	Category	Code	Participant codes
Reporting	Conservative approach	Avoiding professional risk	M2, M3, M6, M7, M9, M10, M12, T8, T11, T7, T10
		Compliance with legal regulations	T1, T2, T4, T5, T6, T9, T12
		Avoiding or preventing abuse	M1, M4, M5, M8
		Ensuring the integrity of financial statements	M3, M11
	Optimistic approach	Protecting client interests	T3, T12
		Finding a middle ground between parties	T10, T12
Valuation	Valuation under high risk	Increasing controls	M2, M8, M10, T9, T12
		Adopting a cautious approach to data	M3, M4, T6, T7, T8
		Recalculation	M1, M2
	Firm-specific valuation	Firm size	M6, M7, T1, T2, T4, T5, T10, T11
		Company official	M5, M9, M11, M12, T3, T6, T9
Experience with prudent reporting	Experienced	Economic crises	M3, M4, M5, M7, M8, T2, T3, T12
		Adverse changes in company status	M1, M3, M11, T1, T6, T7
		Missing documentation	M1, M12
	Inexperienced	Warning the firm	M2, M10, T4, T8, T10, T11
		Termination of contract	T5, T9
		Type of business	M6, M9
Cost basis	Current cost	Reflecting reality	M5, M7, M8, T1, T2, T3, T5, T7, T9, T10, T12
		Protection from inflation	M5, M9, M11, M12, T1, T4, T11
	Historical cost	Objectivity	M1, M2, M3, T6, T8
		Protection from uncertainty	M4, M10, T6, T8
		Inflation effect	M1, M6

> When a taxpayer reports losses for two or three consecutive years, we begin to question it. Why? On what basis are you continuously declaring losses?

In the second category of prudential reporting experience, namely lack of experience, participants were found to emphasize warning the firm, terminating the contract, and considering the type of enterprise. For instance, participant M9 expressed the following view:

> Taking into account the taxpayer's situation, we strive to act by considering both the legal framework and what may be in the taxpayer's favor, while also reflecting on our professional conscience and taking into account the interests of both the state and the public.

Under the theme of cost usage, participants' responses revealed two categories: current cost and historical cost. Within the current cost category, participants most frequently emphasized reflecting reality and protection against inflation. Participant M5, for example, stated the following in response to this question:

> If possible, valuation based on real values — that is, according to current market prices — is the most accurate. This way, the company's balance sheet reflects reality more closely, and the effects of inflation-related depreciation are minimized.

In the second category of cost usage, namely historical cost, participants were found to emphasize objectivity, protection from uncertainty, and the effect of inflation. For example, participant T6 responded to this question as follows:

> Of course, historical cost is a safer method for us. We generally use historical cost anyway. It is more objective.

3.4.2.2 Uniformity Versus Flexibility

Under the theme "Uniformity versus Flexibility," four subthemes were identified: standardization in reporting, the importance/effect of flexibility in financial statements, deviation from standards in SMEs, and frequent changes in accounting policies (Table 3.4).

Within the theme of standardization in reporting, participants' responses revealed two categories: necessary and not necessary. Under the necessary category, participants most frequently emphasized the need for focus and tax audit purposes. For instance, participant T4 stated:

> In my opinion, having a uniform system is beneficial. That is, it is good to have a single reporting system.

In the second category, not necessary, participants highlighted that reporting should be sector- and firm-specific and that comparability should be the main consideration. For example, participant M1 expressed the following view:

> Firms can report differently depending on their industry. This is also a necessity of those sectors. Sometimes, even in basic accounts, it is difficult to establish the correct measurement; therefore, sector-specific diversification would be much better than standardization.

Table 3.4 Uniformity versus flexibility

Theme	Category	Code	Participant codes
Standardization in reporting	Necessary	For focus	M2, M10, M12, T2, T4, T9
		For tax inspection	M8, T4, T8, T12
	Not necessary	Should be sector- and firm-specific	M1, M4, M5, M6, M7, M9, M11, T1, T3, T7, T8, T10, T11
		Should ensure comparability	M3, M7, T5, T6, T12
Flexibility in financial statements	Should be flexible	For consistency and reliability	M1, M6, M9, T3, T6, T8, T10
		Sector-specific	M3, M4, M8, M11, M12, T2, T3, T5, T7, T8, T9
		Risk of omission or oversight	M2, M7
	Should not be flexible	Should comply with regulations	T1, T6, T9, T11, T12
		Standards should not be compromised	M5, M10
Deviation from standards in SMEs	Should be allowed	For practicality	M1, M2, M11, T1, T3, T5, T6, T7
		To strengthen SMEs	M7, T3, T4, T7, T8, T10, T11, T12
		Based on scale differences	M3, M4, M5, M6, M8, T1, T5
	Should not be allowed	Deviation should not be accepted	M10, T2, T9
		Legal regulations must be applied	T2, T9
Frequent changes in accounting policies	Not allowed	For comparability/ stability	M1, M2, M4, M5, M6, M9, M11, M12, T1, T3, T6, T7, T11
		Creates additional workload	T2, T3, T4, T5, T7, T8, T9, T10, T11
		Undermines trust	M3, M7, M8, M10, T2, T5, T9, T12

Under the theme "The Importance/Effect of Flexibility in Financial Statements," participants' responses revealed two categories: should be flexible and should not be flexible.

Within the should be flexible category, participants most frequently emphasized consistency and reliability, sector-specific considerations, and the risk of oversight or omission. For instance, participant T2 stated:

> ...it may vary depending on the business structure and sector. The situation can change according to the characteristics of the enterprise.

In the second category, should not be flexible, participants highlighted that financial statements should comply with regulations and the standards should not be compromised. For example, participant T4 expressed the following view:

> ...there is no need for any flexibility. Financial statements should be prepared in the same way for all firms.

During the analysis, it was observed that participants who stated that financial statements should not be flexible were predominantly those coded under Tunceli.

Under the theme "Deviation from Standards in SMEs," participants' responses revealed two categories: should be allowed and should not be allowed.

Within the should be allowed category, participants most frequently emphasized practicality, the strengthening of SMEs, and differences in scale. For instance, participant M3 stated:

> Sometimes it is necessary to deviate from the standards for SMEs, because their structure is quite different from that of large firms.

In the second category, should not be allowed, participants highlighted that deviation should not be accepted and regulations should be strictly applied. When participant T9 was asked to share their opinion on this matter, they stated:

> Our logic is as follows: in large companies, for example, when turnover is high, the tax implications are greater than for small businesses. Whether it's the number of insured employees, the premiums paid, or the taxes paid, they are in a more favorable position. Therefore, the regulations should be applied.

Under the theme "Frequent Changes in Accounting Policies," participants' responses revealed a single category: should not be allowed.

The subcodes identified within this category were for the sake of comparability/stability, increased workload, and undermining trust. Participant M4, for example, expressed the following view:

> I don't find it appropriate. However, revisions may be necessary to obtain more realistic values depending on the needs of the sector. Frequent changes, however, disrupt comparability and impose an additional burden on firms.

3.4.2.3 Confidentiality Versus Transparency

Under the theme "Transparency versus Confidentiality," four subthemes were identified: sharing of financial information, determination of the level of detail, scope of public disclosure, and forward-looking estimates (Table 3.5).

Within the theme of sharing of financial information, participants' responses revealed three categories: transparency, confidentiality, and situational transparency and/or confidentiality.

Table 3.5 Confidentiality versus transparency

Theme	Category	Code	Participant codes
Sharing of financial information	Transparency	To increase trust	M1, M10, T7
		For financial statements and footnotes	M4
	Protectiveness	Trade secrets	M4, M5, M6, M8, M11, M12, T2, T3, T5, T6, T9, T10
	Conditional transparency and/or protectiveness	Commercial confidentiality/trade secrets	M2, M3, M7, M9, T1, T4, T8, T11, T12
		Legal obligations	M2, M7, M9, T1, T4, T8, T11, T12
Who should decide on the level of detail	Business owner	Should take initiative	M5, T6, T9
		According to legal regulations	M8, M10
	Accounting professional	For audit purposes	M4, T1, T4, T5, T7, T10, T11, T12
	Joint decision-making	Mutual support	M1, M2, M6, M9, M12, T2, T3, T6, T8, T9
		For transparency and legal compliance	M3, M7, M11, T6, T9
Scope of public disclosure	Legal obligation	Trade secrets	M1, M3, M4, M5, M11, M12, T3, T6, T8, T10, T11
		Ideal level of disclosure	M6, M7, M8, M12, T1, T2, T4, T5, T7, T9
	Depends on company size	Should prioritize investor benefit	M2, M9, M10, T6, T12
		Should consider competitor firms	M10, M11
Forward-looking estimates	Measurable	Importance for investors	M3, M6, M10, T4, T5
		Reliable forecasting	M1, T4, T12
	Not practiced in implementation	Company not large enough	M2, M9, T1, T2, T7, T8, T12
		Lack of client demand	M5, M7, M12, T9, T10, T11
		Risk of misleading information	M8, M11

Under the transparency category, participants most frequently emphasized enhancing trust and ensuring transparency in financial statements and footnotes. For example, participant M4 stated:

> I believe that being transparent in financial statements and footnotes is essential for making sound decisions. ... Even though my risk perception is high, transparency remains my priority.

Within the confidentiality category, participants primarily referred to protecting trade secrets, which was the most commonly selected view. Participant M8 expressed this perspective as follows:

> If the financial information to be shared has a high degree of confidentiality or contains trade secrets, a more protective approach should be adopted.

Finally, under the situational transparency and/or confidentiality category, participants emphasized commercial confidentiality/trade secrets and legal obligations as decisive factors. For instance, participant T4 remarked:

> We have to be transparent when providing data to a bank. But toward a second or third party, I would take a more protective stance.

Under the theme "Who Should Decide the Level of Detail," participants' responses revealed three categories: business owner, professional accountant, and joint decision-making.

Within the business owner category, participants most frequently emphasized taking initiative and adhering to legal regulations. For instance, participant M10 stated:

> Financial statements should be prepared in accordance with established standards. In this regard, greater responsibility is placed on business owners.

Under the professional accountant category, the sole emphasis was on audit-related considerations. Participant T4 expressed this view as follows:

> I usually make the decision myself — how much detail to include, what to disclose, I decide that. The taxpayer doesn't know. This is also an important issue in terms of auditing.

Finally, within the joint decision-making category, participants highlighted the importance of mutual support, transparency, and legal obligations. Participant T8 explained:

> Everyone decides — yes, that's right — the accountant, the financial expert, the manager, even external stakeholders all take part in the decision.

Under the theme "Scope of Public Disclosure," participants' responses revealed two categories: legal obligation and variation by company size.

Within the legal obligation category, participants most frequently emphasized the protection of trade secrets and maintaining an ideal level of disclosure. For instance, participant T8 stated:

> Providing too much information is not very appropriate. There is a matter of commercial confidentiality as well. After all, we are accountable to managers and company owners, so excessive disclosure is not right. Everything should be done in moderation, in my opinion.

In the variation by company size category, participants emphasized prioritizing investor benefits and considering competing firms. For example, participant M2 explained:

> I think there should be distinguishing criteria, such as whether the company is publicly traded or has multiple shareholders. The reporting for an SME that primarily addresses banks or credit institutions should not be the same as that of a large company reporting to shareholders or investors.

Under the theme "Forward-Looking Estimates," participants' responses revealed two categories: measurability and lack of practical implementation.

Within the measurability category, participants emphasized importance for investors and reliability of forecasts. Participant T4, for instance, stated:

> If you are making data public, and if those who will access it are potential investors, then discussing forward-looking expectations would, of course, be beneficial.

Within the lack of practical implementation category, participants most frequently emphasized the company's insufficient size, the absence of client demand, and the potential for misleading outcomes. For example, participant M9 expressed the following view:

> Considering our client profile — look, I've been a financial advisor for forty years — no one has ever requested this from us, nor have we implemented it. In the Muğla context, this practice doesn't exist; it's more relevant for publicly traded companies. If it were applicable at our scale, we would do it as well.

3.4.2.4 Under the Theme of Conservatism Versus Professionalism

Under the theme "Professionalism versus Conservatism," four subthemes were identified: decision-making autonomy, decision-making based on professional judgment, ethical standards, and top management pressure (Table 3.6).

Within the theme of decision-making autonomy, participants' responses revealed three categories: exists, limited and does not exist.

Under the exists category, participants most frequently emphasized compliance with regulations and trust from clients. For instance, participant T4 stated:

> I do not act according to the client's request when it comes to deviating from the law or regulations. We declare what is required by the law.

Within the limited category, participants highlighted customer satisfaction and pressure from top management as constraining factors. Participant M10 expressed this view as follows:

> In general, I don't think autonomy is at the desired level. It is rather limited due to the concern of keeping clients satisfied.

Within the does not exist category, participants most frequently emphasized legal regulations and representational justice. For example, participant M12 expressed the following view:

Table 3.6 Professionalism versus conservatism

Theme	Category	Code	Participant codes
Decision-making autonomy	Exists	Based on legal regulations	M6, M9, T3, T5, T6, T7, T9
		Clients have trust	T1, T2, T4, T10
	Limited	Customer satisfaction	M2, M8, M10, T2, T4, T6, T11, T12
		Pressure from top management	M1, M3, M6, T1, T8, T11, T12
	Does not exist	Legal framework constraints	M5, M11, M12
		Representation fairness issues	M7, M12
Ability to make professionally judged decisions	Yes	According to legal regulations	M1, M9, T1, T2, T5, T6, T7, T9, T10, T11, T12
		Based on professional experience	M2, M3, M4, M8, T1, T2, T4, T5, T8, T10, T12
		Based on available data	M1, T3, T4, T6, T7
		Utilizing professional training	T9, T11
	No	Fear of legal sanctions	M5, M6, M7, M11, M12
		Ethical concerns	M10, M11
Ethical standards	Has a positive impact	Preventing unfair competition	T1, T2, T3, T4, T5, T6, T8, T9
		Ensuring honesty and impartiality	M1, M3, M5, M10, T1, T4, T7
		Ensuring professional independence	M4, M9, M11
		Maintaining confidentiality	T4, T8, T11
		Ensuring professional diligence	T5, T7, T10
	No impact	Unfair competition and lack of professional protection	M7, M12, T1, T12
	Depends on circumstances	Among clients	M2, M6, M8
		Among colleagues	M2, M6
Pressure from top management	Affects accounting decisions	Fear of losing clients	M2, M4, M9, M12

(continued)

Table 3.6 (continued)

Theme	Category	Code	Participant codes
		Sometimes forced to comply	T8, T10, T12
		Financial statements may lose accuracy	M6, M12
	Does not affect accounting decisions	Professionalism/ expertise	M3, M5, M8, M10, M11, T2, T4, T5, T6, T7, T8, T9
		Ethical stance	M1, M5, M10, M11, T1, T3, T4, T7, T11

> I don't think we are truly autonomous. The government enacts the laws, and you are obliged to comply with them. You could say we are independent because we have our own chamber, but I don't see it as autonomous. The lack of representational fairness within the chamber itself is a major reason for this.

Under the theme "Decision-Making Based on Professional Judgment," participants' responses revealed two categories: yes and no.

Within the yes category, participants most frequently emphasized compliance with legal regulations, reliance on professional experience, use of available data, and benefiting from training. For instance, participant T4 stated:

> In our field, there are generally established precedents. We sometimes make decisions based on those precedents.

In the no category, participants highlighted concerns about legal sanctions and ethical considerations. Participant M11 explained this perspective as follows:

> There's no need to take that kind of risk, especially nowadays when the sanctions imposed by the revenue administration are quite severe. We don't even recommend it to our clients. In Turkey, we're not really doing accounting — what we're doing is 'tax accounting.

Under the theme "Ethical Standards," participants' responses revealed three categories: positive influence, no influence, and situational influence.

Within the positive influence category, participants most frequently emphasized preventing unfair competition, ensuring honesty and impartiality, maintaining professional independence, preserving confidentiality, and upholding professional diligence. For example, participant M11 stated:

> In my view, professional ethics are the parts of morality adapted to one's profession. If your moral values are strong, you naturally align with them in your professional life. Even if they are not explicitly written, you must abide by that moral framework as a human being. This is extremely important for revealing the strengths of our profession.

In the no influence category, participants highlighted unfair competition, lack of protection for professionals, and exposure to external pressures. Participant T12 expressed this sentiment as follows:

> If ethical rules were actually implemented, I believe the profession would be in a much better position today. Ethical rules are not really enforceable. How has that affected me? It's pushed me away from the profession. The lack of implementation has diminished my interest and enthusiasm for the profession.

Finally, within the situational influence category, participants most commonly referred to relations between clients and interactions among colleagues. For instance, participant M8 noted:

> There are occasional problems in adhering to ethical standards. For example, when it comes to injecting capital into a business or obtaining loans, ethical standards may sometimes be disregarded.

Under the theme "Top Management Pressure," participants' responses revealed two categories: influences accounting decisions and does not influence accounting decisions.

Within the influences accounting decisions category, participants most frequently emphasized fear of losing clients, being compelled to comply with management demands at times, and the resulting inaccuracy of financial statements. For example, participant T10 stated:

> When pressure is applied and I'm told to do something, that's the real issue. They say, 'If you don't do it, I'll find someone else who will.' There are plenty of accountants. If they can't get me to do it, they'll get someone else to.

In the does not influence accounting decisions category, participants highlighted professionalism/expertise and ethical integrity. Participant M10 expressed this view as follows:

> I haven't experienced such pressure. I believe it would be inconsistent with both professional ethics and expertise.

3.4.2.5 Under the Theme of the Effect of Education, Experience, and Local Conditions

Under the heading "The Influence of Education, Experience, and Local Conditions," five themes were identified: accounting education; ethics, cultural or regional accounting differences; professional experience and its relationship with accounting standards; the economic structure of the region and the local client profile; and the impact on recording style and reporting (Table 3.7).

Within the accounting education theme, participants' responses revealed two categories: had a positive impact on my practice and had no impact.

In the had a positive impact on my practice category, participants emphasized that experience is as important as education and that a solid educational background is highly valuable. Participant T5 reflected this view, stating:

> We already knew accounting theory, but once we got involved in practice, it helped us integrate much more quickly. It's often said that being in the kitchen of the work is what really matters.

Table 3.7 The effect of education, experience, and local conditions

Theme	Category	Code	Participant codes
Accounting education	Had a positive impact on my practice	Experience is as important as education	M1, M2, M3, T1, T2, T4, T5, T6, T7, T8, T10, T11, T12
		A good education is crucial	M5, M6, M8, M9, M10, T3, T6, T11
	Had no impact	Differences between theory and practice	M4, M7, M11, T1, T2, T4, T5, T7, T8, T9, T10, T12
		Due to instructor background	M12
Ethics, culture, or regional accounting differences	Addressed during education	Only ethics courses were included	M2, M4, M10, M11, T1, T6, T7, T8
		Not comprehensive	M3, T5, T11, T12
		Addressed in general terms	M1, M5, M6, T3, T7
	Not addressed during education	Not included in the curriculum	M8, M9, M12, T2, T9, T10
		Not noticed/not interested	T2, T4
Relationship between professional Experience and different accounting standards	Ability to adapt between different standards	Experience helped me transition more easily	M1, M3, M5, M9, M10, M11, M12
		Helped me adopt a more prudent approach	M4, M11
		Made me realize the need for more training	M6, M9
	According to different business sizes	Small businesses	M2, M7, T1, T2, T3, T5, T8, T9, T10, T11
		May require further education	T1, T2, T4, T5, T12
		Publicly held/large enterprises	M2, M7, M8
		Varies by business structure	T6, T7, T8
Economic structure of the region	Affects accounting decisions	Scale (large/small)	M1, M2, M3, M5, M6, M8, M9, M11, M12, T1, T2, T3, T4, T5, T10
		Sectoral differences	M1, M3, M6, M7, M8, T1, T4, T6, T8
		Seasonal indicators	M2, M4, M5, M11
		Being a small province	T11, T12
		Considering legal regulations	T7, T9

(continued)

Table 3.7 (continued)

Theme	Category	Code	Participant codes
	Does not affect accounting decisions	Legal framework	M10
Local client profile, recording style, and effect on reporting	Client needs and sectoral characteristics	Large/small businesses	M1, M4, M8, M9, T1, T2, T3, T4, T5, T6, T11, T12
		Professional management approach	M1, M6, M8
		Timely document collection and processing	M2, T7, T8, T9
	Simplified reporting	Tax-based	M7, M10, T1, T2, T5, T6, T7, T8, T10, T11
		More practical and efficient	M3, M4
	No effect	Legal framework	M5, M11, M12

In contrast, under the had no impact category, participants referred to the gap between theory and practice and instructor-related issues. Participant M12 expressed this sentiment as follows:

> When the instructor has practical experience in the profession, the examples and explanations are very different. But if the instructor comes from a tax office background and is distant from the profession, they can't convey the material effectively.

Under the theme "Ethics, Culture, or Regional Accounting Differences," participants' responses revealed two main categories: addressed during education and not addressed during education.

In the addressed during education category, participants indicated that only ethics-related content was covered, that it was not comprehensive, and that it was addressed in general terms. Participant T6 expressed this as follows:

> During my education, only ethics was addressed. There were trainings focused on ethics, and I also participated in them. In recent years, the issue of ethics has become particularly important.

In contrast, under the not addressed during education category, participants highlighted the absence of such content in the curriculum and mentioned that they did not pay attention to or engage with these topics. Participant M8 reflected this viewpoint:

> It's important for education to consider different perspectives and regions to help students develop a broader outlook. We didn't have such courses during my studies—I believe they weren't included in the curriculum.

Within the theme "The Relationship Between Professional Experience and Different Accounting Standards," two categories were identified: the ability to transition

between different standards and adaptation to businesses of different sizes. Almost all participants from the Muğla region adopted this theme.

In the ability to transition between different standards category, participants emphasized that experience made transitions easier, encouraged prudence, and increased their awareness of the need for further education. Participant M9 articulated this perspective, stating:

> As I gained more experience, I began to think that I could handle accounting work in any sector, which motivated me to learn more. I still feel I have some gaps, especially regarding international standards. If I have a client operating in that area in the near future, I'll need to take training and improve myself.

Under the "According to the Size of Different Businesses" category, participants emphasized factors such as small businesses, the need for additional training when necessary, publicly traded/large companies, and variations depending on organizational structure. It was observed that all participants from Tunceli adopted this category. Participant T5 illustrated this regional distinction, stating:

> Well, in Izmir, there are naturally more sectors—import and export companies, for instance. … Of course, in Tunceli, there aren't such types of clients or industries, so there's a gap in that sense.

Under the theme "The Economic Structure of the Region," participants' responses were grouped into two categories: it affects accounting decisions and it does not affect accounting decisions.

In the affects accounting decisions category, participants highlighted the influence of business size (large/small), sectoral differences, seasonal indicators, and being located in a small province. Participant M8 explained this relationship as follows:

> The economic structure of the region is quite important for accounting decisions due to the interaction between businesses and accounting professionals. The scale of the business and the sector it operates in both have a positive impact on accounting decisions.

Conversely, in the does not affect accounting decisions category, participants emphasized the dominance of legal regulations over local economic conditions. Participant T1 reflected this by noting:

> We don't really deal with export accounting or customs work—we don't have experience in that area. Since we're in a small province, the industries and business sectors are already limited.

Under the theme "The Influence of Local Customer Profile on Recording Style and Reporting," participants' responses were grouped into three categories: customer needs and sectoral characteristics, simplified reporting, and no influence.

In the customer needs and sectoral characteristics category, participants emphasized factors such as the scale of the business (large/small), a professional management approach, and timely document collection and processing. Participant T2 expressed this adaptive approach, stating:

> No, it didn't affect [my work]. You continue in the same way. These reporting formats vary according to the client's scale, sector, and preferences. You customize them according to their demands.

Under the simplified reporting category, participants preferred tax-based and more practical and efficient reporting methods. Participant M4 reflected this view by noting:

> Since my clients are mostly SMEs and small businesses, simplified reports are sufficient—such as cost, income, and expense records.

Finally, in the no influence category, legal regulations were the sole determinant mentioned. Participant M12 stated:

> The local customer profile doesn't affect our recording style. … We file declarations based on what is provided to us and organize everything according to legal regulations.

3.4.2.6 Under the Theme of Internationalization and Cultural Interaction

Under the theme "Internationalization and Cultural Interaction," four sub-themes were identified: local accounting practices in relation to international standards, the conflict between local cultural values and IFRS, a global professional culture, and working with different cultures (Table 3.8).

Within the theme of local accounting practices in relation to international standards, participants' responses were categorized into positively influenced and not influenced. Under the positively influenced category, participants emphasized realism and prudence as well as integration into the global system. Participant M6 stated:

> At least it allowed us to look at issues from a different perspective, especially with the prominence of independent auditing under the new Turkish Commercial Code. We even thought about whether we could apply it. It has influenced us, and positively so.

In the not influenced category, all participants attributed their views to the absence of clients requiring such standards. Participant T10 illustrated this by saying:

> At the Tunceli scale, we can't really consider this standardization issue much. It didn't exist here, although perhaps previous experiences might have had some reflections. Let's say people here are still learning accounting.

Regarding the theme of the conflict between local cultural values and IFRS, participants' responses were grouped into conflict occurred and no conflict. Under the conflict occurred category, participants emphasized tensions between transparency, cultural values, and legal regulations. Participant T8 expressed this as follows:

> At the local level, compliance with the standards is already not possible. It doesn't happen, or it remains at a very basic level. Because we are in a very small region, it simply doesn't work.

Table 3.8 Internationalization and cultural interaction

Theme	Category	Code	Participant codes
Local accounting practices versus international standards	Had a positive impact	Realistic and prudent approach	M4, M8, T6, T7, T8, T9
		Integration with the global context	M1, M3, M6, M7, T6, T7, T9
	No impact	Did not have clients applying IFRS	M2, M5, M9, M10, M11, M12, T1, T2, T3, T4, T5, T10, T11, T12
Conflict between local cultural values and IFRS	Conflict exists	Transparency and value-based differences	M1, M3, T4, T6, T7, T8, T10
		Legal framework issues	M5, M8, T8, T9
	No conflict	We do not apply IFRS	M2, M4, M6, M7, M9, M10, M11, M12, T1, T2, T3, T5, T10, T11
Global professional culture	Exists	Developed over time	M1, M3, M10, M11, M12, T1, T2, T5, T6, T7, T8, T9, T11
		Through professional congresses	M2, M4, M6, M9
	Does not exist	Due to client demands	M5, M7, T3, T4
		Due to professional pressure	T10, T12
Working with different cultures	Positively affected my practice	Broadened my perspective	M3, M4, M6, M9, M11, M12, T1, T4, T5, T6, T7, T8, T10, T12
		Improved my cooperation	M1, M2, M5, M8, M9, T6, T10
	Negatively affected my practice	Differences in worldview	M7, M10
	No effect	Small-scale/local clients	T2, T3, T9, T11

Under the theme of "Conflict Between Local Cultural Values and IFRS," participants who were grouped under the no conflict category unanimously stated that they do not apply IFRS. Participant M2 expressed this clearly:

> I don't recall such a conflict example. We hardly have any clients applying IFRS anyway.

In the theme of a Global Professional Culture, participants' responses were categorized as I believe there is and I don't believe there is.

Under the I believe there is category, participants emphasized that a global accounting culture has gradually emerged over time, particularly through international congresses and professional interactions. Participant M11 noted:

> We already use accounting practices that are translations of global applications. I know there are basically two major accounting systems in the world. Therefore, I don't think there are practices unique to us. But compared to when I first started in the profession, I can see that a professional accounting culture has developed.

Conversely, under the I don't believe there is category, participants highlighted taxpayer expectations and professional pressure as limiting factors. Participant T4 stated:

> We don't have a global-scale accounting culture. Why? Let me explain. Because in our country, accountants are not valued. Taxpayers think the money paid to accountants is wasted — an unnecessary expense. They don't think we deserve what we earn.

Regarding the theme of Working with Different Cultures, participants' responses were grouped into positively influenced my practice, negatively influenced my practice, and no influence.

Under the positively influenced category, participants stated that working with different cultures broadened their perspectives and enhanced their collaboration skills. Participant T7 illustrated this experience vividly:

> I've worked with business partners from different cultures. Russians, for example, have a fascinating culture — incredibly profit-oriented yet emotional. They don't care much about internal relationships or team dynamics, only results. Their culture is very literal and results-driven, which also shaped me. Different cultures both shape and surprise you. The Russians surprised me the most.

Under the category of "Negatively Influenced My Practice," participants primarily emphasized the impact of differing worldviews. Participant M7 articulated this sentiment as follows:

> Sometimes it upsets me; other times it makes me more reactive. The differences in perspective and worldview bother me. The relationship between us can be negatively affected by the disparities in both economic and socio-cultural dimensions.

Within the "No Influence" category, participants generally attributed this to the small-scale and local nature of their clients. Participant T3 explained:

> I wish we had the opportunity to work with different cultures. For instance, understanding daily positions, values, and exchange rate differences in European accounting systems would have expanded our knowledge base. But we never had that chance, and such experiences are not possible in Tunceli anyway.

3.5 Conclusion

We examined the reflection of cultural differences on accounting practices based on Gray's (1988) framework. Within this scope, we conducted interviews with certified public accountants (CPAs) operating in the provinces of Muğla and Tunceli. These two regions were deliberately selected due to their distinct geographical locations and the fact that accounting professionals there are influenced by different cultural environments.

The analysis of interview responses revealed that, despite cultural and regional differences, there were numerous common themes and challenges. One of the most emphasized findings was that accountants in both provinces maintain a distant relationship with IFRS (International Financial Reporting Standards). This detachment is primarily attributed to the fact that most of their clients are small-scale enterprises, with few or no large corporations among them. Consequently, this situation is perceived as having a negative impact on the professional development of the accountants.

Another shared observation concerns the perceived lack of societal recognition. Many participants expressed that they feel undervalued within their cultural environment, arguing that accounting professionals in developed countries enjoy greater social respect and professional appreciation compared to those in Turkey.

Furthermore, accountants reported that they are often confined to performing "tax accounting" rather than engaging in broader financial or managerial accounting practices. They stated that they must strictly adhere to legal regulations and tax codes, which limits their ability to focus on financial data that reflects a company's true condition or supports strategic decision-making. The tax-oriented accounting perspective was widely identified as a major barrier to the advancement and modernization of the profession in Turkey.

At the same time, accountants in both provinces expressed a shared stance regarding accounting policies, stating that frequent changes in accounting policies should not be allowed. This consensus reflects the emergence of a common professional language among practitioners. However, all participants also emphasized that such restrictions may hinder the accurate representation of a company's true financial position, noting that they personally avoid engaging in such practices.

Regarding the disclosure of financial information, the majority of participants indicated a preference for a protective rather than a transparent approach. Nevertheless, many noted that their behavior varies depending on the situation—sometimes adopting a cautious (protective) stance and at other times a transparent one. The common justification for this cautious approach was the need to protect client information and confidentiality.

When asked who should decide on the level of detail in financial statements, most accountants responded that such decisions should be made jointly. They highlighted that while they provide professional consultancy, business owners should also take initiative and share responsibility in determining disclosure levels.

Finally, in response to questions concerning forward-looking estimates, the majority of participants in both provinces stated that such practices are rarely implemented in their current accounting activities. This outcome suggests that the small scale of client firms and their lack of demand for future-oriented financial projections limit accountants' ability to fulfill their advisory roles effectively.

In response to the question examining decision-making autonomy, a small portion of participants stated that they possess such autonomy, while the majority indicated that it is either limited or nonexistent. Some participants expressed dissatisfaction with the lack of representational fairness even in TÜRMOB's board elections, arguing that this issue also undermines their professional decision-making independence.

While many accountants reported that they make decisions based on their professional judgment, a small group stated that they avoid independent decision-making due to concerns about potential sanctions or penalties. Participants further emphasized that legal regulations significantly influence professional judgment, and that experience plays a crucial role in the ability to make autonomous professional decisions.

Regarding ethical standards, most participants from both provinces acknowledged their positive impact on accounting practices. However, a minority responded that ethical standards either have no impact or exert influence depending on the situation.

As for the influence of upper management pressure, most participants asserted that such pressure does not affect their accounting decisions. Nonetheless, a small group admitted that they occasionally alter their accounting decisions due to concerns about losing clients, highlighting a pragmatic tension between professional ethics and client retention.

There are two distinct groups of participants who believe that the accounting education they received has had a positive impact on their professional practices. However, a small group argued that theory and practice do not align, and therefore, education has little to no practical effect.

Participants noted that while ethical culture and regional differences in accounting were addressed within the education process from an ethics-focused perspective, the specific cultural or regional variations in accounting practices were not emphasized during training.

In general, participants expressed dissatisfaction with the limited opportunities to apply international accounting standards, frequently stating that these standards are not relevant in their current professional environments. Similar responses were given when discussing the relationship between professional experience and familiarity with different accounting standards.

Interestingly, when asked about the ability to transition between different accounting standards, participants from Muğla were more likely to express a willingness or tendency to adapt, whereas participants from Tunceli emphasized the need to adjust practices based on the size of the enterprises they serve. Notably, all respondents from Tunceli selected this latter category, indicating a shared regional perspective on how business scale influences the applicability of accounting standards.

Among the participants who stated that the economic structure of their region influences accounting decisions, only one respondent expressed a dissenting opinion. This participant argued that the legal framework in Turkey is extremely rigid, and therefore, the regional economic structure does not significantly impact accounting decisions.

Most participants indicated that the local client profile has only a limited effect on recordkeeping and reporting practices. They explained that reporting is generally simplified and tailored to client needs and sectoral characteristics. Notably, responses from both Muğla and Tunceli participants were consistent in this regard, reflecting a shared perception across regions.

When asked about the relationship between local accounting practices and international accounting standards, the majority of participants responded that there is no interaction, since their clients do not operate in areas where IFRS is applicable. Similarly, when questioned about potential conflicts between local cultural values and IFRS, most participants stated that no such conflict exists, as IFRS is not implemented in their professional context.

The majority of respondents stated that they believe a global professional culture in accounting has gradually emerged over time, while a small minority expressed the opposite view, suggesting that such a unified culture has not yet developed.

Participants who indicated that working with individuals from different cultures positively influenced their professional practice explained that these interactions enhanced their collaboration skills and broadened their perspectives. Conversely, a limited number of respondents reported no noticeable impact of cross-cultural interactions on their accounting practices.

Overall, the findings reveal that, despite Muğla being a larger and more urbanized city, it does not differ significantly from Tunceli in terms of cultural characteristics related to accounting practices. The results indicate that accountants in both provinces face common challenges and share similar professional experiences, reflecting a convergence of professional realities despite differing regional contexts.

As for the limitations of the study, future research could include a broader range of regions and participants to determine whether there are significant cultural variations in accounting perspectives across Turkey. Furthermore, a comparative study between Turkey and a European country could provide deeper insights into how cultural context shapes accountants' perceptions and interactions within the global professional environment.

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Chapter 4
Accounting Fraud: Comparative Analysis by Country



Yusuf Kurt

Abstract Accounting fraud was first encountered in ancient Sumerian tablets and has persisted to the present day. While the purpose of manipulating financial realities has remained unchanged, the methods of accounting fraud have evolved from simple to increasingly complex over time. In this study, between 2000 and 2025, four countries with large, active economies from each continent were selected, and the accounting fraud cases with the highest monetary value in each country were analyzed. The findings reveal that the largest fraud by monetary value occurred in the United States, followed by France and Germany. Countries with the highest perceived tendency toward fraud include Denmark, Finland, Singapore, and New Zealand, whereas Syria, Venezuela, Somalia, and South Sudan have the lowest corruption perception scores. A significant relationship was observed between Hofstede's cultural dimensions and the perception of fraud tendency. Specifically, countries with lower corruption perception scores tend to exhibit more egalitarian cultures and stronger long-term orientations, which enhance transparency and serve as deterrents to fraud.

Keywords Accounting scandals · Auditing · Fraud · ACFE · Hofstede's cultural dimensions

4.1 Introduction

Businesses lose approximately 5% of their annual revenues due to fraud. Between January 2022 and September 2023, a total of 1921 fraud cases were reported worldwide, 7% (119 cases) of which originated from the Middle East and North Africa region, including Türkiye (Association of Certified Fraud Examiners—ACFE 2024: 8). According to the ACFE 2024 Report, 43% of fraud cases were detected through tips, and 52% of these tips were provided by employees.

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_4

Financial statements prepared by businesses are published to provide relevant parties with information for economic or managerial decision-making. The accuracy, honesty, and relevance of these reports enhance stakeholders' trust in the financial statements. However, in some cases, businesses attempt to attract investor interest by presenting their financial performance in a way that deviates from reality. The primary actors in this process are either employees or the top management team, acting on behalf of the organization itself. In accounting, "fraud" refers to deliberate actions intended to create a misleading impression of a company's financial performance through manipulation of its financial statements. Beyond the objective of misleading stakeholders, the main motivations for committing accounting fraud are often to secure more favorable financing or to avoid debt obligations. Such intentional actions result in what is known as fraudulent financial reporting. As a consequence, stakeholders may make incorrect financial decisions, potentially incurring substantial losses (Kurt and Dedeoğlu 2025: 284).

The accounting profession differs from others due to its responsibility toward financial statement users. Although the auditing profession has recently gained recognition from communities and regulatory bodies, its reputation has been damaged by major scandals in which auditors were implicated. Auditors are not responsible for business decisions; their role is to provide reasonable assurance on financial statements. However, given time and resource constraints, it is impossible for auditors to examine every single document and transaction in detail.

Fraud not only causes financial losses but also reduces productivity, undermines trust in capital markets, and damages the reputation of the auditing profession (Kassem 2014). Accounting scandals, dating back to ancient Mesopotamia, are often linked to creative accounting practices. Creative accounting refers to manipulations in the presentation of financial statements that mislead users into making incorrect decisions (Çıtak 2009: 84). Such practices may aim to present performance more favorably, attract investors, secure higher executive bonuses, or reduce tax burdens. However, they compromise transparency and reliability in financial reporting.

4.2 Economic and Cultural Factors Affecting Fraud

4.2.1 Economic Factors

Although numerous economic factors influencing fraud are discussed in the literature, the most prominent include per capita income, inflation, economic openness, and taxation (Omidi et al. 2017: 269).

4.2.1.1 Per Capita Income

Per capita income is one of the key indicators of a country's level of prosperity and is strongly correlated with other welfare indicators (Hoskins and Leick 2019: 250). Studies demonstrate that countries with higher per capita income tend to have lower levels of corruption than those with lower per capita income. However, it has also been reported that countries with average GDP levels may exhibit higher corruption rates than those with very low GDP (Saha and Gounder 2013: 8). Hence, there is generally a negative relationship between per capita income and the prevalence of corruption.

4.2.1.2 Inflation

Inflation is one of the primary factors that drive individuals toward corrupt practices. High inflation erodes purchasing power, forcing individuals to find alternative ways to meet their basic needs. In such circumstances, people may resort to illegal practices such as corruption, bribery, or fraud. This situation leads to both social and economic deterioration and an increase in fraud and corruption incidents (Ata and Arvas 2011: 164). The notion that high inflation fosters corruption is supported by various scholars (Getz and Volkema 2001; Akça et al. 2012; Touati 2014).

4.2.1.3 Economic Openness

Historians and economists have long debated whether trade openness influences economic activity. The prevailing view suggests that openness enhances economic performance through more efficient resource allocation. Empirical research (Krueger 1974; Ades and Di Tella 1999; Larrain and Tavares 2004; Wei 2000; Bonaglia et al. 2001) indicates that greater economic openness reduces corruption and bribery (Zakaria 2009: 2).

The concept of economic openness, referring to liberalized imports and exports, also impacts norms and knowledge exchange across countries. Free trade between nations reduces opportunities for public officials to exploit licensing systems, quotas, and permits, thereby diminishing bribery and corruption (Shabbir and Anwar 2007: 754).

4.2.1.4 Taxation

Tax-related corruption has become a significant issue not only in transitional economies but also in countries with developed tax systems. Tax authorities frequently face bribery attempts from taxpayers who underreport income to evade higher taxes. As a result, tax administrations must consider the risk of corruption when designing audit strategies and assigning tax inspectors (Coppier 2006: 1).

A major problem in countries plagued by tax corruption is the inability of governments to implement critical reform policies and adequately finance public goods. Therefore, governments should not only focus on preventing tax evasion but also promote tax morale through a series of measures aimed at reducing corruption (Torgler 2004: 3).

4.2.2 Cultural Factors

Culture can be defined as the accumulation of rituals, norms, and traditions that distinguish one society from another (Hofstede 1984: 21). A nation's "national culture" represents the dominant characteristics of its citizens. Hofstede classifies national culture into five dimensions (Yeganeh 2014: 5):

- Individualism vs. Collectivism
- Power Distance
- Masculinity vs. Femininity
- Uncertainty Avoidance
- Long-Term vs. Short-Term Orientation

In the Individualism/Collectivism dimension, Hofstede (1980) defines an individualistic society as one where beliefs and behaviors are primarily shaped by the individual. In contrast, in collectivist societies, loyalty to one's family, work, and country tends to shape attitudes. Individualist cultures tend to evaluate morality through principles of rights and justice, while collectivist cultures often judge moral behavior based on social relationships (Putra and Sihombing 2024: 826).

In the Power Distance dimension, the extent to which inequality is accepted within a society is emphasized. The Uncertainty Avoidance dimension reflects how tolerant a society is toward ambiguity and risk. Societies with high uncertainty avoidance prefer strict rules and regulations and experience high levels of anxiety in uncertain situations.

In Masculine cultures, career success, promotions, and challenges are valued more, whereas feminine cultures emphasize good workplace relationships, job security, and a desirable living environment. Finally, in the Long-Term vs. Short-Term Orientation dimension, long-term oriented cultures stress preparation for the future, while short-term oriented cultures focus more on immediate satisfaction.

4.3 Corruption Perception Scores by Region and Country

The Association of Certified Fraud Examiners (ACFE) regularly calculates fraud perception scores for countries and publishes the results on its official website. These scores are presented to the public on a scale ranging from 1 to 100.

In this study, the most recently published 2024 ACFE Report was utilized. Based on this report, corruption perception scores by region and country are illustrated in Figs. 4.1 and 4.2.

According to the 2024 Corruption Perceptions Index, when regions are examined geographically, the perception of corruption ranges from light yellow to dark red on the scale. The two countries with the lowest corruption perception scores were Somalia and South Sudan, both identified as having the highest levels of bribery in 2024. In contrast, the countries with the lowest levels of bribery were reported as Denmark, Finland, and Singapore.

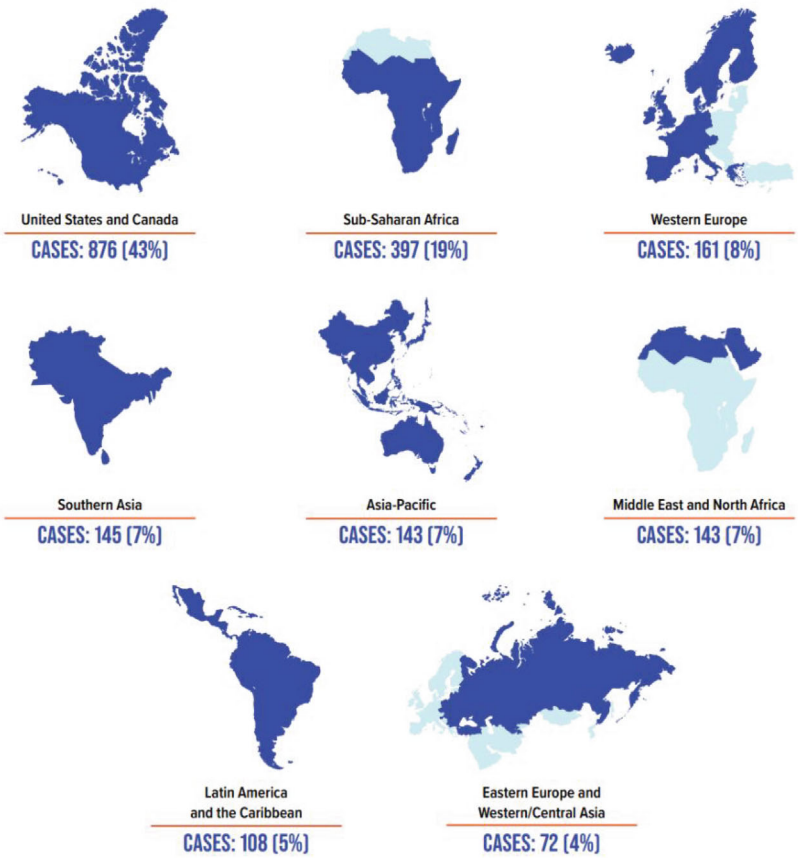


Fig. 4.1 Corruption Perceptions Index 2026 by region. *Source* https://www.acfe.com/-/media/files/acfe/pdfs/rttn/2026/2026-report-to-the-nations.pdf

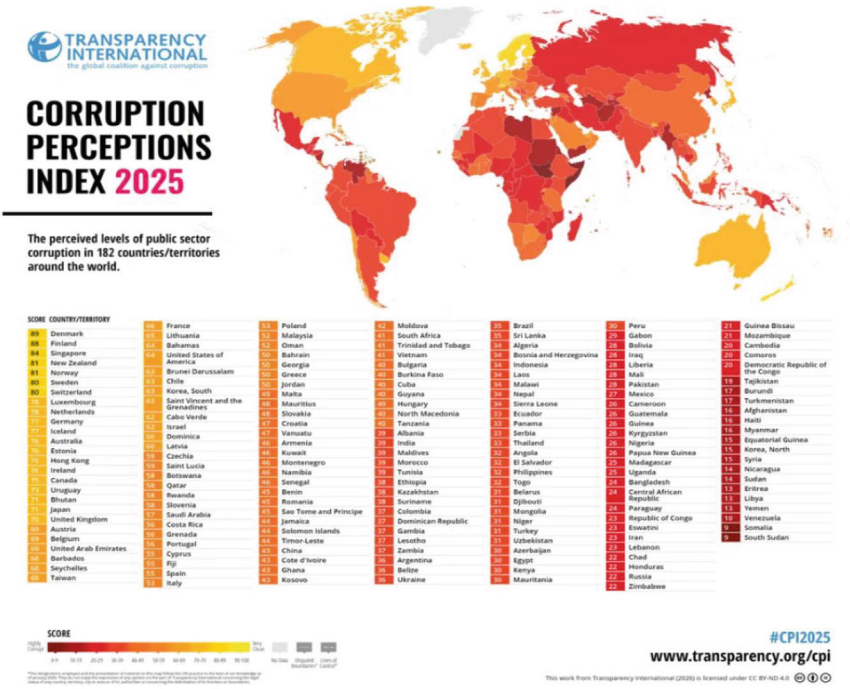


Fig. 4.2 Corruption Perceptions Index 2024 by countries. *Source* The 2025 Corruption Perceptions Index (CPI) (https://www.transparency.org/en/cpi/2025)

4.4 Accounting Scandals

To conduct meaningful comparisons in the examination of accounting fraud, the analysis will be carried out on a continental basis. Within each continent, four countries with large and active economies were selected. The accounting frauds identified in these countries are presented in Table 4.1, along with information on the sector, company details, year of detection, type of fraud, method of detection, auditing firm, and estimated fraud amount. The data were collected from news sources, academic articles, institutional reports, and official company websites.

Since the history of accounting scandals dates back to ancient times, it is not possible to cover all cases in this study. Therefore, this research focuses on major accounting scandals that occurred between 2000 and 2025.

Table 4.1 Continents and countries examined

Continents	Countries
Asia	China, India, Indonesia, South Korea
Europe	Germany, United Kingdom, Italy, France
North America	USA, Canada, Mexico, Dominican Republic
South America	Brazil, Argentina, Chile, Colombia
Africa	Nigeria, South Africa, Kenya, Egypt
Ocenia	Australia, New Zealand, Papua New Guinea, Fiji

4.4.1 Comparative Analysis

The research, taking into account the fraud dimensions mentioned above, is presented in the below tables.

Based on the analysis of Table 4.2, the highest estimated amount of fraud among Asian countries was identified in Indonesia's maritime sector. This amount has been reported as $4.6 billion.

Conversely, the lowest estimated fraud amount in the same country was detected in the airline sector, totaling $170 million. In China, the estimated amounts for the two fraud cases reported in the forestry sector in 2011 could not be determined.

Upon examining the independent audit firms for the companies under scrutiny, it is noted that Big Four audit firms were the most prevalent among them.

An analysis of the data in Table 4.3 reveals that France and Germany are the top two European countries with the highest recorded fraud cases. The fraud amounts detected in these countries are reported as €35 billion and €30 billion, respectively. It has been observed that these frauds are concentrated in the telecommunications sector in France and the automotive sector in Germany.

In particular, it appears that the most common type of fraud that contributed to the highest fraud amounts in France and Germany is 'concealment of debts.' Furthermore, it is noteworthy that the Big Four audit firms operate extensively in these regions. A periodic analysis (2000–2025) reveals that the most frequent sectors of fraud in the UK are retail and, in France, telecommunications.

As a result of the analysis of Table 4.4, it was determined that the highest-value fraud case recorded among North American countries was the Enron incident, which took place in the United States of America (USA) in 2001. The economic size of this case was recorded as $74 billion. Following this major case, the second highest-value fraud case detected between 2000 and 2025 was carried out exactly seven years later by the US financial sector company 'Lehman Brothers'.

Regionally, the lowest recorded fraud amount in North America was $150 million, according to the agricultural company 'Grupo Vicini' in the Dominican Republic. However, it was determined that information on the independent audit firm that audited the company in question was not available.

Table 4.2 Comparative analysis by Asian countries

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
China	Food and beverage	Luckin Coffee	2020	Fake sales revenues	Internal auditor	Ernst & Young	300 million $
China	Medicine	Kangmei Pharmaceutical	2019	Counterfeit cash assets	China Securities Regulatory Commission (CSRC)	Guangdong Zhengzhong Zhujiang CPAs	4.4 billion $
China	Forestry	China Forestry Holdings	2011	False asset declaration	External audit	KPMG	No information
China	Forestry	Sino-Forest Corporation	2011	Earnings inflation	By Muddy Waters report	Ernst & Young	No information
India	Computer services	Satyam scandal	2009	Earnings inflation, fake bank accounts	Confession letter of the company's founder	PwC	1.4 billion $
India	Financial services	IL&FS	2018	Inflating assets, hiding debt	Inabılıty to pay debts	Deloitte	12.8 billion $
India	Food and beverage	Café Coffee Day (CCD)	2019	Related party-loaded money transfer transactions.	The founder's suicide note, liquidity problem, failure of corporate governance	BSR & Co	1.3 billion $
India	Banking	PMC Bank	2019	Doubtful provisioning transactions	RBI audit (fake accounts)	Lakdawala & Co	1.4 billion $

(continued)

Table 4.2 (continued)

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
India	Finance	DHFL	2019	Fake borrowers, shell companies	Loan payment problems (Union Bank of India)	KPMG	4.3 billion $
Indonesia	Shipbuilding	Daewoo Shipbuilding (DSME)	2016	Inflating assets and obtaining loans with false financial statements	Failure of corporate governance and company personnel audit request	KPMG	4.6 billion $
Indonesia	Asset management	Lime Asset Management	2020	Manipulation in asset value and liquidity fraud	Investor complaints and FSS audit	Deloitte	1.3 billion $
Indonesia	Airline	Korean Air	2019	Asset abuse, tax evasion	National Tax Service Inspection	EY	170 million $
Indonesia	Automotive	Tongyang Group	2013	Debt hiding, fraud	FSS audit after bankruptcy	Deloitte	2.7 billion $
Indonesia	Asset management	Optimus Asset Management	2020	Imaginary asset sales, corruption	FSS sudden inspection	PwC	420 million $

Table 4.3 Comparative analysis by European countries

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Germany	Electronic payment and risk management services.	Wirecard	2020	Imaginary income	Financial Times + Bafin/KPMG Investigation	EY	2.2 billion $
Germany	Automotive	Volkswagen	2015	Cost hiding,	Inner informant	PwC	30 billion $
Germany	Global positioning	Comroad	2002	Imaginary sales, income inflating	Stock market warning	KPMG	200 million €
Germany	Technology	Flowtex	2000	Imaginary sales	Tax inspection + bank complaints	Arthur Andersen	1.4 billion €
England	Construction	Carillion	2018	Concealing debts, inflating profits	KPMG audit, parliamentary investigation	KPMG	1.5 billion £
England	Retail	BHS	2016	Inflating assets, hiding debt	Pensions Authority investigation	PwC	571 million £
England	Retail	Tesco	2014	Early recognition of revenues, hiding costs	Inside informant	Deloitte	326 million £
England	Technology	Autonomy	2011	Inflating income	HP internal investigation	Deloitte	5.1 billion £
Italy	Food	Parmalat	2003	Fake bank accounts	Bank of America's fake account rejection	Deloitte, Grant Thornton and Ernst & Young	4.3 billion €
Italy	Airline	Alitalia	2008	Inflating profits,	Bankruptcy filing	KPMG	1.2 billion €

(continued)

Table 4.3 (continued)

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Italy	Finance	Monte dei Paschi di Siena	2013	Concealment of credit risks, inflated valuation of bad loans	Bank of Italy raid, document leak	KPMG	730 million €
Italy	Construction	Eternit	2011	Concealment of losses, the "Alexandria" and "Santorini" derivatives trading scandals	Asbestos cases	Ernst & Young	250 million €
France	Telecom	Vivendi Universal	2002	Concealing debts, inflating profits	SEC investigation	Arthur Andersen	35 billion €
France	Telecom	France Télécom	2004	Invoice fraud	whistleblower	PwC	1.1 billion €
France	Banking	Société Générale	2008	Unauthorized derivative transactions, risk hiding	Internal audit	Ernst & Young and Deloitte & Touche	4.9 billion €

Table 4.4 Comparative analysis by North American countries

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
USA	Energy	Enron	2001	Share loss	Whistleblower	Arthur Andersen	74 billion $
USA	Telecom	WorldCom	2002	Capitalization of expenses	Internal audit	Arthur Andersen	11 billion $
USA	Health	HealthSouth	2003	Income inflation	Hidden microphone installed in CEO Office, FBI Investigation	Deloitte & Touche	2.7 billion $
USA	Finance	Lehman Brothers	2008	Short-term removal of debts from the balance sheet	Independent investigation report	Ernst & Young	50 billion $
USA	Banking	Wells Fargo	2016	Fake account	Consumer complaints, Media + data analysis	KPMG	3.5 billion $
Canada	Telekom	Nortel Networks	2003	Profit inflation	SEC Investigation	Deloitte &Touche	3.4 billion $
Canada	Mining	Bre-X Minerals	2000	Share value loss	Independent geological report	Unreachable	6 billion $
Canada	Forest Products	Sino-Forest	2011	Asset inflation	Muddy Waters report	Ernst & Young	6 billion $
Canada	Pharmaceutic	Valeant Pharmaceuticals	2015	Inflated revenues and price manipulation	Citron Research report	PwC	11 billion $

(continued)

Table 4.4 (continued)

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Mexico	Energy	Oceanografía	2014	Showing fake invoices and guarantees to US Citibank	Mexican Financial Supervision investigation	KPMG	400 million $
Mexico	Retail	Comercial Mexicana	2014	Hiding losses in derivative transactions	"Forex swap" losses were not reported in the balance sheet	KPMG	1.2 billion $
Mexico	Construction	Homex	2014	Fictitious housing sales	Satellite imagery	Ernst & Young	450 million $
Mexico	Energy	Pemex	2017	Lost assets	PwC audit report + US Justice Department investigation	BDO Mexico	4.3 billion $
Dominican Republic	Banking	Banco Intercontinental (Baninter)	2003	Fake loans, fictitious customer accounts	Central Bank audit:	PwC	2.2 billion $
Dominican Republic	Agriculture	Grupo Vicini	2012	Tax evasion	CIJ report + internal whistleblower	Unreachable	150 million $

An examination of Table 4.5 reveals that the highest-volume fraud case recorded among South American countries occurred in Brazil. This case was identified in the energy sector in 2014 and uncovered through an operation by the United States Securities and Exchange Commission (SEC). The economic magnitude of the case was recorded as $17 billion. The fraud involved manipulating stock prices, and it is noteworthy that the firm auditing this company was PwC.

In Argentina, a $150 million fraud case was recorded as the country's highest-volume fraud case following Central Bank inspections of the banking sector in 2001.

Furthermore, the sectors most involved in the highest-volume fraud in Chile and Colombia were retail and energy, respectively. The amount of fraud in these countries was determined as $ 1.2 billion and $ 4 billion, respectively.

Based on the analysis of Table 4.6, sectors where fraud cases were observed across African countries were examined. It was determined that banking was the common sector involved in fraud in Nigeria, South Africa, and Kenya. However, it was determined that audit firm information was not available in a series of fraud cases committed by Nigeria in 2016, covering both the banking and energy sectors. Among the countries in the region, the highest number of fraud cases recorded between 2000 and 2025 was in Nigeria's oil sector. The economic size of this case was reported as $20 billion. Conversely, the lowest fraud amount recorded in the region during the same period was found in South Africa, at $150 million.

As a result of the examination of Table 4.7, it was determined that fraud cases totaling $5.3 billion were recorded in the insurance sector in Australia in 2001. This amount corresponds to the highest value when compared to other countries in the region (New Zealand, Papua New Guinea, Fiji). The lowest fraud amount recorded in the region was found in Fiji at $110 million.

As shown in the tables above, among countries with the highest accounting fraud amounts between 2000 and 2025, the United States ranks first with an estimated 74 billion USD, primarily associated with the Enron case. The second highest fraud amount was identified in France, totaling approximately 35 billion EUR, followed by Germany with 30 billion USD. The sectors most commonly involved in large-scale fraud were the energy, telecommunications, and automotive industries.

It is also observed that during the years in which these companies engaged in fraudulent activities, the audits were generally conducted by the Big Four auditing firms. However, in some countries, information regarding the auditing firm at the time of the fraud could not be obtained.

4.5 Comparison of Hofstede's Cultural Dimensions and Perceived Propensity for Fraud Across Countries

According to Fig. 4.1, the four countries with the highest perceived propensity for fraud are Denmark (90 points), Finland (88 points), Singapore (84 points), and New Zealand (83 points). In these countries, citizens and businesses exhibit the lowest

Table 4.5 Comparative analysis by South American countries

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Brazil	Energy	Petrobras	2014	Share loss	Lava Jato + SEC operation	PwC	17 billion $
Brazil	Construction	Odebrecht	2016	Bribe	US DOJ + Swiss bank records	Unreachable	3.3 billion $
Brazil	Food	JBS	2017	Tax evasion	CEO voice recording + environmental reports	BDO RCS Independent Auditors	4.5 billion $
Brazil	Retail	Americanas	2023	Hiding debt	Internal audit + PwC double accounting report	PwC	4 billion $
Argentina	Banking	Banco Mayo	2001	Fictitious deposits	Central Bank auditing	Unreachable	150 million $
Argentina	Energy	YPF	2012	Stock value manipulation	US SEC investigation	Ryder Scott	5 billion $
Argentina	Agriculture	Vicentin	2020	fictitious debts	Bankruptcy estate audit	KPMG	1.5 billion $
Argentina	Holding	Socieded Del Plata	2020	Hiding debt, fictitious exports	CNV audit + PwC report	Deloiite	500 million $
Chile	Retail	La Polar	2011	Fraudulent debt restructuring	Internal audit	PwC	1.2 billion $
Chile	Finance	Penta Group	2014	Tax evasion + political bribery	Tax audit + audio recordings	Unreachable	43 million $

(continued)

Table 4.5 (continued)

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Colombia	Energy	Reficar (Ecopetrol)	2016	Cost inflating	US Department of Justice investigation	Ernst & Young	4 billion $
Colombia	Banking	Grupo Aval	2020	Concealment of credit risks	Financial Stability Board (Fogafín) audit	KPMG	2 billion $
Colombia	Food	Nutresa	2023	Stock value manipulation	Whistleblower	PwC	1 billion $

Table 4.6 Comparative analysis by African countries

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Nigeria	Oil	NNPC	2014	CBN report + IEA data	Failure to transfer oil sales revenues to the treasury	PwC	20 billion $
Nigeria	Banking	Skye Bank	2016	Hiding bad loans	CBN emergency audit	Unreachable	1.8 billion $
Nigeria	Energy	P&ID	2016	Fake natural gas deal	UK Supreme Court evidence	Unreachable	9.6 billion $
South Africa	Retail	Steinhoff	2017	Income and Asset Inflation	Deloitte warning + PwC investigation	Deloitte	8.5 billion $
South Africa	Energy	Eskom	2018	Corruption and Irregular Expenditure	Forensic audit	PwC	3.6 billion $
South Africa	Agriculture	Tongaat Hulett	2019	Income Inflation	Internal Audit	Deloitte	300 million $
South Africa	Banking	ABSA Bank	2020	Funds Embezzlement	FSCA investigation + Internal whistleblower	Ernst & Young	150 million $
Kenya	Banking	Imperial Bank	2015	Fake Loans	Central Bank audit + Internal whistleblower	PKF Kenya	390 million $
Egypt	Industry	Ezz Steel	2011	Tax evasion	Government Investigation	No definitive information	1.3 billion $

Table 4.7 Comparative analysis by Oceania countries

Country	Sector	Firm name	The year of fraud detection	Fraud type	The reveal of the fraud	Audit firm name	Estimated amount of fraud
Australia	Insurance	HIH Insurance	2001	Reserve Manipulation	Independent audit report	Arthur Andersen	5.3 billion $
Australia	Education	ABC Learning	2008	Asset Valuation Trick	audit warning + Debt crisis	Pitcher Partners	1.6 billion $
Australia	Technology	Nuix	2021	Income Inflation + Document Fraud	ASIC investigation	KPMG	1.8 billion $
New Zealand	Finance	South Canterbury Finance	2010	Fake Loans + Income Manipulation	Serious Fraud Office (SFO) raid	Ernst & Young	750 million $
Papua New Guinea	Energy	PNG LNG Project	2010	Embezzlement of Public Funds	Ombudsman Commission investigation	Unreachable	1.2 billion $
Fiji	Banking	National Bank of Fiji	2006	Fake Loans + Embezzlement of Funds	Reserve Bank (RBF) audit + Government investigation	Unreachable	110 million $



Fig. 4.3 The top four countries with the highest scores and the Hofstede dimensions. *Source* Country comparison tool (Denmark, Finland, New Zealand, Singapore). https://www.thecultur efactor.com/country-comparison-tool?countries=denmark%2Cfinland%2Cnew+zealand%2Csing apore

perceived propensity for fraudulent behavior compared to other nations. Conversely, the countries with the lowest scores in perceived propensity for fraud are Syria (12 points), Venezuela (10 points), Somalia (9 points), and South Sudan (8 points), indicating the highest perceived propensity for fraud among these countries.

The countries with the highest and lowest perceived propensity for fraud were compared across Hofstede's cultural dimensions, with scores presented in Figs. 4.3 and 4.4.

- Power Distance: Singapore has the highest score (74), whereas Denmark has the lowest (18).
- Individualism: Denmark scores the highest (89), while Singapore scores the lowest (43).
- Motivation towards achievement and success: New Zealand exhibits the highest score (58), and Denmark the lowest (16).
- Uncertainty Avoidance: Finland scores the highest (59), while Singapore scores the lowest (16).
- Long-Term Orientation and Indulgence: The scores of these countries are relatively similar in these dimensions.

This analysis suggests that differences in perceived propensity for fraud between countries can be partially explained through Hofstede's cultural dimensions.

An examination of the cultural dimension scores of countries with the highest perceived propensity for fraud reveals that two dimensions reach the maximum score of 100. One of these is the Power Distance dimension in Libya, while the other is the Indulgence dimension in Venezuela. However, it should be noted that the

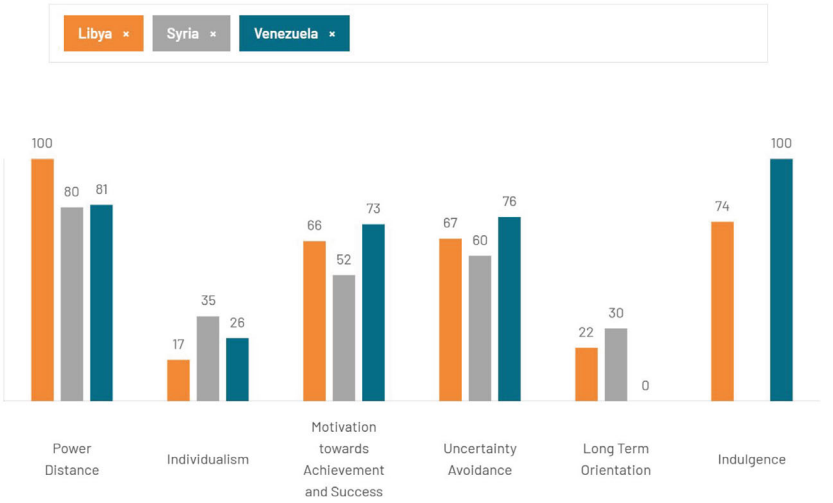


Fig. 4.4 The 3 countries with the lowest scores and the Hofstede dimensions. *Source* Country comparison tool (Libya, Syria, Venezuela). https://www.theculturefactor.com/country-comparison-tool?countries=libya%2Csyria%2Cvenezuela

Indulgence dimension for Syria could not be calculated, and Venezuela scores zero in the Long-Term Orientation dimension.

With a score of 100, Libya can be considered a highly hierarchical society, meaning that people accept a hierarchical order in which everyone has a designated place and which requires no further justification. Similar observations can be made for Syria and Venezuela regarding power distance.

Venezuelans, who score highly on indulgence, generally pursue personal desires related to enjoying life and leisure. They tend to maintain a positive outlook, prioritize free time, and make discretionary choices in spending and lifestyle.

When considering the lowest scores in Hofstede's cultural dimensions, Libya scores 17 in Individualism, indicating a collectivist society with strong emphasis on family and community groups. This suggests a pronounced sense of loyalty and long-term commitment among the Libyan population. Given the relatively close scores for Syria and Venezuela, similar though slightly less pronounced interpretations can be made for these countries.

4.6 Conclusion

This study examined accounting fraud across countries in a comparative framework. Four major and active economies from each continent were selected, and accounting fraud cases were analyzed in terms of industry, firm, year of detection, type of fraud,

emergence of the fraud, auditing firm, and estimated monetary value. The results indicate that the countries with the highest perceived propensity for fraud are Denmark, Finland, Singapore, and New Zealand. Conversely, countries with the lowest scores include Syria, Venezuela, Somalia, and South Sudan. In monetary terms, the United States has the highest estimated fraud amount at $74 billion, followed by France (€35 billion) and Germany ($30 billion).

A direct relationship can be observed between Hofstede's cultural dimensions and perceived propensity for fraud. For instance, countries such as Libya, Syria, and Venezuela exhibit high power distance, where authority is rarely questioned and superiors may act unchecked, facilitating the concealment of fraudulent activities. These countries also score low in individualism, reflecting collectivist behavior. In collectivist settings, manipulations carried out for group benefit are often considered legitimate, potentially increasing the prevalence of fraud.

When considering Uncertainty Avoidance and Long-Term Orientation, countries with high perceived levels of fraud tend to prioritize short-term gains over long-term planning and often adhere strictly to rules to manage uncertainty. In the Indulgence dimension, these countries score highly due to their inclination toward personal enjoyment and freedom. In summary, these nations possess cultural characteristics of high power distance, low individualism, short-term orientation, and high indulgence, making them more susceptible to fraudulent behavior.

In contrast, countries with low perceived propensity for fraud, such as Denmark, Finland, New Zealand, and Singapore, exhibit more egalitarian cultures and long-term orientations, fostering transparency and acting as a deterrent to fraud.

The high prevalence of perceived fraud in certain countries may explain why international investors often limit direct or indirect investments in these markets. To mitigate fraud-related incidents globally, it is essential to identify factors that incentivize fraud and implement policies or early-warning mechanisms to detect and prevent such activities.

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Part II
Sustainability, Culture and Global Transformation

Chapter 5
Accounting Culture and Sustainability: "A Transdisciplinary Framework for Global Practices"

Müzeyyen Çiğdem Akbaş

Abstract As sustainability emerges as a dominant paradigm in global governance and corporate accountability, the role of accounting is being redefined through the lenses of culture and interdisciplinary integration. This study explores the intersection of sustainability accounting and accounting culture by employing a transdisciplinary framework. Drawing on Hofstede's cultural dimensions and Gray's accounting values, the research highlights how cultural and institutional contexts shape the interpretation, application, and evolution of sustainability practices across different countries. It argues that sustainability accounting must go beyond technical compliance and engage with the ethical, cultural, and social dimensions of corporate behavior. The paper also critiques the limitations of standardized ESG frameworks in culturally diverse settings and underscores the need for culturally sensitive policy development. By positioning culture as a potential "fourth pillar" of sustainable development, the study calls for an integrated approach that incorporates education, governance structures, and organizational culture. Ultimately, this research contributes to a deeper understanding of how cultural foundations can enable or constrain the implementation of global sustainability goals within accounting systems.

Keywords Sustainability accounting · Accounting sub-culture · Transdisciplinary framework · Gray's accounting values · Hofstede's cultural dimensions

5.1 Introduction

The concept of sustainability has become a central issue in many academic disciplines and professional practices in the face of the growing environmental crisis, rising social inequalities, and stakeholder pressure. Consequently, there is an ongoing

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_5

discourse surrounding the question of whether sustainability is best conceptualized as an interdisciplinary or transdisciplinary field. As Jerneck et al. (2011) have emphasized, sustainability science necessitates a rethinking of the interactions between different fields, such as nature and society, science and policy, and local and global perspectives. In this context, sustainability is not merely a static goal to be achieved once and for all; rather, it is a multifaceted, interactive, and evolving concept that serves as an ideal, a set of practices, and a framework for long-term accountability.

Accounting plays a pivotal role in determining sustainability outcomes as a measurement, representation, control, and information system. Traditionally regarded as a technical and value-neutral discipline, accounting is now widely recognized as being profoundly influenced by a myriad of dialogues pertaining to culture, organization, politics, economics, society, environment, and technology. It has been demonstrated that these contexts exert a significant influence on the interpretation, reporting, and integration of sustainability into organizational and governance strategies. The extant literature posits that accounting must evolve to reflect broader value creation concepts that go beyond mere financial performance and include social, environmental, and other factors (such as those needed by the ever-changing world or those that have not been considered until now).

A particularly underexplored dimension of this integration lies in the influence of culture on accounting systems and sustainability practices. Although the relationship between national culture and financial reporting standards has been the focus of much research, the implications of accounting culture, particularly as outlined by Gray (1988) in his study of accounting values, for sustainability remain less examined. Gray's conceptualization of accounting values, including professionalism, uniformity, conservatism, and secrecy, provides a valuable framework for understanding how cultural patterns shape sustainability-related decisions and disclosures.

This study provides an interdisciplinary conceptual examination of the relationship between culture and sustainability accounting. The objective of this study is to discuss how Gray's cultural value dimensions affect sustainability accounting at various levels, including reporting, governance, education, and internal organizational behavior. Utilizing an interdisciplinary approach, the study positions accounting as both a technical application and a culturally conditioned social system. Throughout this study, the impact of culture on sustainability accounting in international and institutional contexts will be discussed.

5.1.1 The Rise of Sustainability in Accounting Discourse

In recent years, the concept of sustainability has become a fundamental component of global economic, social, and environmental discourse. Developed as a response to environmental concerns, this concept has evolved into a framework encompassing ecological resilience, social equity, and long-term economic stability. The paradigm shift in sustainability has also influenced the scope of accounting. In this transformation, sustainability practices have evolved from being a corporate reporting tool to a

mechanism that represents social development, affecting existing education models, and directs management strategies.

When examining the development processes of global sustainability initiatives, starting point is the environmental sustainability. Since the 1970s, accounting science has undergone to a significant transformation towards a more interdisciplinary approach in line with the concept of sustainability. With the growing interest in sustainable development, there has been a shift from traditional, regionally focused accounting practices to a more comprehensive agenda that encompasses global, social, and environmental concerns. Since the early 2000s, this transformation has been conceptualized as "sustainability accounting" which reflects academic and practical efforts to integrate sustainability into corporate reporting (Gray 2002, 2010; Hopwood et al. 2010; Schaltegger et al. 2006; Unerman et al. 2007; Bebbington and Larrinaga 2014). Despite this transformation, the implementation of sustainability-focused accounting practices is complex in a structure governed by different cultures, policies, and systems. There is a conflict between traditional accounting practices and the multidimensional nature of sustainable development.

The evolution of sustainability accounting, initially manifesting as environmental accounting (Elkington 1993), reached its most sophisticated stage in the early 1990s, as evidenced by Gray's contributions. The "Sustainability Accounting Guide," published at the World Summit on Sustainable Development in Johannesburg in August 2002, has led to sustained interest in the subject within the academic accounting literature. In the subsequent sections, the evolution of the sustainability discourse, which commenced recently and is started to be discussed with the publishment of a guide, will be delineated in sub-sections.

5.1.1.1 From Environmental Accounting to Sustainability Accounting

As previously stated, the integration of environmental concerns into accounting practices can be traced back to the 1970s, marking the inception of environmental accounting. The initial phase of the program placed a high priority on internal cost accounting related to pollution control and resource use (Gray 1992, 2002; Gray and Bebbington 2001). However, by the 1990s, a novel approach known as sustainability accounting had emerged. This approach was endorsed by prominent scholars in the field, including Rob Gray, Jan Bebbington, and David Owen, who advocated for a more expansive understanding of the role of accounting in society. In this innovative approach, it was argued that accounting systems should incorporate a comprehensive range of sustainability issues, including intergenerational equity, biodiversity, human rights, and corporate accountability (Gray 2002). These developments signify a substantial transition from a constrained environmental cost framework to a more comprehensive paradigm that is aligned with global sustainability objectives.

5.1.1.2 Redefining Accountability and Value Creation

In the existing academic literature, studies that originated with Hofstede's (1980, 1983) research on the structural elements of culture, particularly the elements that most strongly influence known behaviors in work environments within organizations, have become even more significant in the present day. Despite the increasingly permeable boundaries of global and cultural differences in today's world, social movements, economic crises, and ecological crises are, in essence, fundamentally cultural phenomena. Hofstede, who initiated the debate on values, may have anticipated the importance of this issue at the time. The concept of "values" has emerged as a pivotal aspect of globalization, subject to substantial critique. Its significance for the proper development of societies has been a matter of considerable debate. In addition to the value attributed to material objects, the significance of behaviors (whose development is heavily influenced by cultural elements) has become increasingly recognized. The impact of human behavior, as well as that of institutions, on society has led to a journey toward sustainability. In the course of this journey, the concept of accountability, a foundational element of accounting, has undergone a transformation in terms of responsibility.

Although the concept of accountability, which is frequently used in accounting literature, has various uses specific to different disciplines (Sinclair 1995: 221), the general sociological meaning of accountability provides a common ground for most uses. From a sociological perspective, accountability is defined as the explanation of the reasons behind behaviors. These explanations are devised to rationalize behavior and to "bridge the gap between action and expectation verbally, thereby preventing conflicts from arising" (Scott and Lyman 1968: 46). Social communities are characterized by the presence of norms that dictate the relationships of accountability among its members. Accountability constitutes an essential moral practice, as it entails the demand for individuals to assume responsibility for their actions and words (Messner 2009). The concept's relationship to the phenomenon of culture is attributable to its influence from social norms and moral attitudes.

Accountability, shaped by social values, has undergone a functional transformation alongside the concept of sustainability. A critical distinction between sustainability accounting and traditional accounting emerges with respect to the application of the concept of "accountability." In traditional accounting, the concept of accountability is presented as a duty of trust toward shareholders. However, within the framework of sustainability accounting, it encompasses a broader, multi-stakeholder model that includes not only investors but also communities, future generations, and the natural environment (O'Dwyer et al. 2005). This expanded perspective encompasses new value definitions that extend beyond financial returns to include social and environmental outcomes. The reconceptualization of accounting within the sustainability framework has become increasingly evident through the Triple Bottom Line approach introduced by Elkington (1997) and the Global Reporting Initiative (GRI) promoted by the Integrated Reporting Council (IIRC 2013).

Discussions regarding the values and restructuring of accountability arising from the integration of sustainability into accounting are clearly evident in the concept of

"privacy and transparency," one of the value dimensions identified by Gray (1988). In his widely accepted work defining value dimensions, Gray (1988) argues that societies that demonstrate greater care and collectivism, and value quality of life, people, and the environment, are more open and accountable. Discussions regarding the impact of culture, shaped by value definitions, on accounting have gained importance.

The studies that began with Hofstede's (1980, 1983) research on the structural elements of culture and, in particular, the elements that most strongly influence known behaviors in work environments within organizations and institutions have become even more important today. Although we live in a world where the boundaries of global and cultural differences are extremely flexible and permeable, the social movements, social, economic, and ecological crises that exist in the world today are fundamentally rooted in cultural objects. Hofstede, who initiated the debate on values, may have anticipated the importance of this issue at the time. The concept of "values," one of the most criticized aspects of globalization, has become extremely important for the proper development of societies. In addition to the value of objects, the value of behaviors (one of the most important building blocks of behavior is culture) has also gained importance. The impact of the behaviors of both individuals and institutions on societies has led us on a journey toward sustainability.

5.1.1.3 Institutional Developments and Regulatory Pressures

Since the early 1990s, when environmental reporting became the focus, sustainability has progressed in the field of corporate reporting. Shortly thereafter, interest in social reporting also began to emerge. Today, the focus is on triple bottom line reporting and sustainable development reporting. The triple bottom line is a term coined by consultant and campaigner John Elkington to express the idea that organizations beginning to think about sustainable development need to move away from a single (i.e., financial) bottom line and recognize that they also have social and environmental bottom lines. This was both a good and a bad idea. It was a good idea because it concretized a long-standing concept (e.g., The Corporate Report 1975) that, for full accountability, an organization must provide not only its financial statements but also a complete set of documents containing social and environmental "statements" (Gray and Milne 2002).

The integration of sustainability into accounting practices has been achieved through the development of several effective global reporting frameworks and standards. Among these initiatives, the following stand out: The Global Reporting Initiative (GRI 2025), which provides comprehensive guidelines for disclosing environmental, social, and economic performance; the Sustainability Accounting Standards Board (SASB 2017), which offers sector-specific standards to ensure the materiality of sustainability disclosures; and the Task Force on Climate-related Financial Disclosures (TCFD 2017), which focuses on integrating climate-related risks and opportunities into corporate financial decision-making processes. These initiatives represent important corporate developments that integrate accounting with global

sustainability goals, such as the United Nations Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) criteria.

Sustainability reporting has progressed significantly over the past 20 years and continues to evolve. For example, organizations today are under increasing pressure to comply with frameworks that require them to appropriately disclose the impacts of their activities on the climate. This represents an important step toward regulating environmental, social, and governance initiatives at both the local and global levels, and it is expected that more companies will adopt these reporting frameworks in the future.

5.1.1.4 Academic and Critical Responses

Critical and interdisciplinary academics have begun to increasingly question the effectiveness of contemporary sustainability reporting. This is because such reporting is management-oriented, emphasizes compliance with regulations, and is criticized for its potential to be used as a greenwashing tool rather than an instrument for change (Gray and Milne 2002; Spence 2009). These criticisms highlight the need for a deeper accounting framework that addresses underlying power structures, embraces cultural diversity, and acknowledges ecological interdependencies. In response to these limitations, emerging research in this field advocates for the inclusion of alternative approaches to accounting discourse. These include anti-colonial perspectives that question the underlying assumptions of core accounting frameworks, local knowledge systems, and ecosentric ethics (Carnegie et al. 2020). This academic transformation emphasizes that sustainability in accounting cannot be reduced to technical explanatory applications and requires a fundamental rethinking of the discipline's purpose and social role.

5.2 Sustainability as an Interdisciplinary Concept

Sustainability is one of the most important examples of interdisciplinarity because it shows the interactions between nature and society (Brink et al. 2020; Clark and Dickson 2003; Kates et al. 2001). It is directed by real-world problems that exceed the boundaries of traditional disciplines and by the need to find solutions to them (Brink et al. 2020; Clark 2007; Jerneck et al. 2011; Wiek et al. 2011). So, is it interdisciplinary or transdisciplinary?

The interdisciplinary nature of sustainability has brought with it a new set of challenges. This is because integration lies at the heart of the concept of interdisciplinarity. Brewer (1999: 328) defines interdisciplinarity as "the appropriate combination of knowledge from different fields of expertise to provide a new perspective on a real problem." In this case, how feasible is it to achieve such integration in practice?

To answer the question posed above, namely whether sustainability is interdisciplinary or transdisciplinary, it is necessary to discuss the transdisciplinary aspect of sustainability. The aim of interdisciplinary knowledge integration is to combine different knowledge systems in order to produce applicable solutions to complex sustainability problems (Gugerell et al. 2023). This process requires the inclusion of various stakeholder groups and perspectives, thereby extending research beyond disciplinary boundaries and promoting collaborative forms of knowledge production (Nagatsu et al. 2020; Gugerell et al. 2023).

Transdisciplinary sustainability research emerged as a response to the limitations of traditional interdisciplinary approaches in addressing the complex and systemic nature of sustainability issues. As Lubchenco (1998) emphasized in her call for a new social contract for science, researchers are increasingly expected to respond to society's changing needs by producing knowledge that drives institutional change and supports the transition to sustainable development. Such research must transcend disciplinary boundaries and engage with diverse social actors, cultures, and epistemologies through processes of mutual learning and intercultural dialogue (Funtowicz et al. 1998).

Discussing sustainability across disciplines will only be meaningful in terms of producing academic output. However, given its nature, sustainability aims to produce social, environmental, and societal benefits, so it is important to ensure the participation of stakeholders in addition to the work of different disciplines when measuring sustainability. In this sense, sustainability should be a concept that goes beyond interdisciplinary and becomes transdisciplinary. Because transdisciplinarity is used for research that addresses knowledge demands for solving complex social problems. Therefore, transdisciplinary research is concerned with the public good, which is the fundamental legitimizing principle of social institutions. Taken together, transdisciplinary research addresses knowledge demands for solving complex social problems related to the common good. Qualitative and interpretive approaches in the social and human sciences are necessary to understand and negotiate different views, goals, and practices related to a topic in society. As research becomes more interdisciplinary, researchers enter unfamiliar areas to produce scientific knowledge. Research, which confronts the complexity of problems not only at the empirical level but also at the purposeful, normative, and pragmatic levels related to the solution of social problems, intertwines with social practices and policies, questioning views on the nature and quality of scientific knowledge. Therefore, the use of this method is ideal in sustainability studies.

5.3 Theoretical Background

To understand the cultural foundations of accounting is necessary to explain how sustainability is interpreted and reported in different countries. As sustainability becomes a global phenomenon, it may be necessary to acknowledge that accounting systems are not culturally neutral. Accounting systems operate within different social

value structures, particularly when contextualizing environmental, social, and governance (ESG) issues. Hofstede's theory of social dimensions provides a fundamental perspective for investigating how societal values influence organizational behavior, including attitudes toward information and regulation. Building on Hofstede's theory, Gray developed an accounting framework that links cultural values to accounting practices. The values proposed by Gray help explain the adoption of sustainability reporting, the degree of stakeholder participation, and the level of transparency in ESG disclosures across countries with different cultural backgrounds. These values are relevant to sustainability accounting. Hofstede and Gray's work has inspired numerous studies in the literature that question the impact of culture on social systems, the environment, politics, governance models, and the economy. Despite the development of frameworks to standardize sustainability reporting and increasing global pressure to implement sustainability standards, culture continues to shape sustainability. Therefore, integrating Hofstede and Gray's cultural models into the sustainability accounting discourse, developing culture-based and culture-sensitive approaches, and balancing global accountability with local legitimacy are important.

The following subsections will attempt to discuss the relationship between the theoretical framework of the study and sustainability accounting.

Hofstede's Cultural Dimensions and Their Accounting Implications

Culture is essential for interpreting the development, structure and application of accounting systems in different countries. Hofstede (1980: 25; Cieslewicz 2014) defined culture as 'the collective programming of the mind which distinguishes the members of one human group from those of another', emphasized that deeply ingrained values guide social preferences and organizational behavior. His categorization of culture into symbols, heroes, rituals and, most crucially, values underscore how these abstract predispositions influence everyday decisions, including those related to financial reporting and control (Hofstede 1997; Cieslewicz 2014). In his study Hofstede (1980) had identified five cultural dimensions including power distance, individualism versus collectivism, masculinity versus feminity, uncertainty avoidance and long-term orientation. It is to be noted that Hofstede's study has enjoyed considerable attention by different fields of study (Askary 2006). It can be argued that it establishes the foundation for interdisciplinary research.

The effects of Hofstede's cultural dimensions on the application areas of accounting have been examined in various studies in the literature. According to Heidhues and Patel, the IFRS strongly based on the "substance-over-form" concept with a strong reliance on professional judgments which are influenced by accountants' cultural values (Khlif 2016). High masculinity environment will lead to higher risk-taking behavior and less conservative financial reporting (Khlif 2016; Kanagaretnam et al. 2014) implying more professional judgements' activities and less neutral behavior. Accordingly, masculinity may also play a critical role in shaping country's accounting system (Khlif 2016). Jaggi (1975) posits that the cultural environment of a country may have a strong impact on financial reporting practices by firms. In his model, Gray (1988) suggests that the degree of secrecy may be influenced by cultural values. The secrecy hypothesis posits that uncertainty avoidance,

power distance, individualism and masculinity dimensions may influence the degree of transparency among firms' managers which in turn affect financial disclosure practices (Gray 1988; Gray and Vint 1995; Tsakumis 2007).

With respect to social and environmental reporting practices, the association between such type of disclosure and national culture is based on the reasoning that dissimilarities exist between stakeholders' orientation of countries (Orij 2010). For instance, Van der Laan Smith et al. (2005: 132) stated that: "In a society concerned with social issues, we argue that […] stakeholder groups have more power, possess greater legitimacy, and have their claims viewed with greater urgency". Khlif and Chalmers (2015) develop a conceptual framework suggesting that national culture is a decisive factor in shaping management behavior concerning financial resources allocations, which in turn affect social and environmental responsibility and thus corporate reporting practices in this regard.

The literature reviewed so far has discussed Hofstede's cultural theory. An important study examining the relationship between culture and sustainability accounting is GLOBE. The GLOBE study (House et al. 2004), built on the theory of Hofstede, by defining culture as shared motives, beliefs and interpretations that are passed down through the generations and shape institutional design and expectations. These cultural predispositions are learned through socialization and stored in long-term memory, where they influence cognition, motivation, and judgement (Peterson and Wood 2008; Markus and Kitayama, n.d.; Nisbett 2003; Smith et al. 2006). These characteristics of culture have direct implications for accounting. Since institutions are created and interpreted by individuals embedded in a culture, national accounting systems—including their regulatory orientations, disclosure practices and materiality assessments—reflect dominant societal values (Harrison and McKinnon 1999). For instance, cultures favoring secrecy and hierarchical control may develop accounting systems that prioritize compliance and limited disclosure. In contrast, cultures that value transparency and long-term orientation may encourage more stakeholder-inclusive, forward-looking sustainability reporting. Empirical studies confirm that accounting practices are culturally shaped expressions of what societies deem legitimate, ethical, and necessary (Chenhall 2003; Braun and Rodriguez 2008). Thus, culture informs not only the form and content of accounting systems, but also how sustainability, accountability and transparency are interpreted and implemented across jurisdictions. It is crucial to recognize the cultural embeddedness of accounting when designing globally applicable yet locally meaningful accounting and sustainability frameworks.

Gray's value model, which inspired Hofstede's valuable work in determining cultural dimensions and formed the basis of his theoretical inquiry, is described in the following section.

Gray's Accounting Values: A Cultural Lens on Financial Systems

In his 1998 paper, Gray (1988) proposed a new model inspired by Hofstede's (1980) work. He emphasized that, to further investigate the relationship between culture and accounting systems in an international context, it is necessary to identify the mechanism by which societal values are linked to accounting subcultural values.

These values are likely to directly influence the development of accounting systems in practice, and 'values' are neither absolute nor unique.

The new model proposed by Gray (1988) is emphasized as an adaptation and extension of the model of the formation and stability of social cultural patterns proposed by Hofstede (1980: 27). In this model, the determination of social values is attributed to ecological influences, which are modified by external factors such as international trade and investment, conquest, and forces of nature. Consequently, social values exert institutional consequences in the form of the legal system, the political system, the nature of capital markets, the pattern of corporate ownership, and so on. The institutions are emphasized with a view to reinforcing both ecological influences and social values. In summary, the present study puts forward an extension of the model, whereby social values are expressed at the level of accounting subculture. It is therefore proposed that accountants' value systems or attitudes can be expected to be related to and derived from societal values, with specific reference to work-related values, and that accounting 'values' will also have an impact on accounting systems (Gray, Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally 1988).

In attempting to define the dimensions of accounting value, Gray (1988) poses the following questions: "What are the arguments supporting the dimensions of accounting value? What is their likely impact on the development of national accounting systems?". The new model derived from these questions—professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism, secrecy versus transparency—serves as an interpretive tool for understanding the diversity of accounting norms across countries. Gray's model reflects these cultural tendencies in accounting practices, offering a nuanced understanding of how cultural environments shape the ethical, technical, and communicative dimensions of accounting. This understanding is particularly important in the context of sustainability reporting, in which it is critical to determine the scope and accuracy of statements on transparency, professional confidentiality, and cultural adaptation. The following subsections will refer these values in detail in the context of sustainability.

From Culture to Sustainability: The Need for Integration

The growing demand for corporate sustainability practices has brought cultural determinants that influence sustainability to the forefront. The dynamic interaction between these two concepts has become integral to understanding how organizations respond to changes in environmental, social, and governance issues. Adedeji et al. (2017), building on the findings of Hofstede and Gray, conducted a comprehensive study highlighting the impact of cultural dimensions on countries' financial, environmental, and social performance. The researchers' findings show that sustainability is not a universal and homogeneous concept, but rather a concept influenced by and changing with national culture. Does culture have a hidden influence on organizational behavior? Or has culture become an open fourth pillar that is no longer hidden?

Within the framework of various models and strategies examined in the literature, it can be said that the impact of national culture on sustainability practices is both

significant and complex. However, the concept of "culture as the fourth pillar of sustainable development" proposed by Sabatini (2019) has created a new research area. Sabatini's proposal is noteworthy. In this context, culture and sustainability are no longer compared on separate planes but have become two integrated phenomena.

Rather than viewing culture as an obstacle to the development and influence of sustainability, it is crucial to recognize its potential. Integrating sustainability practices into the fundamental principles of corporate governance and corporate culture may be a way to mitigate the potential negative effects of national culture on corporate performance. By developing a corporate sustainability culture that transcends cultural limitations, institutions can become more aligned with global sustainability standards, increase transparency, and encourage long-term value creation within the organization. This integrative approach can strengthen internal consistency and resilience while facilitating the creation of a more adaptable, innovative, and ethically responsible corporate identity in a globalizing world. In conclusion, culture and sustainability must no longer be considered two separate attitudes. The more these two phenomena are integrated, the more sustainable development will be in line with the characteristics and needs of society.

5.4 Gray's Cultural Values and Sustainability Accounting: Conceptual Connections

Gray (1988) expanded Hofstede's theory by applying it to the connection between accounting systems and cultural values. Gray argues that accountants' value systems are closely related to national culture and are guided by culture. Therefore, he concluded that national culture influences the development of accounting.

Doupnik and Tsakumis (2004) further develop Gray and Hofstede's theories, stating that social values influence the development of accounting. Other supporting claims include the following: accounting is a product of its environment (Perera 1989); accounting is shaped by the environment in which it operates (Mueller et al. 1994), social economic values (capitalism or socialism) influence the accounting profession (Gastil 1978); managers' value judgments affect the reliability of financial information (Jaggi 1975); and the legal environment influences accounting behavior (Nobes 1999; Wahrisch 2001). As stated by O'Donovan and Roode (2002: 32), "the activities of a discipline derive from the participation of people and objects in the world, that is, from 'being in the world.'" Therefore, accounting's criticized indifference toward society and the environment is a legacy of society, and to break free from these values, society must first initiate change.

Such a transformation in accounting may not occur automatically, as it involves a new learning process—one that, according to O'Donovan and Roode (2002: 32), requires members of a profession to seek a breaking point, which is the moment when our customary standards are disrupted. Given that the realities of environmental and climate change have given rise to a new global culture and environmental



Fig. 5.1 The relationship between societal values, accounting values and accounting practice. *Source* (Yusoff et al., 2014). Culture and Accountants' Perceptions of Environmental Reporting Practice. Business Strategy and the Environment, 433-446

sustainability policies, accounting will be forced to enter a process of learning new ways to embrace and implement sustainable development, driven by the fear of self-destruction (O'Donovan and Roode 2002: 32). This new value is a driving force contributing to the gradual developments observed in sustainability initiatives within the accounting profession. Sustainability has thus become a new universal culture whose impact on accounting must be examined. In other words, the development of sustainability accounting has emerged more as a necessity than as a voluntary choice.

Using Hofstede's theory of societal values and Gray's accounting values, in Fig. 5.1, the way how they affect the accounting systems are shown (Yusoff et al. 2014).

Gray (1988) suggests that the attitudes and values of accountants are related to and derived from societal values of Hofstede. Therefore, accounting values affect accounting systems, as depicted in Fig. 5.1. Two groups of sub-cultural accounting values are identified, leading to two types of accounting practice: (1) authority and enforcement and (2) measurement and disclosure. Gray posits that the values of professionalism and uniformity are directly related to the first type of practice, while values of conservatism and secrecy are relevant to the latter practice. In general terms, this model recommended for accounting practice needs to be adapted to sustainability accounting.

R. Gray's critique of sustainability, which offers a very different perspective on sustainability accounting, has attracted attention in the literature. R. Gray (Lamberton 2005; Gray 1993) identified three basic approaches to sustainability accounting in his work: sustainable cost, natural capital inventory accounting, and input-output analysis. Each of these approaches provides a unique perspective that enables the measurement and documentation of the environmental and social impacts of economic activities.

These approaches have formed the basis for sustainability accounting practices. Among the most important of these are full cost accounting, which integrates environmental and social costs into traditional financial accounting, and the triple bottom line (TBL) framework, a model that includes social and environmental factors in performance measurement alongside financial returns (Lamberton 2005).

As Gray describes the evolution of sustainability in accounting discourse, there has been a significant change in both language and conceptual framework. The emergence of the term "sustainability accounts" in the 1990s marked the beginning of a comprehensive transformation in the way accounting addresses global socio-environmental issues. Gray's hypothesis addresses this linguistic shift, arguing that it reflects a deliberate or accidental reorientation of accounting away from its traditional, often narrowly defined concerns with accountability and responsibility toward a broader and more contested domain (Gray 2010). In this context, accounting practices have become increasingly intertwined with the language and imperatives of sustainable development and global trade. As a result, accounting has been repositioned as a discursive and practical tool playing a role in the negotiations about the future of the planet. This raises fundamental questions about the role of accounting in addressing complex sustainability challenges.

In order to classify sustainability, Gray (2010) critically pointed out that there are many stories related to the corporate one and divided sustainability into four categories. The first category encompasses the general discourse within and around the business world, the second refers to corporate reporting itself, the third includes initiatives designed to advance the corporate sustainability (and/or environmental and/or social and/or responsibility and/or accountability) agenda, and the fourth comprises (typically academic) experiences designed to express sustainability at the corporate level.

Addressing the concept of sustainability within the paradigm of globalization, Gray (2002) argues that the results of international accounting standards are the moral and imperialist claims of investor privileges and the imposition of Western principles. In addition, the author argues that strategic management accounting cannot be separated from the environmental degradation that economic growth inherently brings with it. Under such circumstances, culture could potentially serve as a savior. As a result of all these assessments, is cultural sustainability accounting a driving force in the process of establishing cultural sustainability, or is it a safety valve for a school of thought that seeks to control systems under the guise of sustainability? These noteworthy questions will be discussed in detail in the conclusion. There are several important issues that need to be addressed before reaching a conclusion. Gray's cultural values and their potential impact on sustainability accounting will be discussed in separate sections below.

Professionalism vs. Statutory Control

In his work, Gray (1988) defines professionalism versus statutory control as one of the fundamental accounting values influenced by cultural dimensions. This value dilemma is defined as the priority given to the use of individual professional judgment and the maintenance of professional self-regulation rather than compliance with prescriptive legal requirements and legal control. In professionalized societies, accounting practices are generally guided by ethical rules and the discretionary judgments of practitioners and are often supported by effective professional organizations. In contrast, in systems where statutory oversight is important, accounting behavior is mostly shaped by detailed rules embedded in legal and regulatory frameworks

that are aligned with the state's interests in areas such as taxation, corporate law, or economic planning. Professionalism versus statutory control is a cultural value that provides a very important perspective for understanding cross-country differences in sustainability accounting practices. This cultural value has significant effects on how sustainability information is interpreted, implemented, and institutionalized within accounting systems.

In countries with high professional standards, sustainability accounting practices are generally left to the discretion of accountants and the professional bodies that represent them. In such countries, responses to sustainability issues, such as climate risk disclosures or social impact metrics included in corporate reports, may be more flexible (Adams and McNicholas 2007). This flexible framework based on principles can encourage innovation in sustainability reporting practices. However, in cultures where professionalism is high, the frequent use of professional judgment can lead to inconsistencies in reporting quality, lack of comparability between organizations, and the absence of applicable reporting standards, thereby increasing the risk of greenwashing (Cho et al. 2015).

Conversely, high statutory controlled cultures apply sustainability accounting within legally binding frameworks. In countries with high statutory control, sustainability disclosures are characterized by increasing standardization, rule-based approaches, and alignment with national policy objectives. This ensures that disclosure is made at a minimum level and that reporting practices are subject to enforcement mechanisms, thereby enhancing transparency, consistency, and accountability, particularly for investors and regulators (European Commission 2025). For example, the EU's Corporate Sustainability Reporting Directive (CSRD) supports the legal control approach by legally mandating detailed and standardized sustainability reporting requirements. However, this legalistic approach has the potential to limit the contextual nature of sustainability reports and narrow the scope of voluntary, stakeholder-responsive innovations (Bebbington and Unerman 2018).

Professionalism versus statutory control has a significant impact on the dissemination and acceptance of international sustainability frameworks. Jurisdictions prioritizing legal control may more readily adopt comprehensive regulatory initiatives such as ISSB standards or EU taxonomy regulations. In contrast, contexts focused on professionalism may place greater emphasis on compliance with voluntary guidelines such as GRI or CDP, thereby maintaining interpretive flexibility. The implementation of statutory control aims to ensure comparability and compliance. However, it also carries the risk of reducing participation, inclusivity, and sensitivity. Therefore, the effective implementation of sustainable accounting may require a hybrid approach based on professional ethics and expert opinion, but supported by a transparent, consistent, and internationally aligned regulatory framework.

In their work, Gray and Milne (2002) conducted a thorough examination of sustainability reporting and expressed significant criticism regarding its present state and they defined conventional reporting and accountability models situate the "economic organization" (the entity concept) at their core, operating under the assumption of its perpetual existence (the going concern concept) while achieving sustainability necessitates a collective and cumulative evaluation of economic activity in relation to

a given resource base. It is evident that the incorporation of social and environmental impact information, organization-based assessment and reporting will not suffice to demonstrate sustainability, unless the cumulative impact of all activities—and therefore most likely multiple organizations—on the carrying capacity of ecosystems is also considered. In light of the aforementioned perspectives, it can be deduced that the statutory control value in the culture model proposed by Gray (1988) is more applicable in order to attain authentic environmental, social and financial data in sustainability accounting. Consequently, sustainability necessitates a degree of collective decision-making for the benefit of the general population. The study demonstrates that one of the most significant challenges encountered in terms of accountability and reporting on sustainability is the notion of presence. Finally, the researchers emphasized the most significant recommendation, stating by Gray and Milne (2002): "There is an excessive amount of discourse and a paucity of substantive action. It is imperative to exercise critical thinking and not to accept all information as factual. The concept of social and environmental accountability for large organizations will remain aspirational until there is concrete legislation mandating its implementation".

Uniformity vs. Flexibility

Gray (1988) advanced a set of four accounting values derived from Hofstede's (1980) dimensions of social culture, proposing their application within a cross-cultural framework. One such value is that of uniformity versus flexibility, which is indicative of the extent to which an accounting system emphasizes standardized practices across organizations (uniformity) or allows for context-specific adaptation and discretion (flexibility). This value dichotomy is indicative of a societal preference for conformity and adherence to rules as opposed to individual adaptation and innovation in professional practice. Within the domain of sustainability accounting, this cultural dimension exerts a substantial influence on organizational approaches to non-financial disclosure, standard adoption and stakeholder communication.

In countries where uniformity is prominent, there is a tendency to encourage standardized and prescriptive accounting practices. The primary objective of this approach is to ensure comparability while maintaining compliance with and control over national regulatory frameworks or tax systems. This cultural tendency can be observed in many continental European countries, such as Germany or France, where uniform accounting principles are supported by central control and corporate consistency. In the field of sustainability accounting, such environments may support mandatory disclosure requirements, rigid formats (e.g., compliance with national ESG taxonomies), and the alignment of sustainability data with legal and regulatory responsibilities. The advantages of this approach are multifaceted. They include features such as facilitating comparative assessments between companies and sectors by ensuring consistency and transparency (Bebbington and Unerman 2018).

In contrast, societies that place greater emphasis on flexibility—such as the United States, Canada, and the United Kingdom—generally allow more freedom of interpretation in accounting practices. In such cultures, sustainability accounting is more voluntary and principle based. Organizations can adapt their disclosures to reflect

the interests of specific stakeholders, sector-specific materiality criteria, or innovations in environmental, social, and governance (ESG) practices. This flexibility may encourage the use of narrative disclosures and the adoption of sector-specific frameworks (Adams and McNicholas 2007). However, the disadvantages of such a system include reduced comparability, potential inconsistencies in data quality, and an increased risk of greenwashing if voluntary reporting is not subject to third-party audit or regulatory oversight (Cho et al. 2015).

From a critical sustainability perspective, striking a balance between comparability and contextual relevance can be challenging. The relationship between these two factors, which have a significant impact on financial reporting, is shaped by cultural and capital market dynamics (Roberts and Salter 1999). Excessive uniformity can lead to compliance-focused reporting that obscures local, environmental, and social realities. Conversely, excessive flexibility can jeopardize the integrity of sustainability disclosures and hinder companies' efforts to be accountable for the environmental impacts they cause. Although uniformity that ensures comparability is perceived as a stronger factor, the global nature of sustainability and the concept of subcultures within globalization reduce the need for uniformity. An accounting system subject to accounting standards applied within the same country can benefit from flexibility in cross-country comparisons. Therefore, a hybrid approach that combines basic standard criteria with detailed and explanatory disclosures may be the most appropriate approach for navigating the global sustainability accounting environment.

Conservatism vs. Optimism

Gray (1988) defines conservatism vs. optimism as a cautious approach to measurement, as opposed to a more optimistic, free market economy and risk-taking approach to dealing with the uncertainty of future events.

The tension between conservatism and optimism represents a fundamental dilemma in accounting principles and is particularly important in the context of sustainability accounting. Conservatism in accounting traditionally refers to a cautious approach to financial reporting. This approach requires that liabilities and losses be recognized immediately, while revenues and assets are only recognized once they have been verified. The effects of conservatism in sustainability accounting are twofold. On the one hand, a conservative approach can lead to underreporting of environmental and social obligations, resulting in delays in necessary corrective measures or misinforming investors and other stakeholders about an organization's actual sustainability risks. On the other hand, strategic investments in areas such as renewable energy initiatives and social programs may be hindered if they are perceived as unlikely to provide immediate financial returns.

Optimism in accounting, on the other hand, is a forward-looking approach that emphasizes future economic benefits and potential for progress. This distinction is particularly important in sustainability accounting, as these criteria are often non-financial, uncertain, and long-term. For example, environmental considerations, contingent liabilities for carbon emissions, or estimates of future social impacts may

be underreported or even entirely omitted when measurement is uncertain or regulatory guidelines are unclear. An optimistic approach to sustainability reporting may encourage organizations to emphasize future sustainability opportunities and innovations. This may align with stakeholder expectations, but it also carries the risk of organizations presenting themselves as more sustainable than they are (Cho et al. 2015). Therefore, a balanced perspective that combines conservatism and optimism is essential to ensure that information is both accurate and comprehensive, without exaggerating or omitting important sustainability-related information.

Recent legal regulations have increased pressure on companies to report not only how sustainability issues affect their financial performance, but also how their activities impact society and the environment. This changing environment requires forward-looking and impact-focused data integration and poses a significant challenge to traditional conservative accounting practices. It is also important to acknowledge that not every organization has an altruistic side or environmental and social ideals. In such cases, companies may be concerned about the uncertainty of external reactions to environmental and social reporting and the potential for creating a negative corporate image. For some companies, uncertainties related to environmental and social issues (e.g., the nature of reporting requirements and measurement methods) may lead to a "safe play" approach characterized by conservatism and a tendency to avoid reporting. At the same time, the presence of conservatism among reporting companies may also be a contributing factor to this situation.

In conclusion, sustainability accounting requires reconciling conservatism and optimism. A hybrid approach that combines caution and accountability regarding long-term sustainability impacts can reflect a company's performance and risks in a more comprehensive and ethically responsible manner. Such a balance is essential for maintaining the integrity of accounting practices and responding to the complex demands of a rapidly changing world.

Secrecy vs. Transparency

According to Gray (1988), the concept of "secrecy versus transparency" is characterized by 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. This approach is in contrast to a more transparent, open, and publicly accountable approach.

Transparency is a phenomenon influenced by the cultural environment in which an institution exists. The existence of corporate transparency is contingent upon the presence of a similar culture within the institution. To elucidate certain concepts, it is imperative to define the terminology. The strategies of "transparency for governance" involve the following actors in the following roles (Mitchell 2011):

- "Transparency promoters," who seek to increase transparency.
- "Information generators" are entities that are responsible for the collection, aggregation, and dissemination of information.
- "Information recipients" are defined as individuals who receive and potentially use the information.

- "Targeted actors" are defined as individuals whose behavior the transparency promoter seeks to influence.

Information generators can collect information on the following subjects:

- their own behavior, i.e., "behavioral disclosure,"
- the behavior of others, i.e., "behavioral disclosure-by-others," or
- non-behavioral phenomena such as environmental conditions, i.e., "consequence disclosure" or "impact-disclosure".

Considering the definitions and roles outlined above, two types of transparency policies can be distinguished: "disclosure-based transparency" and "education-based transparency." Both approaches involve efforts to disseminate information with the aim of influencing the behavior of certain actors. It can be argued that sustainability reporting, which is influenced by cultural factors, is an important tool for both transparency approaches because sustainability reports serve both purposes when shared transparently. On the one hand, they provide stakeholders with a comprehensive overview of an organization's activities related to environmental issues, social issues, and governance. On the other hand, it serves as an educational tool by disseminating the necessary information, methodologies, and topics.

According to research, there is a relationship between corporate sustainability reporting disclosures and the role of the board of directors (Shayuti et al. 2018; Fuente et al. 2017) and the role of the corporate sustainability reporting committee (Shayuti et al. 2018; Eberhardt-Toth 2017). Fuente et al. (2017) argue that "corporate transparency on sustainability is linked to the independence and diversity of board members and the existence of a corporate sustainability reporting committee" (p. 737). These studies demonstrate that corporate sustainability reports, as a corporate governance tool shaped by corporate culture, are more effective when grounded in the principle of transparency.

Despite the promotion of transparency in corporate sustainability reporting, the extent to which companies are transparent is another topic of debate. In a study by Yusoff et al. (2014), accountants stated the following regarding the need to protect the confidentiality of sustainability information:

> While competitors have the possibility of accessing a comprehensive range of data, including management accounting information, it is necessary to question the rationale behind disclosing this information to the public. Competitors can access the company's internal information. A balance must be struck between the information disclosed and the information kept confidential. It is imperative that we protect our competitive advantage against our competitors by preventing them from accessing certain information. However, transparency is recognized as a commendable practice in terms of compliance with certain environmental regulations. This enables the organization to provide a statement of assurance to the public and project a positive image of corporate citizenship. While this addresses concerns, it may also give rise to unnecessary concerns.

In this scenario, personal preferences regarding transparency in sustainability reporting are found to conflict with the company's actual reporting practices. Therefore, although subject to audit in the context of sustainability public obligations, the

degree of transparency demonstrated by institutions in this regard may remain uncertain. The influence of different cultures may increase this uncertainty. It is widely accepted that acting is preferable to inaction. In such cases, seeking transparency can hinder our ability to see the bigger picture.

Gray (1988) defines secrecy as "a preference for confidentiality and the restriction of disclosure of information about the business" and argues that management does not prefer transparent, open, and publicly accountable communication with external parties in high-secrecy countries. He constructs the secrecy accounting value with uncertainty avoidance, power distance, and individualism (Temiz and Acar 2023). More specifically, under Gray's (1988) framework, while uncertainty avoidance and power distance increase a country's secrecy level, individualism decreases the secrecy level. Gray (1988) explicitly attributes the disclosure of privacy and the measurement of conservatism to these proposed accounting values. While Gray (1988) conceptualized the value of secrecy, Hope et al. (2008) operationalized this concept. They constructed the secrecy variable as "Uncertainty Avoidance + Power Distance - Individualism" and tested the secrecy hypothesis in the auditor selection problem. Research on the cultural dimensions of managers' discretionary disclosure decisions is much more limited, especially when countries' different secrecy levels are examined (Temiz and Acar 2023). National secrecy culture can be seen as a constraint in CSR disclosure practices (Gray 1988), but boards with greater gender diversity may mitigate the effect of privacy culture on firms' CSR disclosures by increasing transparency and improving firms' internal governance mechanisms, such as enhancing stakeholder participation and strengthening accountability (Temiz and Acar 2023). Orij (2010) clearly states that secrecy in CSR reporting means that the community is not stakeholder-oriented (Orij 2010: 874). According to Orij (2010), the higher the level of secrecy in a country, the fewer CSR disclosures there are. Another study was conducted by Hope et al. (2008). According to the study's findings, the individualism component has a negative impact on secrecy because collectivism excludes secondary stakeholders from information accessible to the collectivist environment.

Studies on the value of secrecy versus transparency in the literature have mostly focused on sustainability reporting. According to the results of these studies, although organizations appear to adopt the principle of transparency in their sustainability reports, it is not possible to talk about complete transparency. Environmental issues and the competitive environment hinder the open sharing of information in some way. Even with legal regulations in place, it can be argued that achieving full transparency is not possible.

Table: How Gray's Values Affect Sustainability Reporting and Practices

The impact of Gray's cultural values on sustainability reporting and practices is shown in Table 5.1.

Table 5.1 The impact of Gray's values on sustainability reporting and practices

Accounting value	Implication for sustainability accounting
Professionalism	It encourages discretion and professional judgment in sustainability disclosures and promotes innovation and ethical reflection
Statutory control	It is imperative to note that this approach often results in compliance-based reporting that is merely a box-ticking exercise, rather than a genuine effort to address environmental concerns. This tendency is particularly evident in the context of legal mandates, such as the CSRD, where the primary focus is on meeting regulatory requirements rather than on substantive environmental action
Uniformity	The promotion of standardized metrics and comparability is instrumental in facilitating the benchmarking of ESG data across firms or jurisdictions
Flexibility	This has been proven to enable adaptation to local contexts and sector-specific sustainability challenges. However, this can also lead to reduced comparability
Conservatism	This can result in cautious estimates of environmental liabilities, and there is a possibility of underreporting sustainability opportunities or impacts due to measurement uncertainty
Optimism	It is imperative to encourage the development of a forward-looking sustainability investment and narrative. However, this practice must be supported by empirical evidence, as a lack of rigorous evidence can lead to the spread of misinformation and potentially fraudulent claims
Secrecy	This potential limitation may reduce stakeholder trust and engagement by hindering transparency on environmental, social, and governance (ESG) issues
Transparency	This process has been proven to increase stakeholder accountability, thereby enabling stakeholders to gain a clearer understanding of sustainability risks and performance

5.5 Cultural Dimensions Beyond Sustainability Reporting

Research on the impact of cultural values on sustainability accounting is based on the work of Gray and Hofstede. In addition to research focusing on sustainability reporting practices, various topics such as the basic structures and values of accounting systems, corporate governance, organizational ethics, education, and consumer attitudes have also been studied.

According to Gray's framework, cultural dimensions such as professionalism vs statutory control, uniformity vs flexibility, conservatism vs optimism, and privacy vs transparency affect not only the reporting of information but also corporate decision-making, the assessment of internal and external risks, and stakeholder participation. For example, societies characterized by strict statutory control and uniformity may prioritize compliance-based governance and rigid performance metrics, which can hinder the innovation required for adaptable sustainability strategies. This is because

such societies have rigid boundaries. Conversely, cultures that prioritize professionalism and flexibility tend to grant more discretion, which can encourage creative responses to challenges in sustainability. However, this approach is risky as it can lead to inconsistency or a lack of comparability. In addition, privacy-focused cultures can reduce transparency in decision-making by hindering stakeholder participation and civil society influence, which can weaken trust in the organization. Alternatively, some organizations may design transparency in a way that aligns with their personal goals. Such cultural characteristics are increasingly influencing accounting education, internal control systems, audit practices, and corporate responsibility initiatives that address sustainability issues. Sustainability accounting has evolved from an environmental reporting function to a central component of strategic management and accountability. It is important to consider not only the information disclosed but also how sustainability is conceptualized, prioritized, and institutionalized within organizations and societies. Sustainability is not a temporary phenomenon; rather, it is a concept that grows and evolves over time. In this sense, culture is one of the fundamental factors shaping the evolution of sustainability.

A thorough examination of the extant studies reveals a conspicuous absence of formal integration of culture with the environmental, social, and economic components of the triple bottom line lens of sustainability. However, the concept of culture is equally intricate and has the capacity to exert a variety of effects on sustainability (Miska et al. 2018; Caprar and Neville 2012). The observed effects are contingent upon the conceptualization of the connections between formal institutions, such as political, legal, and economic rules and regulations, and informal institutions, such as culture (Miska et al. 2018; North 1990).

Aguinis and Glavas (2012) have assessed the connections between institutional-level determinants, such as culture and sustainability, which are examined as informal actors in academia, as a "black box." Ralston et al. (2015: 168) posit that "much remains to be learned to fully understand the dynamics of CR's (corporate responsibility) triple-bottom-line outcomes." Furthermore, the role of culture can be interpreted in diverse ways, contingent on factors such as national boundaries and the composition of multi-national groups (Peterson and Sondergaard 2014). A more fruitful approach might involve recognizing that, in a global context characterized by extensive cultural interaction, attributing cultural phenomena exclusively to the nation-state may not be the most productive line of thinking. A meaningful examination of long-term, future-oriented, and intergenerational transfer of sustainability necessitates a transdisciplinary approach that encompasses environmental, social, economic, political, and technological factors. This approach should be utilized in lieu of a mere reporting on the subject, and culture should be removed as an external factor.

The ensuing subsections will explore domains that transcend the realm of reporting and delve into the assessment of the nexus between culture and sustainability in diverse contexts such as education, organizational culture, governance structures, and global ESG expectations.

5.6 Sustainability in Accounting Education

5.6.1 The Role of Accounting Education in Promoting Sustainability

In their study Gray and Collison (2002), starts with asking a question: "What do accountants need to know about the environment?" with a subsidiary question "how are they to acquire this knowledge?". In this study, they argue that the relationship between education and training needs to be expressed more clearly. For accounting to continue to exist as a profession, serve the public interest, and meet the requirements of sustainability, accounting education needs to be comprehensively revised and become a specialized profession for relevant graduates (Gray and Collison 2002). Based on the results of their work, when sustainability is assessed in terms of teaching, research, and especially the nature of the profession and accounting education, accounting is a informed, educated, and "learned" profession and despite the fact that very few people are aware of these concerns, either explicitly or implicitly, there is still a long way to go before this capacity becomes an integral part of what it means to be an accountant (Gray and Collison 2002).

One of the key recommendations regarding sustainability education is to develop a formal science of sustainability (an interdisciplinary science) in order to increase the credibility of sustainability education in the eyes of more conservative academics and facilitate its acceptance (Leal et al. 2018).

5.6.2 Bridging Theory and Practice: Curriculum Innovations

Including sustainability education in academic activities, particularly by promoting a better understanding of various global issues related to sustainable development (such as extreme poverty, human rights, globalization, equality issues, professional and environmental ethics), can provide benefits by linking theory and practice (Frizon and Eugenio 2022). Frizon and Eugenio (2022), in their study, developed four recommendations regarding the improvement of sustainability education in the fields of accounting and management. The most notable of the four recommendations is to emphasize the identification of practical experiences (theory and practice) related to projects developed by universities and implemented by organizations for the purpose of implementing sustainable practices, as well as the reporting of collaboration examples (university and firm collaboration relationships) (Frizon and Eugenio 2022). As suggested by Leal et al. (2018), real projects implemented by organizations help students connect with the real world and contextualize the theory they have learned. Additionally, interaction between universities and businesses is a crucial element in ensuring that the "supply" of future business leaders aligns with actual demand

(Frizon and Eugenio 2022). In this context, managers' and business leaders' perceptions of sustainability may align with those of students who will become future leaders (Singh and Segatto 2020).

In his work, Bebbington (1997) stated that in order to design sustainable accounting education, the following questions must be asked: "Who do we want to empower?", "What authority will be given to this person?", and "What means do we use to seek this goal?". In his study, Bebbington (1997) focused on the themes of interaction between practice and education and attempted to argue that accounting education has potential, albeit problematic. The aim is to enable interaction between accounting education and practice. As Gray (1992) also points out, accounting education has the potential to contribute to accountability and transparency in participatory democracy (p. 399). Similarly, Power (1994) notes that the greening of accounting is "linked to certain democratic aspirations for the transformation of working life" and could help develop "a new moral vocabulary and a new category of relevance and visibility" (p. 382) within organizations. Accounting education achieves this through interaction with practice and often neglected, through accounting education itself (Bebbington 1997). Similarly, Mburayi and Wall (2018) concluded that their research shows integration is more effective when there is leadership commitment, and this approach requires collaboration with non-academic stakeholders and investment in faculty development. However, the current situation is not exactly like this. From the selected studies, it can be seen that sustainability has been integrated into accounting and finance curricula mainly by business schools integrating sustainability elements into their existing modules and adding independent sustainability modules to the curriculum (Mburayi and Wall 2018). These approaches are narrow in focus and do not introduce sustainability to many students. The conclusion drawn from the above observations is that integrating sustainability will have an impact on student participation and future decision-making processes (Burga et al. 2017).

5.6.3 Challenges in Embedding Sustainability in Accounting Education

Recent research conducted by Cho and Costa (2024) stated that; they have identified three specific actions and strategies that accounting educators and professional organizations can adopt to address the challenges. First, they recommend incorporating interdisciplinary perspectives at the course level and addressing business challenges and other pedagogical methods to effectively address sustainability challenges (Cho et al. 2022). The business world's need for accountants who understand sustainability and can integrate it into the decision-making process is growing. Second, they emphasize the key role of professional bodies in helping the profession adapt to these new demands and significantly influencing the direction of this timely transformation (Cho and Costa 2024). Finally, there is an urgent need for lifelong learning

initiatives within professional accounting organizations (Comyn 2018). These initiatives should become a priority and opportunity for adult education within the SDG framework (Cho and Costa 2024).

According to another finding of studies discussing how sustainability can be integrated into accounting education, sustainability, along with social and ethical responsibilities, should be addressed not only as additional information but as a cornerstone of accounting education and the accounting profession, and should include interdisciplinary perspectives when addressing business issues and challenges (Annan-Diab and Molinari 2017; Cho et al. 2020; Gray 2019). There are also challenges in effectively incorporating the social and ethical dimensions of accounting and related skills into the accounting education curriculum, and this issue has been questioned by educators and academics for a long time (Othman and Ameer 2024). A proposal to address this issue was put forward by Luppi (2011), who argued for the necessity of a curriculum that enables students to act as "active agents" in the construction of their own knowledge.

When examining studies conducted on sustainability and accounting education in the literature, it is evident that there are a significant number of such studies. If the topic of sustainability education has been studied to such an extent in academia, the subject is given considerable importance. The importance of accounting education for sustainability can be understood from studies conducted on the subject. Accounting is not an area where academic education alone is sufficient; it is also influenced by new developments in legislation and structure. In this context, it is recommended that, alongside curriculum updates at the undergraduate and graduate levels, lifelong learning be adopted in the field of accounting and that educational designs be developed in collaboration with external partners.

5.7 Organizational Culture and Internal Practices

5.7.1 Defining Organizational Culture in the Context of Sustainability

The prevailing organizational culture, which is shaped by a confluence of international and national cultural influences, serves as the foundational determinant of internal practices. Consequently, it is a critical factor in determining an organization's commitment to sustainability. According to Schein (2010), organizational culture comprises the shared assumptions, values, and beliefs that guide behavior within organizations. If these cultural foundations prioritize ethical behavior, innovation, stakeholder involvement, and environmental responsibility, they catalyze internal practices conducive to sustainable development. For example, a culture that prioritizes long-term focus is more likely to support practices such as environmental management systems, social impact assessments, and integrated reporting (Lozano 2015). Such internal practices operationalize cultural values and shape how

sustainability is integrated into strategic and day-to-day activities. Conversely, rigid, compliance-focused cultures may hinder organizational responses to sustainability-related challenges. Ultimately, developing a culture that prioritizes sustainability is essential for designing effective internal practices and elevating sustainability from a marginal issue to a core organizational principle.

Therefore, it is essential to examine the distinctions between corporate culture and sustainability culture. The approach of examining sustainability and corporate culture as discrete entities may, in fact, hinder our ability to attain a comprehensive understanding, thereby impeding meaningful discourse about sustainability culture.

5.7.2 Corporate Culture vs. Sustainability Culture: A Conceptual Distinction

The concept of corporate sustainability culture is multifaceted and can be described in a variety of ways. One such description was provided by Bertels et al. (2010) and can be summarized as follows: "A culture of sustainability is defined as one in which organizational members hold shared assumptions and beliefs about the importance of balancing economic efficiency, social equity, and environmental accountability." Consequently, it can be posited that organizations with a robust culture of sustainability endeavor to promote healthier environments and more developed social fabric designs.

Most organizational change initiatives that prioritize the establishment of a sustainable corporate culture remain predominantly confined to the internal boundaries of the organization. However, sustainability constitutes a component of a more extensive social agenda. The impetus for a sustainability initiative is frequently external, and the social benefits may not always be directly apparent, leading to a perceived lack of direct value addition to the organization. When change is driven by internal motivation, it can be initiated when one or more members of the organization perceive it as "the right thing to do." Consequently, the acceptance and intention of internal stakeholders are imperative for the establishment of a sustainable organizational culture. Furthermore, the fundamental elements necessary for change may be beyond the control of the organization and may be found in its supply chain or key stakeholders. Consequently, organizations undertaking a sustainability initiative are often compelled to engage in substantial inter-organizational collaboration. Finally, and perhaps most importantly, transitioning to sustainability may require paradigm-shifting business models or approaches. The objective of this initiative is no longer exclusively oriented towards the pursuit of corporate profit; it is now characterized by a dual focus on the creation of both organizational value and tangible benefits.

Below is a model created by Bertels et al. (2010) entitled "An examination of the application of a portfolio-based approach to sustainable integration."

According to Bertels et al. (2010), creating a culture of sustainability within an organization is based on two fundamental goals: compliance and innovation. In

pursuit of sustainability, there may be different situations between existing sustainability initiatives (compliance) and changes that will improve long-term sustainability performance (innovation) (Bertels et al. 2010). There are two approaches to achieving sustainability goals: informal and formal. Both approaches, which are in constant interaction, can influence corporate sustainability culture. The "four-quadrant model" shown in Fig. 5.2 defines a set of practices designed to integrate sustainability into an organization's culture. The quadrant showing informal practices is called "encouraging commitment," while formal practices are associated with the process of "clarifying expectations." Informal practices related to innovation are associated with "creating momentum for change," while formal practices aimed at promoting innovation are encompassed in the final quadrant, "building change capacity" (Bertels et al. 2010).

The purpose of the initiatives in the "Fostering Commitment" quarter is to determine and reinforce the importance of sustainability for the organization, as well as to support and encourage those who strive to institutionalize sustainability (Bertels et al. 2010). These initiatives are divided into five behaviors: participation, signaling, communication, talent management, and reinforcement. The goal of this quarter is to facilitate stakeholders' understanding and motivation regarding the sustainability process within the organization. The initiatives in the "Clarifying Expectations" quarter are designed to integrate sustainability into the core of the organization's strategies and processes (Bertels et al. 2010). While these initiatives are implemented,

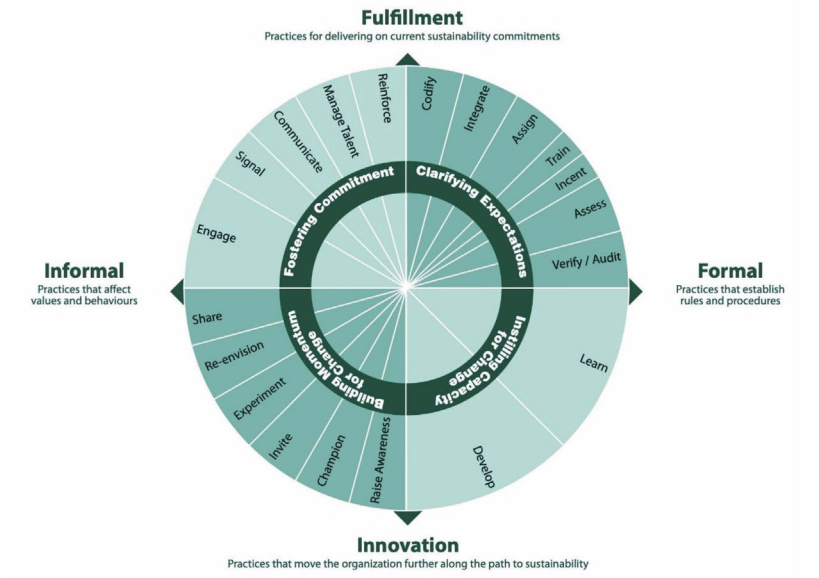


Fig. 5.2 A portfolio approach to embedding sustainability

employees are qualified and motivated through training and incentives, and the organization's progress is measured, monitored, and reported. Initiatives in the "Building Momentum for Change" quarter are designed to support a culture of sustainable innovation within the organization by developing new ideas necessary to move the organization closer to its long-term sustainability goals (Bertels et al. 2010). These initiatives create an environment conducive to experimentation, mutual learning, and the development of trust among employees. The initiatives in the "Instilling Capacity for Change" quarter form the foundation for organizational change (Bertels et al. 2010).

The formation of the corporate sustainability culture described above is contingent upon two factors: first, the understanding and acceptance of this process by the organization's internal and external stakeholders; and second, the integration of sustainability principles into the organization's strategic framework. The sustainability process is a multifaceted journey that an organization must embark on, and it naturally follows that each organization's path may differ. As demonstrated, the exclusive means of comprehending or quantifying sustainability and culture does not lie in reports, but rather in the alterations that organizations implement within their own internal regulations.

5.8 Governance Structures and Policy Frameworks

5.8.1 Globalization, Sustainability, and the Evolution of Governance

The dynamic interplay between the concepts of globalization and sustainability has precipitated a shift in the conceptualization of governance structures. Indeed, shifts in sustainable production and consumption have now transcended the borders of a single country, resulting in governance structures that are characterized by transboundary characteristics. The theorization of international private governance structures has centered on two sets of questions. The initial issue pertains to the reliability, authority, and potency of economic actors in determining control over the allocation of financial, material, and human resources in global chains (Bush et al. 2015; Boons and Mendoza 2010; Gereffi et al. 2005). The subsequent issue concerns the design, content, and implementation of quality standards and certification programs (Bush et al. 2015; Busch and Bain 2004; Marsden 2004). The transition toward sustainability and private governance in global production and consumption establishes a connection between these two literatures, thereby transcending global economic practices and identifying regulations that can be regarded as a "political compromise and institution-building project" pursued by social movements, international NGOs, private companies, and states (Bush et al. 2015; Bartley 2003; McCarthy et al. 2012).

A critical examination of the historical evolution of the nexus between management structures and sustainability reveals the emergence of the concept of global

commodity chains (GCC), a paradigm that transcends the limitations of the World Systems theory, which garnered initial scholarly attention in the early 2000s. The paradigm shift towards a focus on the practices of leading companies in the realm of international production has been catalyzed by the emergence of global commodity chains. This paradigm shift entails a transition from a focus on structural political economy to a more nuanced consideration of how leading companies build and manage international production. GCC scholars have also drawn on concepts of culture, quality, and tradition that differ from the French filiere approach (Raikes et al. 2000) and the consumer-oriented nature of supply systems (Fine and Leopold 1993). During this period, discussions emerged concerning the influence of culture on governance structures.

5.8.2 Forms and Orders of Governance: Theoretical Foundations

Governance can be conceptualized as the aggregate of interactions between public and private sector actors with the objective of addressing social challenges or generating social opportunities. It involves a focus on the institutions that establish the context for these governance interactions and the establishment of a normative foundation for these activities (Kooiman 2003). Kooiman (2003) has classified governance forms into three categories: "self," "co-," and "hierarchical." In hierarchical governance, the primary emphasis is on the state's overarching guiding role in governance. Co-governance is concerned with the way groups collaborate horizontally. Self-governance is defined as the capacity of people to govern themselves by coming together to create their own collective solutions. Kooiman has delineated various governance orders—namely, first, second, or meta orders—to elucidate the numerous structures and levels of contemporary governance. First-level governance is defined as the daily governance activities that take place within an institution. In contrast, second-level governance refers to the institutions where first-level governance is executed and becomes the object of governance. The concept of meta-governance emerges when the established norms and principles of governance become the subject of governance itself, encompassing both first, second, and meta-governance (Soini and Dessein 2016).

5.8.3 Culture as the Fourth Pillar of Sustainability

To assess the impact of cultural influences on the sustainability development process, Dessein et al. (2015) have devised a theoretical model. The model incorporates the concepts of "culture in sustainable development," "culture for sustainable development," and "culture as sustainable development" and has proven to be a valuable tool

for understanding these complex interactions. In the model, "culture" is integrated as the fourth pillar of the three-pillar framework of sustainability. This finding aligns with the prevailing notion of cultural influence on sustainability, as articulated in this study. The model is presented in Fig. 5.3.

The three roles of culture in sustainable development are represented by the three concentric circles. The three pillars are as follows: Culture is posited as a fourth pillar, serving a mediating function between the three existing pillars and functioning as the foundation for sustainable development. The arrows symbolize the dynamic and ever-evolving nature of culture and sustainable development. The concepts of "culture for sustainable development," "culture in sustainable development," and "culture as a model for sustainable development" are interpreted alongside governance structures. Culture for sustainable development can be categorized as hierarchical and first-order governance. Culture in sustainable development can be categorized as co-governance and second order while culture as a model for sustainable development can be categorized as self-governance and meta-governance.

Despite the establishment of governance regulations in accordance with sustainability principles, governance models exhibit significant variations across different countries and case studies. At times, these variations even occur within a single country. Nevertheless, there are certain commonalities that can be identified both within countries and between cases. These commonalities underscore the significance of path dependency, a concept that refers to the influence of country-specific institutionalized structures, as well as broader political culture and history, in shaping the adoption and implementation of new policy initiatives through deeply entrenched and persistent patterns of action (Atkinson and Klausen 2011). Consequently, the implementation of a unified governance model for sustainability would fail to acknowledge the impact of culture, which is regarded as the fourth pillar of sustainability.

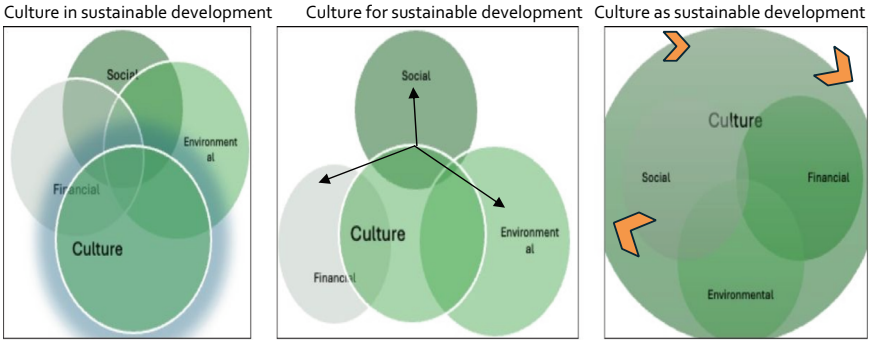


Fig. 5.3 Culture in—for—as sustainable development

5.9 Cultural Variance in Global ESG Expectations

5.9.1 National Culture and Stakeholder Legitimacy in ESG

National culture establishes the social norms and values that influence an individual's or organization's behavior within society. These cultural factors impact the legitimacy of a firm's gains from stakeholders (Ahmadjian and Robinson 2001; Meyer 2008; Selznick 1996). Upon reviewing the literature, it is evident that few studies have measured the impact of culture on environmental, social, and governance (ESG) factors. However, Guiso et al. (2006) argue that national culture influences beliefs, values, expectations, and economic outcomes. For instance, attitudes toward social capital, unethical behavior, and redistribution preferences vary across cultures. Similarly, the level of appreciation for doing good and the severity of punishment for doing wrong may vary across cultures (Shin et al. 2023; Jiang et al. 2020). These attitudes can manifest in institutional terms as external stakeholders' evaluation and response to companies' social, environmental, managerial, and economic activities, whether they are undertaken, attempted, or merely perceived.

Sustainability accounting has evolved into a global practice; nevertheless, its implementation is profoundly influenced by cultural values that shape stakeholder expectations, particularly in regard to the Environmental, Social, and Governance (ESG) dimensions. The concept of responsible or sustainable corporate behavior is subject to interpretation in different cultural contexts. For instance, within cultures characterized by elevated power distance, the governance facet of ESG may be perceived through hierarchical structures that prioritize authority and formal compliance. Conversely, in societies with low power distance, transparency, participatory decision-making processes, and horizontal accountability mechanisms may be accentuated. Collectivist societies often exhibit stronger expectations regarding the social dimensions of ESG, valuing social welfare, employee rights, and stakeholder inclusion. In contrast, individualistic cultures may focus more on investor returns and market efficiency. Gray's (1988) research, grounded in accounting values such as professionalism, legal control, privacy, and transparency, offers a compelling demonstration of the significant influence that these culturally rooted dimensions exert on ESG disclosure practices and stakeholder participation. Consequently, the global movement toward standardized sustainability reporting frameworks, such as the International Sustainability Standards Board (ISSB) or the Global Reporting Initiative (GRI), must acknowledge the risk of uniformity in Environmental, Social, and Governance (ESG) criteria, which may overlook local ethical expectations and sociopolitical norms. These entrenched cultural differences must be addressed. To enhance the comparability of ESG data and to promote genuinely responsible corporate practices that are sensitive to context-specific sustainability concerns, it is necessary to bridge this cultural heterogeneity.

The positive relationship between Environmental, Social, and Governance (ESG) performance and financial performance is a frequently encountered argument. This assertion is predicated on the premise that all ESG activities, irrespective of

cultural and normative differences across countries, can yield financial outcomes by enhancing a company's reputation in society. Consequently, companies can enhance their legitimacy, cultivate a favorable reputation, and optimize their financial performance by engaging in various ESG initiatives. However, this assumption has been met with skepticism by some researchers, who argue that other factors may influence this relationship (Shin et al. 2023; Barnett 2007; Grass and Krause 2020). The crux of the matter, as posited by Yang and Rivers (2009), lies in the examination of the reasons why environmental, social, and governance (ESG) performance affects firms' financial performance differently across countries and to what extent stakeholders are willing to assign economic value and incentives to ESG performance behavior based on the cultural characteristics of society (Shin et al. 2023). The implications of ESG as a mandatory criterion may vary across different cultural contexts. It can be posited that the existence of incentives and opportunities to perform altruistic acts may be subject to variation depending on the prevailing national culture (Shin et al. 2023). Consequently, within a societal context that perceives ESG as a social obligation, enterprises that adopt ESG practices will attain societal legitimacy. However, the financial implications of ESG will be negligible due to the absence of incentives. Conversely, within a societal context that does not view ESG as a social obligation, enterprises that implement ESG will attain societal legitimacy and receive significantly greater financial rewards.

In their studies, Shin et al. (2023) measure country cultural characteristics using Hofstede's six cultural dimensions, arguing that incentives and opportunities for companies' ESG practices are dependent on national culture, based on legitimacy theories (Suchman 1995) and national work system theories (Matten and Moon 2008). In societies that have adopted ESG practices as a social standard, companies are incentivized to comply with ESG practices to gain legitimacy. Conversely, in societies that do not view ESG practices as a social standard, stakeholders appreciate ESG efforts that are not mandatory and are less considered when gaining legitimacy in society. Empirical evidence indicates a robust correlation between environmental, social, and governance (ESG) performance and financial performance in individualistic and masculine societies. Furthermore, multinational companies have been shown to achieve higher economic returns from ESG activities. For instance, companies in the United States and the United Kingdom, which exhibit high individualism scores of 91 and 89, respectively, tend to benefit more from ESG practices (Shin et al. 2023). However, some companies strategically or voluntarily implement ESG measures using their resources. Irrespective of their objectives, stakeholders generally express appreciation for activities that enhance overall social welfare. However, a more robust correlation between Environmental, Social, and Governance (ESG) performance and financial performance is not evident in societies characterized by elevated power distance, uncertainty avoidance, a short-term orientation, and limited tolerance for diversity.

5.9.2 Integrity Culture and Corporate ESG Behavior

ESG, a pivotal factor in attaining corporate legitimacy, is also examined in the context of corporate integrity, which constitutes a component of managerial culture. Gillan et al. (2021) and Feng et al. (2022) emphasize that ESG focuses much more directly on corporate governance than on corporate social responsibility. Companies with a high integrity culture are also advantaged in obtaining financial support from customers, creditors, and regulators because they demonstrate that they allocate sufficient resources to fulfill their ESG obligations. According to stakeholder theory, an organizational culture of integrity has the potential to mitigate conflicts arising from stakeholders' divergent objectives and time horizons. This is because stakeholders allocate their efforts and capabilities to the organization's Environmental, Social, and Governance (ESG) strategies, driven by the shared value of integrity culture.

Ho et al. (2012) examined the relationship between corporate social performance and culture, finding that differences in corporate social performance are linked to national culture, geographical region, and level of economic development. It was observed that European companies generally demonstrate superior performance in terms of average corporate social performance scores when compared to their North American counterparts. Conversely, Asian companies, while exhibiting lower performance metrics, demonstrate a competitive advantage over developing countries. Sirmon and Lane (2004) posit that this discrepancy may be attributable to multiple factors. They propose that national culture plays a pivotal role in shaping a nation's value system, which, in turn, exerts a significant influence on individuals' attitudes. These attitudes shape how individuals perceive and react to issues such as corporate responsibility and performance. For instance, Asian societies, due to their collective structure, exhibit a lesser inclination to evaluate or interrogate the actions of senior managers. In contrast, Western societies, characterized by their individualistic nature, place a stronger emphasis on equality and are more predisposed to highlight any irregularities. Ho et al. (2012) emphasized that a second reason could be government regulations, arguing that European countries tend to favor more regulation, while the United States prefers self-regulation. Finally, Ho et al. emphasize that higher institutional social performance is significantly associated with cultures characterized by higher power distance (lower tolerance for questionable business practices), more collectivist societies, more masculine traits, and greater avoidance of uncertainty (preference for a structured environment).

A novel approach to the examination of companies' status and ESG performance is offered by research on national culture. A body of research has emerged from studies conducted by Chen et al. (2015, 2017) and Chui et al. (2016) that suggests a negative correlation between the tendency to avoid uncertainty in the national culture dimension and innovation efficiency, as well as financing costs among companies. This tendency may, in turn, encourage an increase in cash assets. Cultural dimensions characterized by individualistic tendencies have been shown to exhibit an inverse effect in relation to uncertainty avoidance. Boubakri et al. (2017) posit that financial institutions characterized by elevated uncertainty avoidance, power distance, or

collectivist culture exhibited comparatively superior performance during periods of economic turbulence. Furthermore, national culture is equally important for corporate social responsibility (CSR). Thanetsunthorn's (2015) empirical examination of the social responsibility performance of 3055 firms in 28 East Asian and European countries investigated the impact of national culture on CSR. The study found that firms operating in a cultural environment characterized by high power distance and strong individualistic tendencies exhibited lower social responsibility. Conversely, uncertainty avoidance was associated with increased CSR among firms. Conversely, Gallen and Peraita (2018) posit that the prevalence of CSR reports is associated with individualistic societies and countries characterized by low power distance indices. In summary, national culture plays a significant role in ESG performance.

Singhapakdi et al. (1994), concluded that there is a strong positive correlation between people's attitude toward risk and unethical behavior. Societies that evade uncertainty do not promote risk-taking, and demand for information escalates in such societies. In nations such as Japan, characterized by a pronounced tendency to avoid uncertainty, a structured environment with a clearly delineated hierarchy, stringent laws, and rules to mitigate uncertainty is preferred. Consequently, the correlation between increased information regarding ESG and cultures exhibiting greater power distance is statistically significant (Ho et al. 2012).

5.9.3 Turkey's ESG Approach: Cultural and Institutional Dynamics

Turkey's approach to Environmental, Social, and Governance (ESG) issues is shaped by its unique cultural values, institutional structures, and its evolving position within the global economy. Turkey exhibits a hybrid cultural character that blends collectivist traditions with emerging individualistic and market-driven tendencies because of its geographical location between East and West. This characteristic significantly influences corporate ESG behavior and stakeholder expectations.

In terms of accounting culture, the centralization of information and secrets in Turkish societies has enabled Turkish accounting culture to take on a "secret" structure. This hidden cultural structure has also constructed Turkish accounting culture as a closed system. In Turkish culture, where individualism is low, the focus is on "we" rather than "I." According to Gray's accounting culture methodology, the "status quo" accounting culture always requires compliance with official regulations and control of the situation. Additionally, in the "Status Quo" accounting culture, official institutions are expected to intervene in the markets in the face of any negative situation. Turkish accounting culture, which has a "status quo" structure, also manifests as a "strictly controlled" organization with a "normative" organizational culture. Turkish society is highly risk-averse. For this reason, Turkish accounting culture is uniform. Although Turkey's accounting system is called the "Uniform Accounting System," flexible behaviors are also used in accounting practices in

Turkey for tax avoidance. This situation can again be explained by the level of risk aversion in Turkish society. At the same time, as Gray explains, "conservative" accounting systems exhibit a risk-averse attitude by using more conservative measurement methods to deal with uncertainty. This "conservative" cultural attitude in accounting systems is clearly manifested in the risk-averse Turkish accounting culture. The combination of "uniform" and "conservative" cultures has resulted in a "closed," "normative," and "results-oriented" organizational culture in Turkish accounting (Altınkaynak 2020).

From a cultural perspective, Turkey scores relatively high on *power distance* and *uncertainty avoidance*, which often results in centralized decision-making structures and a preference for regulatory clarity. These traits contribute to a top-down governance style in ESG matters, with regulatory agencies and capital market authorities playing a leading role in standard setting and enforcement. In this context, ESG compliance is frequently perceived as a formal requirement rather than a deeply embedded ethical commitment.

Institutionally, Turkey's alignment with European Union regulations, particularly under the EU Green Deal and the Corporate Sustainability Reporting Directive (CSRD), has prompted significant developments in ESG disclosure standards. The *Capital Markets Board of Turkey (CMB)* introduced a voluntary ESG reporting framework in 2020, encouraging publicly listed firms to disclose sustainability-related risks and strategies. While the uptake has been uneven, especially among small and medium-sized enterprises (SMEs), the framework marks a significant institutional step toward harmonization with global ESG expectations (SPK 2020). This first initiative followed by the boar decision of Public Oversight Authority dated December 27, 2023, by introducing the Sustainability Reporting Standards in Turkey. In this context, the decision was made to adopt the International Financial Reporting Standards Foundation's IFRS 1 "General Requirements for Disclosures of Sustainability-related Financial Information" and IFRS 2 "Climate-related Disclosures," published on June 26, 2023, as Turkish Sustainability Reporting Standards TSRS 1 "General Requirements for Disclosures of Sustainability-related Financial Information" and TSRS 2 "Climate-related Disclosures." The Public Oversight Authority announced on its website that it had adopted international standards, as it was given the authority to determine and publish TSRSs in line with international standards.

However, despite progress in regulatory frameworks, Turkey continues to face significant structural barriers to effectively integrating ESG. These challenges include limited ESG literacy among businesses, fragmented stakeholder engagement, and the absence of systematic ESG education in higher education and professional training programs. Furthermore, the country's developmental priorities, such as rapid economic growth, industrial expansion, and job creation, often take precedence over environmental and social concerns. The tension between short-term economic goals and long-term sustainability objectives impedes holistic ESG integration (OECD 2019). Moreover, ESG in Turkey is not yet fully internalized by corporate culture. Many firms treat ESG as a reputational or investor-driven requirement rather than a strategic imperative. This instrumental perspective limits the transformative potential

of ESG initiatives. Bridging this gap requires not only institutional reform but also a cultural shift toward transparency, inclusivity, and ethical stewardship.

In conclusion, Turkey's ESG trajectory reflects a tension between external normative pressures and internal cultural-institutional realities. For ESG to move beyond compliance and become a lever for sustainable development, stronger multi-stakeholder engagement, cultural alignment, and educational reform will be essential.

5.10 Conclusion: Toward a Holistic Framework for Accounting, Culture, and Sustainability

This chapter is a theoretical examination of the inclusion of cultural values in the decision-making process of sustainability accounting. The inclusion of value-based judgments occurs in a continuum from analytical and objective to biased and subjective and science is uncertain about which value judgments are valid, and which should be rejected as unfounded (Martin 2015). For example, sustainability is more exposed to the subjectivity of the researcher, from problem definition to data selection and interpretation of results (Martin 2015). Sustainability and sustainable development stem from values-shaped policies and judgments and are therefore contextual, value-laden, and often focused on social action. Understanding the benefits and efficient use of values in the context of decision science and sustainability science can help sustainability decision-making practices through the conscious, prudent, and transparent use of informed, value-based judgments (Martin 2015).

A holistic approach to sustainability requires interdisciplinarity. However, interdisciplinarity may not always work in defining sustainability or conducting decision-making sustainability studies. Sustainability decisions are contextual, value-laden, and shaped by social actions. The evaluation of a decision should also provide a tool for assessing its outcomes. Decision-making methods that transparently integrate different knowledge and perceptions (and values) have proven to be most useful in environments where various stakeholders value different outcomes, and they also reveal that the values served by the outcomes are similarly transparent. Therefore, sustainability requires a transdisciplinary perspective (Martin 2015). Problem-solving discourse formed the basis of interdisciplinary concepts in the first half of the twentieth century (Klein 2015). However, increasing pressure to solve societal problems has led transdisciplinarity to become increasingly aligned with solving complex problems, cross-sectoral participation of stakeholders in society, and team-based science. Moving in tandem with the discourse of sustainability, transdisciplinarity has now become a recognized precursor in interdisciplinary fields such as cultural studies, women's and gender studies, urban studies, and environmental studies (Klein 2015).

Sustainability transformations, which have become a central concept in science and politics in recent years (Gugerell et al. 2023; Connelly 2007; Gallie 1995),

aim to comprehensively address the major challenges facing contemporary society. These transformations require "radical changes not only in technologies but also in values, institutions, policies, and consumption patterns" (Gugerell et al. 2023; Lundvall 2016: 389). Transdisciplinarity is recognized as an approach that supports collective action, empowerment, and self-governance to promote societal transformations toward sustainability (Gugerell et al. 2023; Baptista and Klein 2022; Hitziger et al. 2018; Klein 2015; Polk 2015; Renn 2021). At its core, it emphasizes the role and importance of different research methods and actors and knowledge structures (Gugerell et al. 2023; Lang et al. 2012), knowledge systems (Gugerell et al. 2023; Ingram 2018), and different types of expertise (Gugerell et al. 2023; Bammer et al. 2020).

Sustainability is the product of a shift in the social paradigm. Every era has a dominant social paradigm, which is defined as the institutional structures, goals, values, and behaviors that shape worldviews and characterize a society. The current dominant social paradigm advocates economic growth, laissez-faire economics, human domination or control over nature, individual property rights, and technological solutions to environmental problems (Kennedy 2020; Cotgrove 1982; Dunlap 2008). It is argued that this dominant worldview perpetuates current sustainability (environmental, social, and economic) problems (Kennedy 2020; Beddoe et al. 2009; Borland and Lindgreen 2013; Matutinovic 2007). However, the desire for increased material well-being, which is the social paradigm of every era, tends to encourage increased consumption and materialism, thereby negatively impacting environmental sustainability (Kennedy 2020; Kilbourne et al. 2009; Kilbourne et al. 1997). Does the new paradigm prevailing in societies today align with the nature of sustainability? Can the new paradigm, which aims to be greener today, create a sustainable society while advocating for being green?

In discussions on sustainability, the influence of Gray's (1982) comparison between "uniformity vs. flexibility" on the dominant social paradigm can be debated in terms of support based on cultural values. A cultural model emphasizing flexibility could be supportive in emphasizing decentralized and participatory governance structures and promoting goals that prioritize environmental, social, and spiritual well-being beyond profit. It is also important to address the growth limits of the planet and the crises that may arise from them, which have been established by Western-created ecocentric principles (Kennedy 2020). Here, too, it may be concluded that a shift from statutory control to professionalism could produce more reasonable solutions. In other words, sustainability must strive to ensure comparability within a standard system while also being open to change in the presence of cultural differences. It is essential not to overlook the view that all humanity is part of an interconnected network with nature and strives for personal growth and fulfillment (Kennedy 2020).

The foundation on which the system of growth and fulfillment of humans and nature is sustained bears the deep traces of culture. According to Sabatini (2019), there are three possible actions in the field of cultural industries and cultural policies for sustainable development. The actions considered are: first, policies for the use of built heritage; second, participatory practices for the performing arts; and third, the development of cultural districts (Sabatini 2019). The rigidity of the traditional

institutional perspective, which opposes a more holistic view of culture, has reduced culture to a highly symbolic form, relegating it to a secondary toolbox within the logic of sustainability (Sabatini 2019). This situation hinders the entry of cultural actors that create sustainable impact on society and the environment but remain unrecognized due to inadequate categories. Therefore, a deeper understanding of the concept of culture is necessary, and both its anthropological and socio-economic meanings must be considered (Sabatini 2019). Because in many studies, culture has been pushed into a utilitarian position relative to other elements of sustainability. However, these examples, which specifically target the production of material and immaterial cultural outputs, demonstrate how cultural activities can create sustainable impacts from social, economic, and environmental perspectives (Sabatini 2019). Instead of merely seeking to achieve sustainable development through culture, efforts should be made to ensure the sustainability of culture itself (Sabatini 2019).

Caprar and Neville (2012) suggest in their model that cultures with certain cultural values are more likely to demonstrate sustainability practices. Again in the same study (Caprar and Neville 2012), they distinguish and elaborate on two cultural effects: the "norm-conforming" effect, whereby culture plays a pioneering role in the "norming" and assimilation of institutions for sustainability, and the "conforming" effect, whereby culture mitigates the impact of these institutions on society, i.e., the transformation of institutional pressures into actual sustainability adoption (Caprar and Neville 2012). In this model, two characteristics of culture emerged: forming and norming. The researchers argued that understanding the conditional effect of culture on the maintenance of sustainability is an important task and that this involves accepting both the "norming" and "conforming" effects of culture (Caprar and Neville 2012). In a world striving to achieve development goals and mitigate climate impacts, there is an increasing expectation that companies will minimize harm and maximize social and environmental benefits (Caprar and Neville 2012). Despite the growing expectations of globalization, cultural influences are unlikely to disappear in the short term. Culture will continue to exist and influence systems in a world where societies and borders exist (Caprar and Neville 2012).

The current understanding of living systems suggests that all life has evolved through developmental change processes resulting in increasing complexity, diversity, greater capacity to support life, and future options across scales (Gibbons, Regenerative—The New Sustainability? 2020b). Technologies such as regenerative sustainability, ecological design and planning, renewable development, and renewable design have been in use for over 60 years and have created an interdisciplinary discussion environment (Gibbons 2020a). The transition from sustainable development goals to regenerative development goals can also support a global transition from sustainability to well-being and inclusive communities at all scales (Gibbons 2020a). To support the transition from sustainability to regenerative sustainability, several areas need to be expanded and supported (Gibbons 2020a). Fundamentally, there is a need to raise awareness of regenerative paradigms, principles, and practices through education and training programs for practitioners, scientists, students, and community members (Gibbons 2020a). To continue improving methodologies and technologies, more theoretical development is needed, along with case studies,

design experiments, and adaptive design (Felson et al. 2013). In other words, the process must evolve from interdisciplinary to transdisciplinary methodologies. In this way, bridges can be built between disciplines, science, and practice (Gibbons 2020ab). However, since living systems always change in ways that are not entirely predictable or certain, we must learn to embrace uncertainty, allow time for regenerative processes to develop, and focus more on developing regenerative capacity rather than achieving fixed goals (Gibbons 2020b; Meadows 1999; Wahl 2016; Gibbons et al. 2020).

We need to learn much more about the connection between internal and external sustainability and how internal sustainability can be developed (Gibbons 2020a). The integration of spirituality into sustainability is important and, unfortunately, has not been sufficiently researched (Gibbons 2020b; Ives et al. 2020; Berejnoi Bejarano et al. 2019). Indeed, spiritually based cultures exhibit high levels of both internal and external sustainability (Gibbons 2020a; Berejnoi Bejarano et al. 2019; Berkes and Dividson-Hunt 2008; Ulluwishewa 2008). Thus, culture is also an important actor in the regenerative sustainability debate.

Sustainability accounting is the main topic of discussion in this study, alongside all these debates. Accounting has a general importance for sustainable development. However, there are six different reasons that could encourage the establishment of an accounting system that provides information for evaluating corporate actions (Schaltegger and Burritt 2010):

Greenwashing: One reason for engaging in sustainability accounting may stem from a motivation to collect data for communication and reporting purposes, rather than to improve sustainability performance, to signal general concerns. From this perspective, accounting functions as a tool that supports cost-effective communication activities related to sustainability (Schaltegger and Burritt 2010; Gray 2006; Lindblom 1994) and can prevent greenwashing.

Imitation and industry pressure: Imitation is important in explaining management activities (Abrahamson 1991, 1996; Rikhardsson et al. 2005; Qjan and Burritt 2008). Imitation can be seen to introduce new accounting ideas related to sustainability, but the imitation of methods can also be viewed as a non-critical approach to addressing relevant issues (Frenkel 2008).

Legal pressure, stakeholder pressure, and securing "license to operate": Another possibility is the introduction of mandatory information and reporting requirements through stakeholder pressure and government regulations (Schaltegger and Burritt 2010).

Self-regulation: Self-regulation is a voluntary activity in which a company or industry association restricts its actions or commits itself to certain non-market actions (e.g., disclosure of social and environmental information) (Schaltegger and Burritt 2010). At the sector level, self-regulation is often introduced to prevent more mandatory government regulations, maintain social acceptance and reputation, or prevent free riding by competing companies (Gunningham 2007; Gunningham et al. 1998).

Corporate responsibility and ethical reasons: Corporate responsibility is a controversial concept because, despite the practical importance of both the concept of

responsibility and the concept of responsibility accounting, it is generally attributed to individuals rather than organizations (Ashman and Winstanley 2007). From a corporate responsibility perspective, the corporate information gathering system provides the first step toward responsible behavior, which is perception, prior to identifying the morally significant characteristics of corporate activities (Stone 1976: 118). The ethical motivation and legitimacy of accounting addressing sustainability issues is of unquestionable importance (Dillard 2007). The focus of accounting information will guide and direct corporate decision-makers (Burritt et al. 2002).

Managing the business model for sustainability: One reason for implementing sustainability accounting is to identify and realize the economic potential of voluntary social and environmental activities (e.g., cost reduction or increased sales revenue) (Salzmann et al. 2005; Schaltegger and Wagner 2006). Company management achieves this by making information transparent to track the company's sustainability and can increase internal motivation (Schaltegger and Burritt 2010).

Following the above reasons emphasizing the necessity of accounting in the sustainability approach, the section will be completed by referring to the influence of culture.

According to Gray (1988), previous studies have shown the existence of different accounting models and the development of national institutional financial reporting systems in relation to environmental factors. Gray (1988), who argues that the issue is controversial for the period, emphasizes that the importance of culture is unclear and that it is a neglected topic, and proposes a framework to analyze the impact of culture on the development of international accounting systems in his study.

Gray (1988) argued that more research is needed to make the connection between accounting practices and accounting values functional and that relevant cross-cultural data should be collected and organized. When interpreting empirical research results related to culture, he stated that the presence of external influences such as colonization, war, and the activities of multinational corporations and large international accounting firms. Although much more work lies ahead, this article is presented as a contribution to the theory of the influence of culture on the international development of accounting systems. In this context, it is fully acknowledged that the ideas put forward are exploratory in nature and subject to empirical testing and validation.

In today's world, where new models of sustainability are being discussed alongside unsustainability, ignoring the influence of culture could lead to incomplete research. The large number of studies that remain at the level of corporate reporting may be preventing a full understanding of the impact of sustainability accounting on education, corporate governance, and the design of ESG expectations. Studies highlight that cultural influences shape sustainability policies through societal preferences such as transparency, risk tolerance, and regulatory focus (Hofstede 1980; Gray 1988). These preferences also impact the degree of stakeholder engagement, innovation, and ethical commitment, in addition to the adoption of ESG frameworks. Understanding this influence is crucial for ensuring that sustainability policies are both locally legitimate and globally consistent. This study reaffirms that culture is not merely an external factor but a foundational pillar of sustainability, as proposed by Sabatini (2019). The dynamic interplay between Gray's accounting

values and sustainability practices underscores the need for a holistic framework that integrates cultural dimensions into accounting systems. By recognizing culture as a driver of sustainability accounting, organizations can move beyond compliance-driven reporting to foster genuine accountability that resonates with diverse stakeholders. The challenge lies in reconciling global ESG expectations with local cultural norms, ensuring that sustainability accounting serves as a tool for ethical deliberation, stakeholder engagement, and long-term value creation to enhance the effectiveness of sustainability accounting, policymakers should develop culturally sensitive ESG frameworks that balance standardization with flexibility. For example, regulatory bodies like the European Commission could adapt directives such as the Corporate Sustainability Reporting Directive (CSRD) to allow for region-specific interpretations, ensuring alignment with local values while maintaining global comparability. Encouraging hybrid approaches that combine professional judgment with statutory oversight can mitigate risks of greenwashing while fostering innovation in high-flexibility cultures. Future research should deepen the application of Gray's model to sustainability accounting and investigate how specific accounting values affect ESG performance in different cultural contexts. It is recommended that this research be conducted from a transdisciplinary perspective, with the participation of stakeholders in society. To fill the gap in sustainability accounting and management and thereby reorient the means-end relationship between corporate sustainability and sustainable development, it is recommended that the principle of continuous reflection on the perspectives of all corporate stakeholders be applied. Furthermore, it is believed that the outcomes of corporate decision-making processes that consider the equal status of economic, ecological, and social issues may lead to learning processes at the societal level.

5.11 Policy Recommendations

In the light of the results obtained in this study, some policy implications have been reached. The most noteworthy recommendations that can be made as a result of the evaluation of the relationship between sustainability and accounting culture, where a multi-factor evaluation is made, are briefly stated below:

Integrating cultural dimensions into sustainability education is critical. Policymakers should support the development of Environmental, Social, and Governance (ESG)-focused curricula at higher education institutions and professional certification programs. These curricula should be tailored to reflect local values, such as conservatism, uniformity, and statutory control. Partnerships between universities, regulatory bodies, and professional organizations can facilitate this cultural adaptation.

To promote the adoption of Environmental, Social, and Governance (ESG) practices in traditionally conservative or compliance-oriented environments, regulators should present sustainability reporting as a means of enhancing legitimacy and mitigating reputational risk. Aligning reporting obligations with widely accepted cultural

values, such as order, discipline, and national development, can increase voluntary compliance among businesses.

Responses to sustainability differ across sectors due to cultural and institutional differences. Public authorities and industry associations should collaborate on sector-specific Environmental, Social, and Governance (ESG) guidelines that consider operational realities and cultural sensitivities. For example, environmental norms differ between manufacturing and finance. It is crucial that these frameworks be developed with local stakeholders to ensure cultural resonance and practical applicability.

Rather than viewing sustainability accounting as an external obligation, policymakers should recognize it as a strategic enabler of long-term economic resilience. They can achieve this by incorporating Environmental, Social, and Governance (ESG) performance metrics into public procurement policies, industrial incentives, and national development plans. Presenting ESG as complementary to national interests could mitigate the tension between short-term economic growth and long-term sustainability objectives.

Inter-agency collaboration is essential to streamline ESG expectations and avoid regulatory fragmentation. A centralized ESG policy platform or advisory board may improve consistency, prevent overlap, and offer cultural guidance in standard development.

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Chapter 6
Global–Local: Exploring the Cultural Dimension of Sustainability

Ömer Faruk Güleç

Abstract Sustainability reporting is a multi-dimensional communication and management tool that complements a company's full set of financial statements in the context of environmental, social and governance, and is critical for companies to survive and create value. The plurality of practices and differences in formats in sustainability reporting raise various issues regarding reporting quality and comparability. The lack of standards in the voluntary reporting environment can lead companies to disclose only selective information and engage in "greenwashing." In this context, the primary goal of standardization is to increase the consistency and comparability of sustainability-related information required by global capital markets. Standards and guidelines aim to reduce such opportunistic disclosures and increase the legitimacy of reporting by specifying what and how to report. The purpose of standards is to help establish a common language for sustainability reporting for both organizations and stakeholders. While standardization for sustainability practices is important for building a common language, it can cause companies to overlook issues and demands in cultural contexts. Thus, global standardization should not be seen as absolute target in sustainability reporting and attention should be paid to the role of cultural context in sustainability reporting. The motivation to ensure that reporting is meaningful and legitimate in the eyes of local stakeholders makes the cultural factor an important issue in the standardization process. In this study, the concept of sustainability, its historical development process and the transformation of standards are discussed and the role and impact of culture in global sustainability standards and sustainability reporting practices are examined from the perspective of cultural dimensions (Hofstede) and various theories. The purpose of this compilation study is to reveal how cultural dimensions and culture-related theories affect the understanding of sustainability by reviewing the fundamental studies in the literature.

Keywords Sustainability · Global sustainability reporting standards · Culture · Hofstede's cultural dimensions · Disclosure

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_6

6.1 Introduction

Sustainability reporting has become a primary tool for communicating companies' environmental, social, and governance (ESG) performance to all stakeholders. The global nature of sustainability information creates the need for a common language and standards for reporting, while also presenting challenges in applying these standards across diverse cultural contexts. The "think globally, act locally" mentality also applies to sustainability reporting, and local cultural sensitivities and expectations should be considered when reporting within the framework of global standards. In order to implement global standards effectively in sustainability reporting, they need to be localized with cultural sensitivity awareness.

Although frameworks such as GRI, IFRS S1/S2 and ESRS strive to create a universal reporting language and to achieve a common language through harmonization and convergence efforts, the cultural values and business practices of different countries can influence the interpretation and prioritization of these standards. Thus, the concept of materiality is an important tool that provides fundamental insight into the global/local approach. Companies can report according to their local priorities by linking global sustainability issues to the social and environmental conditions specific to the region in which they operate.

Cultural factors play a crucial role in adapting global standards to the local environment like regional and geographical factors. In societies where a long-term perspective is strong (e.g., Japan), companies may place greater emphasis on legacy and long-term commitments for future generations in their sustainability reports. However, in more short-term or individualistic cultures (e.g., the US), the focus may be more on concrete performance indicators and the balance between financial risk and opportunity. The cultural environment serves as an informal institutional framework that determines the degree to which corporate transparency standards and sustainable business behavior are adopted. Stakeholders in different geographies have different expectations from corporate behavior due to different values, norms and practices arising from different cultural conditions.

Language, communication style and expectations of stakeholders also play a role in the localization of global standards. In some cultures it may be common to give negative information indirectly or use more indirect language, while in other cultures a clear and direct reporting style may be preferred. Therefore, international standard setters and policy makers must ensure that the standards prepared are flexible and adaptable to different cultural contexts. Many studies have emphasized that sustainability reporting would be more effective if policy makers developed guidelines that embraced differences by taking cultural influences into account. In short, while global standards provide a minimum common ground for reporting, the ability of local practitioners to interpret and expand these standards according to regional, cultural and other realities will increase the credibility and benefit of sustainability reporting.

In this context, the purpose of this compilation study is to reveal how cultural dimensions and culture-related theories affect the understanding of sustainability by reviewing the fundamental studies in the literature. The first section of the study

covers the concept of sustainability, its historical development, and key global sustainability standard frameworks. The second section of the study explores the relationship between cultural elements, particularly Hofstede's cultural dimensions, and sustainability within the context of culture and cultural sensitivity. Third section examines cultural factors affecting sustainability practices through various theories and studies, including Institutional Theory, Stakeholder Theory, and Legitimacy Theory.

6.2 Conceptual and Theoretical Framework of Standardization: Evolution of the Reporting Process and Global Standards

6.2.1 Sustainability Concept and Historical Background

Throsby (1997) defined sustainability as the long-term viability of systems, programs and policies. Sustainability represents the ability to exist constantly or the ability of the biosphere and human civilization to coexist (Dănescu et al. 2021). The term sustainability has been used synonymously with ecological development by the United Nations since 1978 (Oliveira et al. 2024). The Brundtland Commission of 1987 is considered a fundamental milestone in the global definition and dissemination of the concept of sustainability. The Commission has determined the most frequently cited definition of sustainability by considering it from the perspective of sustainable development;

> Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The report contains two key concepts:

- "The concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and
- The idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs" (Brundtland Report, WCED, 1987).[1]

Corporate Sustainability (CS), which addresses the corporate dimension of sustainability, can be defined as "the adaptation of economic, environmental and social factors into corporate decision-making mechanisms and activities, aiming to increase stakeholder value and minimize risks". CS is also the implementation of sustainable development at the institutional level (micro level) (Oliveira et al. 2024). CS is the efficient use of economic, environmental and social factors by companies

[1] Report of the World Commission on Environment and Development: Our Common Future. https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf#page=21.78.

to achieve long-term benefits (Şahin and Çankaya 2019). Regarding this, Corporate Social Responsibility (CSR) is closer to "sustainability" and refers to corporate activities and policies that assess, manage, and control a company's responsibilities and impacts on society and the environment (Christensen et al. 2019).

The publication of Rachel Carson's book Silent Spring in 1962, and the commencement of the United Nations Environment Programme (UNEP) in 1972 can be considered as important developments in terms of sustainability between the period of 1960 and 1980, when environmental threats and socio-environmental awareness were at the forefront in the historical development of sustainability (Gokten et al. 2020). During this period, corporate reporting focused mainly on providing financial information. Crucial reports such as the 1972 Limits to Growth Report, which predicted inevitable collapse as non-renewable resources depleted and pollution exceeded natural capacity, and the 1980 "World Conservation Strategy" (WCS), which argued that the capacity of natural resources to support life was limited, were pioneering attempts to address sustainability from an environmental perspective (Gokten et al. 2020).

The term "Triple Bottom Line" (TBL), introduced by John Elkington in the 1990s, refers to a corporate reporting concept that adopts a broader sustainability perspective rather than focusing solely on financial results when evaluating the performance and success of companies (Adams and Frost 2008; Buhr et al. 2014). The TBL concept encompasses three dimensions called People (the social aspect of corporate performance), Planet (the environmental aspect of corporate performance) and Profits (the economic aspect of corporate performance) (Herzig and Schaltegger 2011).

One of the cruical developments that contribute to the development of sustainability globally is the 17 sustainability development goals published by the United Nations (UN) in 2015, which must be achieved by 2030. The UN Sustainable Development Goals (SDGs) are a global framework that plays a central role in current corporate sustainability reporting and strategic management and profoundly influences corporate strategies. SDGs provide a roadmap to address global challenges such as health, education, equality, economic security and environmental issues. The 2030 Agenda is considered an integral part of the Paris Climate Agreement signed in 2016, and these two agreements serve as a unified and comprehensive global cooperation framework to achieve sustainable development goals (Farisyi et al. 2022).

It is vital to adopt a holistic approach that recognizes that economic, social and environmental systems are interconnected and cannot be addressed in isolation to achieve sustainable development goals. Pursuing SDGs enables businesses to (re)create their business models and contribute to long-term sustainability by producing innovative solutions to global challenges (Pizzi et al. 2022). SDG 12 Responsible Production and Consumption aims to support Sustainability Reporting (SR) to ensure progress towards sustainable development worldwide (Antonicelli et al. 2015). Goal 12.6 states that the United Nations member states should "*encourage businesses, especially large corporations, to adopt sustainable practices and integrate sustainability information into their reporting cycle.*".

6.2.2 Evolution of Global Sustainability Reporting Standards

Sustainability reporting has its origins in older forms of corporate reporting that focused on environmental, social and employment issues. Buhr et al. (2014) noted that the voluntary and unregulated nature of reporting on sustainability issues contributes to confusion and emphasized the need for standard terminology to clearly interpret report content and reporting developments. They noted that environmental reports typically address selected aspects of an organization's environmental performance, while social reports cover aspects of employee and community interactions. The study, which assessed integrated reporting (IR) developments as an approach that prioritizes the environment, social, and governance (ESG) dimension over the economic dimension, noted that organizations often rename their reports, either with or without changing their content. Indeed, the 2006 UNEP (United Nations Environment Programme) Sustainability benchmarking report, which highlighted naming challenges, illustrated this point by asking the question "What do you call your report?"

Herzig and Schaltegger (2011) argue that sustainability has become lost in the trap of corporate rhetoric and stated that the sustainability concept has tended to become a catchword, meaning anything and everything. Zustainabullity term is used to refer to corporate activities and reporting, organizational actions that are carried out under the name of sustainability but which, according to Buhr et al. (2014) have nothing to do with sustainable development or real sustainability. The authors emphasize that the concept of sustainability has fallen into the trap of corporate speak and that current reporting practices deviate from sustainable development goals.

One of the criticisms directed at institutions and organizations in the standardization process of sustainability reporting is the concept of "Alphabet Soup". The phrase "alphabet soup" in the context of sustainability reporting is a sarcastic term used to describe the proliferation and complexity of various standards, frameworks and regulatory bodies in this field (Ali et al. 2023; Giner and Luque-Vílchez 2022). It refers to the plethora of organizations setting sustainability standards and the resulting complexity. This phrase has appeared frequently in newspapers and magazines, particularly around 2020, and reflects disappointment with the multitude of standard-setters (Ali et al. 2023; Giner and Luque-Vílchez 2022). This confusion has led to the argument that sustainability reporting should be treated like traditional financial reporting and thus, there should be a single standard setter or harmonization of standards should be carried out.

The development of sustainability reporting standards encompasses a dynamic process, moving rapidly from an environment of voluntary practices and numerous frameworks to the goal of global harmonization and mandatory implementation. The development process of sustainability reporting standards can be likened to a constant struggle for convergence and divergence, reflecting the interests and power dynamics of different stakeholders, as is the case with financial reporting standards. This section explores the major global sustainability standard-setter institutions and organizations and the structure of sustainability standards.

6.2.3 Global Reporting Initiative (GRI)

The first systematic guide in the field of sustainability reporting was the Global Reporting Initiative (GRI), developed in 1997 as a joint initiative of Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) (De Villiers et al. 2022). The first guideline (G1) was published in 2000, establishing the first international framework for comprehensive corporate sustainability reporting with a specific focus on environmental issues. Guidelines such as G2 (2002), G3 (2006), G3.1 (2011), and G4 (2013) were subsequently developed (De Villiers et al. 2022). GRI standards are organized into three main series of modules as universal standards, topic standards and sector standards. The GRI framework provides significant flexibility in reporting by offering six different "compliance" levels, such as A+ (highest) and C (lowest), and it has been stated that level C, in particular, may have increased reporting frequency (Buhr et al. 2014).

GRI represents a multi-stakeholder collaboration that aims to establish a generally accepted reporting principles framework for environmental, social and economic reporting, and GRI indicators are generally aimed at developing the organization's triple bottom line, suggesting that the organization's activities will manage its behavior across all three dimensions of the TBL (Buhr et al. 2014). Many studies have shown that the GRI Guidelines have become the most widely used global standards for sustainability reporting worldwide and have become accepted as a de facto standard. Buhr et al. (2014) evaluated the development of the GRI citing KPMG 2011 report and found that while only 26 organizations reported in accordance with the GRI guidelines in 2004, by 2011, 80% of the G250 (the world's largest companies) and almost 70% of the largest companies in developed countries were voluntarily complying with the guidelines. Hummel and Jobst (2024), citing KPMG's 2022 report, stated that by 2022, 78% of the largest 250 global companies and 68% of the largest 100 companies in 58 countries reported in accordance with the GRI Standards.

GRI has chosen the collaborative path with the emergence of new players in the sustainability standard setting field (notably the International Financial Reporting Standards Foundation—IFRS Foundation) (De Villiers et al. 2022). The European Financial Reporting Advisory Group (EFRAG) selected GRI as the first "co-founder" to develop the European Sustainability Reporting Standards (ESRS) (Giner and Luque-Vílchez 2022). In addition, GRI is used in conjunction with other reporting frameworks, such as the Carbon Disclosure Project (CDP) and the Sustainability Accounting Standards Board (SASB). These collaborations demonstrate GRI's commitment to maintaining its global presence in developing multi-stakeholder-focused standards and its motivation to contribute to establishing a common language for implementing stakeholder accountability, identifying material issues, and measuring social and environmental impacts (De Villiers et al. 2022).

The GRI serves as a guide in the complex process where companies must provide transparency about their economic, environmental and social impacts. GRI presents reporting as a tool, like a map, for companies to chart their journey toward achieving their TBL (economy, environment, and people) goals. However, studies reveal that

implementation challenges and differing interpretations across geographic regions and corporate cultures make the universal readability and effectiveness of this map a subject of ongoing research. According to Abeysekera (2022), GRI does not provide sufficient guidance for firms on reporting the linkage of financial capital to other social, environmental and intellectual capital. In addition, Ismaeel and Zakaria (2020) found that GRI standards are perceived as challenging and demanding, especially for small and medium-sized enterprises (SMEs), due to the complexity and high cost of data collection and reporting processes.

6.2.4 European Financial Reporting Advisory Group (EFRAG) and European Sustainability Reporting Standards (ESRS)

The European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG), represent a new and mandatory era in corporate sustainability reporting in the European Union. EFRAG is a private, not-for-profit organization established primarily to provide technical expertise international Financial Reporting Standards (IFRS) and to provide the European Commission (EC) with approval recommendations for the adoption of IFRS in the EU (Giner and Luque-Vílchez 2022). EFRAG has received significant financial support from the European Commission since 2011, although initially entirely funded by private organizations (Giner and Luque-Vílchez 2022). In 2020, the European Commission mandated the European Financial Reporting Advisory Group to start working toward European Union sustainability reporting standards, revising the EU Directive on non-financial reporting (De Villiers et al. 2022). EFRAG has advocated working in the field but without "reinventing the wheel" and therefore signed the first collaboration statement with the Global Reporting Initiative (GRI) on July 8, 2021, selecting GRI as the first "co-constructor" of the ESRS (Giner and Luque-Vílchez 2022; Hummel and Jobst 2024).

ESRS is a set of standards mandated for companies in the EU under the Corporate Sustainability Reporting Directive (CSRD). EFRAG's Project Task Force (PTF-ESRS) published the first drafts of the ESRS in April 2022 and submitted the final draft to the EU Commission in November 2022 (Hummel and Jobst 2024). ESRS comprise three categories of standards: (i) cross-cutting standards, (ii) topical standards, and (iii) sector-specific standards (Hummel and Jobst 2024). ESRS 1 and ESRS 2 are cross-cutting standards that include general provisions and assessments regarding sustainability reporting. Topical Standards include;

- Environmental (E1-E5): Focuses on climate-related issues, pollution, water and marine resources, biodiversity, and the circular economy.
- Social (S1-S4): Covers social issues, including impacts on the company's own workforce, employees in the value chain, affected communities, and consumers/end users.

- Governance (G1): Business ethics and corporate governance standards.

The most important feature of the ESRS is that it adopts the double materiality principle, which differs from the investor-focused approach (financial materiality) of the ISSB standards (IFRS S1/S2). EFRAG applies dual materiality as a criterion for determining the importance of information. This concept is considered an approach that combines both impact materiality and financial materiality (Krivogorsky 2024).

The ESRS is a mandatory framework in the EU market. While the European Commission's legal enforcement power (the "silver bullet") increases the likelihood of its implementation within the EU, it competes with voluntary or investor-focused standards such as the ISSB in other jurisdictions (Giner and Luque-Vílchez 2022). In addition, the ESRS is designed specifically for Europe and refers to various specific sectoral indicators for EU countries, preventing it from being adopted as a global standard. Complex and detailed reporting requirements, especially when combined with short implementation times, make it difficult for companies to establish the necessary reporting processes and systems. This can result in companies simply endeavoring to comply in the early years (Hummel and Jobst 2024). Despite a structured regulatory approach in Europe, there are still national differences and regulatory variances between Member States, making it difficult for the ESRS to ensure full consistency even within the EU (Elidrisy 2024). However, EFRAG and ISSB aim to maximize interoperability in the process of transforming sustainability reporting from a voluntary disclosure to a global, mandatory and comparable structure similar to financial reporting.

6.2.5 International Sustainability Standards Board (ISSB) and IFRS Sustainability Disclosure Standards

The International Sustainability Standards Board (ISSB) and the IFRS Sustainability Disclosure Standards (IFRS S1, IFRS S2) represent a global turning point in sustainability reporting. The ISSB's primary goal is to meet companies' demand for high-quality, transparent, reliable, and comparable reporting on climate and other environmental, social, and governance (ESG) issues (Stolowy and Paguam 2023).

The inception of IFRS sustainability standards dates back to the IFRS Foundation Trustees' publication of a consultation paper on sustainability reporting in 2020, in which they highlighted the need for a global framework to ensure comparability of reporting information and reduce reporting complexity for companies (Hummel and Jobst 2024). The Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the GRI, the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB) issued a statement of intent to work together toward comprehensive corporate reporting. In November 2020, the IIRC and SASB announced that they would merge into the Value Reporting Foundation (VRF). The Chairman of the IFRS Foundation Board of Trustees announced that the Foundation would merge with the VRF and CDSB and that the International

Sustainability Standards Board (ISSB) would be established to develop a 'comprehensive global baseline of sustainability disclosures for financial markets at COP26 and In March 2022, the ISSB published drafts of the first proposed disclosure standards and published its first standards in June 2023 (Hummel and Jobst 2024). IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024.

> The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. and.
>
> This standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

The standard requires disclosure in four key areas, consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), that reflect how companies manage sustainability-related risks and opportunities: governance, strategy, risk management, metrics, and targets. IFRS S1 addresses these sections as follows: Governance includes the processes, controls, and procedures used by the organization to monitor, manage, and oversee sustainability-related risks and opportunities. Strategy is an approach to risks and opportunities that may impact the business model and strategy in the short, medium, and long term. Risk Management addresses the processes of identifying, assessing, prioritizing and monitoring sustainability-related risks. Metrics and Targets contain information used to assess and monitor performance regarding risks and opportunities.

IFRS S1 adopts a single materiality perspective, focusing on the potential impact of information on financial results, and prioritizes financial materiality, rather than the dual materiality approach of the GRI and ESRS. IFRS S1 requires reference to the disclosure topics in SASB Standards when assessing its applicability. It also states that GRI Standards and European Sustainability Reporting Standards (ESRS) may be used as long as they do not conflict with ISSB Standards (IFRS S1).

IFRS S2 builds on IFRS S1, establishing requirements for specific disclosures about climate-related risks and opportunities.

> The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Some studies address that the establishment of the ISSB and the publication of IFRS S1 and S2 as representing the summit of efforts to reduce the multitude of fragmented frameworks (alphabet soup) in sustainability reporting. The primary goal of this effort is to transform the current fragmented and voluntary sustainability reporting practices into one that is as reliable, comparable and investor-focused as financial reporting. ISSB aims to ensure compliance with multi-stakeholder focused standards such as GRI and ESRS while regulating investor-focused financial information (Ali et al. 2023; Hummel and Jobst 2024). Abeysekera (2022) attributed

the main advantage of ISSB standards to their potential to significantly increase the consistency and comparability of reported information at a global level. The International Organization of Securities Commissions (IOSCO)'s announcement of its approval of the Sustainability Disclosure Standards on July 25, 2023, following a comprehensive review of the Standards, and its invitation to 130 member countries to evaluate how they can incorporate the ISSB Standards into their regulatory frameworks to ensure consistency and comparability of sustainability-related disclosures worldwide, is expected to facilitate the global adoption of standards (Köse and Çetin 2023).

However, some research attributes the most significant philosophical obstacle to ISSB becoming a global standard to its investor- and capital markets-focused nature. It has been noted that, unlike multi-stakeholder approaches, a narrow financial focus (financial materiality/outside-in) risks ignoring the information needs of broader stakeholder groups and the impact companies have on these groups (impact materiality) (De Villiers et al. 2022; Ali et al. 2023). This risks losing the essence of the sustainability message. The GRI has long been viewed as the "de facto global standard" for multi-stakeholder reporting. The entry of the ISSB challenges GRI's global leadership and creates a strong conflict (Ali et al. 2023). In addition, the European Union's proposal of competing standards and its refusal to directly endorse ISSB standards indirectly undermines ISSB's legitimacy in sustainability reporting (Stolowy and Paguam 2023).

6.3 Cultural Sensitivity and Reflection of Cultural Dimensions in Reporting

6.3.1 Culture and Cultural Sensitivity

Culture is learned behaviors that individuals learn as a result of the group they belong to and are shared by others, and it generally refers to the way of life, the customs and beliefs, of a particular group of people at a particular time (Leonidou et al. 2017). Culture consists of fundamental elements such as values, norms, beliefs, attitudes and behaviors shared among members of a society (Sulej 2022). In Hofstede's model, culture is defined as the "collective programming of the mind" that distinguishes members of one human group from another. It is not innate but learned through a process of social construction (Hoftstede 2001; Antonicelli et al. 2015). According to Hofstede (1980), culture is a system of collectively held values. Personality can be defined for an individual in the same way that culture is for a group of people. Culture also includes linguistic and symbolic forms of communication and shared meanings (Herzig and Schaltegger 2011). Hofstede (1983) observed culture through four mutually exclusive manifestations: (1) objects (symbols), (2) real or imaginary people (heroes), (3) behaviours and activities (rituals) and (4) values. The first three of these manifestations (symbols, heroes, and rituals) are visible to

the observer, while values manifest in behavior and form the basis for cross-cultural differences (Hofstede 2011). It can be stated that culture plays a deep and determining role among values, beliefs, individual behaviors, group behaviors and institutional policies/structures.

Cultural orientations influence the likelihood and form of a company's sustainability reporting. A country's cultural aspect is crucial for companies to be perceived as integral and responsible parts of society (Benvenuto et al. 2023). In sustainability reporting, the influences of the institutional and national context in which organizations operate and the sensitivities required by these contexts are of critical importance. Understanding diverse cultural perspectives is vital for developing inclusive and successful sustainable business models. This means ensuring that interventions are culturally sensitive and resonate with a wider audience (Suhardjo et al. 2024). Some approaches suggest including the "cultural" domain alongside the economic, ecological and political domains to assess sustainability (Magee et al. 2013). Companies may strengthen their implicit contracts with society by tailoring their reporting policies to the cultural context.

From a sustainability reporting perspective, cultural sensitivity is an essential approach to reporting by taking into account local cultural values, norms, belief systems, societal expectations and communication styles in an organization's reporting processes on environmental, social and governance (ESG) issues. Cultural sensitivity emphasizes the need for a company or individual to consider, respect and effectively adapt to different values, norms and expectations arising from the national culture of its environment when making operational and ethical decisions (Suhardjo et al. 2024). In this context, cultural sensitivity can be considered as a set of conscious adaptations and practices that manifest themselves both in an organization's internal processes (organizational culture) and in its external reporting and activities (adjustment to national norms, focusing on the needs of the local context, promoting diversity and recognizing cultural capital). Cultural sensitivity encourages "context-specific, culturally responsive" reporting rather than a "uniform global format" in sustainability reporting. This approach enhances both the report's legitimacy and stakeholder credibility, and serves the purpose of "connecting universal sustainability principles with local realities."

6.3.2 Hofstede Culture Model and Sustainability Practices

Cultural differences at the international level are based on institutional belief and value systems and affect the development of accounting systems (Calderon et al. 2023; Gray 1988). Differences in national cultures have significant impacts on ethics, corporate social responsibility (CSR), organizational culture and management practices (Martinez and Alvarez 2020). Local culture and institutions are among the factors that explain the diversity in companies' corporate governance and sustainability practices (Albu et al. 2013).

In studies addressing the relationship between cultural aspects and corporate governance practices of institutions, the cultural dimensions of countries are generally examined with the Hofstede model. Hofstede's cultural framework is one of the most widely used models to measure cultural differences between countries (Huang et al. 2024). In addition, it is a framework widely used in international management and business research that explains how national cultures influence workplace values (Martinez and Alvarez 2020). The relationship between Hofstede cultural dimensions and sustainability is a subject of intense research in the academic literature in terms of understanding the effects of national culture on corporate behavior, reporting practices and environmental outcomes (Sulej 2022), (Hassanein et al. 2024).

Hofstede (1980) referred to culture as "*the collective programming of the minds that distinguishes the members of one group from another.*" This model, initially consisting of four dimensions, was later expanded to six dimensions. Based on Hofstede's framework, Gray (1988) developed four cultural accounting values, and these are "*secrecy versus transparency, statutory control versus professionalism, flexibility versus uniformity and optimism versus Conservatism*" (Adnan et al. 2018).

The six dimensions currently accepted in the Hofstede cultural model are:

1. Power Distance—PDI
2. Individualism versus Collectivism—IDV
3. Masculinity versus Femininity—MAS
4. Uncertainty Avoidance—UAI
5. Long-Term versus Short-Term Orientation—LTO
6. Indulgence versus Restraint—IND/IVR

6.3.3 Hofstede—Power Distance (PDI) and Sustainability Practices

According to Hofstede (2001), Power distance is the extent to which less powerful members of a society accept and expect that power is distributed unequally. This is a fundamental dimension reflecting societies' response to the problem of human inequality and the transformation of biological differences into differences in social power and wealth (Hofstede 1983). Power distance is a measure of how a society manages inequality between people. Societies with high power distance, characterized by high respect for authority, typically have more hierarchy (Vitolla et al. 2019).

Power distance is an important cultural background factor that can influence managers' ethical attitudes, motivations and behaviors. In societies with high power distance, positions are vertically hierarchically stratified and have different levels of power. In this case, decisions regarding information sharing with stakeholders are made only by those positioned at the highest levels. The greater the distance between levels, the more difficult it becomes to implement sustainability (Benvenuto et al. 2023).

Austria and the Scandinavian countries are examples of low power distance cultures, while Malaysia, Guatemala, Panama, and the Philippines are examples of high-power distance cultures (Leonidou et al. 2017). A higher PDI indicates greater inequality, hierarchy, and subordination, with power in society concentrated in the hands of a few individuals or organizations (García-Sánchez et al. 2016). In high-PDI cultures, such as India, China, or Saudi Arabia, hierarchical structures are often seen as normal and necessary. In contrast, low-PDI cultures, such as Denmark or Sweden, tend to favor flatter hierarchies and more participative leadership styles (Global Report 2025).

In high PDI cultures, corporate managers and authorities may have unchecked power, leading to a weakening of corporate responses to environmental sustainability issues, and thus, power distance weakens with economic growth and increasing prosperity (Lee and Herold 2018). Management in companies located in high-power-distance countries will be less aware of the needs of other stakeholder groups (Calza et al. 2016). Low levels of power distance are associated with a stakeholder-focused approach that ensures greater stakeholder involvement, encourages more dialogue, and supports the integrated development of social and sustainable initiatives (Vitolla et al. 2019). Gray (1988) argued that there will be a lower willingness to share information in high-power-distance countries. Therefore, companies in high power distance societies are expected to be less likely to disclose additional information about their operations (i.e., social and environmental impacts) and to assure sustainability-related disclosures (Uyar et al. 2022). The degree to which a society has a hierarchical and normative system that reinforces inequalities between people is not conducive to solving social and environmental problems (Leonidou et al. 2017).

Power Distance plays a central role in studies examining the impact of national culture on corporate sustainability practices, reporting quality and environmental performance. There are both negative, positive and inconclusive findings in the literature on the relationship between power distance and sustainability reporting (SR), corporate social responsibility (CSR) disclosure and corporate environmental sustainability reporting (CESR).

The impact of PDI on sustainability reporting is generally expected to be negative. Ringov and Zollo (2007) and Peng et al. (2014) found that power distance has a significant negative impact on social and environmental performance. Furthermore, Waldman et al. (2006) found that managers in power distance societies are willing to devalue the concept of social responsibility. Similarly, Adnan et al. (2018) documented that companies located in countries with higher power distance are less likely to disclose high-quality CSR information.

The literature also includes studies such as Ho et al. (2012) and Ioannou and Serafeim (2012) that support the view that greater power distance is positively associated with environmental reporting. According to Alvarez and Ortas (2017), high power distance is considered as less dialogue between managers and employees and reduced stakeholder pressure on companies on social and environmental issues. In addition, some studies such as Martinez and Alvarez (2020) have argued that PDI has no statistically significant impact on environmental information reporting

and the level of hierarchy within a society is not a determining factor influencing environmental disclosure.

Consequently, PDI is a critical cultural dimension that directly impacts the long-term success and safety of organizations. Therefore, organizational culture change should include strategic efforts to reduce power distance for long-term success (Global Report 2025). The existence of corporate sustainability committee can moderate the relationship between country culture dimensions and sustainability reporting and help adapt reporting practices to the cultural context (Hassanein et al. 2024).

6.3.4 Hofstede—Individualism Versus Collectivism—IDV and Sustainability Practices

Individualism versus Collectivism (IDV), one of Hofstede's fundamental dimensions defining national culture, deals with the degree of integration of individuals into groups within a society. This dimension seeks to address a fundamental societal problem regarding how well individuals integrate into primary groups (Hofstede 2011). The fundamental issue addressed by this dimension is the degree of interdependence among members of a society. The index of individuality (IDV) addresses the question of whether people define their self-image in terms of "I" or "We" (Gray 1988).

Individualism can be defined as a preference for a loosely knit social framework in which individuals are expected to care for only themselves and their immediate family. In contrast, collectivism is a preference for a tight-knit framework in a society in which individuals can expect relatives or members of a specific in-group to care for them in exchange for unquestioning loyalty (Hofstede et al. 2010; Vitolla et al. 2019). Individualism versus Collectivism addresses whether individuals prioritize their own interests or collective interests, and IDV scores are rated on a scale from 0 to 100. Scores below 50 are classified as collectivist, and scores above 50 are classified as individualist (Alvarez and Martinez 2020).

The core characteristics of individualism can be summarized as follows:

- Individual rights, freedom, and independence are highly valued (Sulej 2022).
- Individual interests are prioritized over those of the social group (Ho et al. 2012).
- Personal responsibility is emphasized in such societies (Leonidou et al. 2017).
- Individuals find comfort in having the authority to make decisions based on what they consider best for them (Martinez and Alvarez 2020).
- Gray (1988) argued that individualism is consistent with transparency rather than secrecy.
- In individualistic societies, economic actors are granted greater discretion (Ioannou and Serafeim 2012).

Collectivism refers to a preference for a tightly organized social framework in which individuals are integrated into strong, cohesive in groups (usually extended families or clans) from birth (Hofstede 2011). Individuals see themselves as part of the group.

The core characteristics of collectivism can be summarized as follows:

- Group members are expected to continue to be protected throughout their lives by these groups, who expect unquestioning loyalty in return (Huang et al. 2024).
- Citizens tend to think more about their performance as members of a group than their individual behavior (García-Sánchez et al. 2013).
- In these cultures, social harmony, consensus, and a sense of belonging to the group are at the forefront (Alvarez and Ortas 2017).
- In societies with a more collectivism-oriented culture, social issues can be more worrying for the population (Vitolla et al. 2019).
- Gray (1988) argued that secrecy is consistent with a preference for collectivism over individualism because it focuses on those closely related to the firm rather than external parties.
- In collectivistic societies, managers are likely to be sensitive to the interests of both the firm and broader stakeholder groups (Uyar et al. 2022).
- A relationship can also be observed between economic wealth and cultural individualism (Hofstede 2011).

Countries associated with the "West" in the Asia Pacific score above average on individualism, with Australia being the most individualistic. In contrast, all Asian countries score below average on individualism and high on collectivism, with China, Indonesia, and Korea being relatively more collectivist, and India and Japan being relatively less so (Lee and Herold 2018).

The dominant view in the literature is that high collectivism (low IDV) increases the level and quality of sustainability reporting, whereas individualism has a negative impact on disclosure. A large body of studies indicates that companies located in countries with collectivist cultural systems have greater incentives to disclose more integrated and high-quality social and environmental information to facilitate stakeholder decision-making and reflect a concern for the overall well-being of society. Blodgett et al. (2001) stated that collectivist societies are more likely to be responsive to stakeholder interests. García-Sánchez et al. (2016) also pointed that stakeholders tend to have greater incentives to disclose social and environmental information and support decision-making processes.

According to Vitolla et al. (2019), companies from collectivist cultures have incentives to disclose more social and environmental information to support stakeholder decision-making. Martinez and Alvarez (2020) also suggested that managers in cultures with high individualism are less likely to report environmental information because they are less sensitive to stakeholders' needs. Waldman et al. (2006) reported that managers in collectivistic cultures consider broader societal interests and tend to integrate CSR into their decision-making processes. Studies such as Huang et al. (2024) even indicate that highly collectivistic cultures (low IDV) may exhibit higher levels of commitment to environmental sustainability issues such as renewable energy because these individuals have a greater sense of identity and

loyalty to country and the Earth. Song et al. (2018) found that people in collectivist cultures prioritize collective interests and are therefore more likely to protect the natural environment. Therefore, they argued that firms in collectivist cultures face greater pressure from stakeholders, government, and industry regulations. Among the studies addressing the IDV relationship from the perspective of contribution to the Sustainable Development Goals (SDGs), Czerny and Kowalczyk (2023) stated that societies characterized by a high degree of individualism (IDV) may be less inclined to contribute to the SDGs than collectivist societies. Pizzi et al. (2022) stated in their analysis that individualism negatively affects SDG reporting.

Some researchers suggest that high individuality encourages or creates a capacity for transparency and sustainability practices. Sedita et al. (2022) claims that a country with high individualism has greater social and institutional capacity to respond to environmental problems. Widyastuti (2018) suggested that firms in countries with high levels of individualism are willing to disclose more sustainability information. In Gray's (1988) original framework, which linked Hofstede's cultural dimensions to accounting values, Individualism was associated with the value of Secrecy versus Transparency in corporate reporting. Gray (1988) hypothesized that individualism was negatively related to secrecy (i.e., positively related to transparency). Individualistic societies tend to be looser-knit and more competitive, requiring them to be less secretive (more open/transparent). Individualism is consistent with greater attention to external stakeholders. According to Gray, a preference for secrecy is consistent with collectivism. In collectivistic societies, the firm's immediate environment (those closely involved in management and finances) is valued, which may lead to limited disclosure of information to external parties. According to Lu and Wang (2021), in individualistic societies, people are encouraged to be independent, develop diverse ideas, and form diverse interest groups and these diverse interest groups are important to environmental movements.

Individualism versus Collectivism (IDV) is also another controversial cultural issue to display the impact of national culture on corporate sustainability practices. However, most sources indicate that high individualism (high IDV) negatively impacts companies' sustainability practices and reporting quality.

6.3.5 Hofstede—Masculinity Versus Femininity—MAS and Sustainability Practices

Masculinity versus Femininity (MAS), one of the cornerstones of Hofstede's cultural dimensions framework, refers to the social roles and dominant value preferences that a society attributes to genders. This dimension is primarily concerned with how a society divides emotional roles between the two genders (Hofstede 2011). The MAS dimension deals with social issues such as the division of humanity into two genders and the perception of appropriate roles between men and women (Hofstede 1983). In the Hofstede Model, this dimension is also called Motivation Towards Achievement

and Success (Hofstede 2011). Masculinity is expressed through a masculinity index score ranging from 0 to 100. Scores closer to 0 represent more feminine societies, while scores closer to 100 represent more masculine societies. This dimension reflects the extent to which individuals in a society value assertiveness, achievement, and competition, or humility, well-being, and compromise (Global Report 2025).

Masculinity refers to a preference for success, heroism, assertiveness, and material success in society (Gray 1988). Society is driven by competition, success, and the desire to be the best/winner. It is a value system that begins in school and continues throughout institutional life (Hassanein et al. 2024). Accomplishing tasks is more important than building relationships (Czerny and Kowalczyk 2023). In cultures exhibiting high levels of masculinity, people prioritize masculine values such as career advancement and job success (Alvarez and Ortas 2017). In these societies, wages are preferred over leisure time (Martinez and Alvarez 2020). There is a tendency to prioritize economic growth and wealth over quality of life (Lee and Herold 2018). Masculine cultures generally prioritize performance and growth, and work prevails over family (Hofstede 1983). Emotional and social differentiation across social roles is maximum (Lu and Wang 2021). Individuals in male-dominated countries place less value on cooperative behavior (Ho et al. 2012). According to Gray (1988), masculinity is positively related to secrecy (i.e., negatively related to transparency). Hassanein et al. (2024) states that the key issue here is what motivates people: "wanting to be the best (Masculine) or loving what you do (Feminine)".

Femininity refers to a preference for values traditionally associated with the female role (Leonidou et al. 2017). The dominant values in society are caring for others and quality of life. Quality of life is a sign of success, and standing out from the crowd is not admirable (Hassanein et al. 2024). In feminine cultures, cooperation, compromise, and sensitivity are valued more (Antonicelli et al. 2015). These cultures are generally less competitive (Alvarez and Martinez 2020). Emotional and social role separation between genders is intended to be minimal (Song et al. 2018). Instead of the philosophy of "living to work", the philosophy of "working to live" is adopted (Hofstede 1983). The ideal of service and concern for others is paramount and balance between family and work is essential (Hofstede 1983). Feminine cultures are seen as societies with a higher stakeholder focus (Martinez and Alvarez 2020). These cultures tend to be more open in disclosing information, especially about social issues (Gray 1988).

According to Hofstede (2011) and Global Report (2024), some general cultural orientations based on MAS scores include:

- High MAS (Masculinity): Japan, German-speaking countries, and some Latin American countries such as Italy and Mexico.
- Medium-High MAS: English-speaking Western countries (US, Canada, Australia, UK).
- Low MAS (Femininity): Scandinavian countries (Norway, Sweden, Denmark) and the Netherlands.
- Medium-Low MAS: Some Latin American and Asian countries such as France, Spain, Portugal, Chile, Korea, and Thailand.

Hofstede (2001) argues that masculinity creates a "priority for economic growth over environmental protection". Companies in countries with high masculinity will therefore prioritize economic development and environmental protection will be less of a concern. Their stakeholders will share their focus. Therefore, companies operating in these countries will face less pressure from government and industry regulations (Song et al. 2018). Companies in feminine cultures tend to be more concerned and aware of the impact of their activities on the environment (Vitolla et al. 2019). Higher femininity is associated with higher commitment to sustainability, environmental stewardship, and sustainable development (Alvarez and Ortas 2017).

Numerous studies have identified a negative relationship between the level of masculinity (MAS) and corporate social responsibility (CSR), corporate environmental sustainability reporting (CESR), or general sustainability disclosures. These studies suggest that companies in cultures high in masculinity generally exhibit lower levels of social and environmental transparency. Empirical results indicate that Corporate Social Responsibility (CSR) increases in societies with low masculinity. Companies in countries with high masculinity tend to disclose less social information. Williams (1999) found that firms operating in countries with high masculinity provided lower levels of environmental and social information. Orij (2010) showed that companies in countries with high masculinity have lower levels of corporate social disclosure. Studies such as Ringov and Zollo (2007) and Peng et al. (2014) found that masculinity has a negative impact on firms' social and environmental performance/commitment. Lu and Wang (2021) emphasized that masculinity negatively and significantly affects CSR disclosure. Gallén and Peraita (2018) confirmed that masculinity (MAS) negatively affects CSR disclosure in high- and medium-GDP/income per capita countries. In addition, studies such as Uyar et al. (2022), Alvarez and Ortas (2017), Martínez and Alvarez (2020), Huang et al. (2024) also reached similar results.

Some studies have shown that higher levels of masculinity are positively associated with sustainability disclosures or that this relationship has a positive effect, contrary to expectations. Adnan et al. (2018) found that Individualism and masculinity were positively related to the amount and quality of disclosure when Hofstede's cultural dimensions were included in the model together. Ho et al. (2012) argued that higher Corporate Social Performance (CSP) was significantly associated with cultures characterized as more masculine. Tehrani et al. (2021) addressed the issue from another perspective and found that the inclusion of publicly traded companies in Japan (92) with the highest Hofstede masculinity scores in the Dow Jones Sustainability Indices (DJSIs) had a significant positive impact on their market values. Song et al. (2018) found that the effectiveness of Environmental Management Systems (EMS) would be higher in countries with high masculinity.

6.3.6 *Hofstede—Uncertainty Avoidance (UAI) and Sustainability Practices*

Uncertainty Avoidance (UAI) refers to a society's degree of tolerance for uncertainty and ambiguity. This dimension addresses how people develop solutions to the stress level felt in the face of an unknown future. The underlying issue is how a society copes with the reality that the future can never be known (Hofstede 2011) and the question "should we try to control the future, or let it happen?" (Gray 1988) is critical. UAI reflects the extent to which members of a culture feel threatened by uncertain or unknown situations and the beliefs and institutions they create to avoid these threats (Ogundajo et al. 2022; Leonidou et al. 2017). Cultures with high UAI scores perceive uncertainty as a threat that must be constantly combated.

Key characteristics of cultures with high UAI include:

- They maintain strict codes of conduct and beliefs to reduce uncertainty and contingency (Antonicelli et al. 2015; Vitolla et al. 2019).
- In high UAI societies, more rules and regulations are imposed on individuals (Alvarez and Ortas 2017).
- These societies maintain strict rules of belief and behavior and are intolerant of deviant individuals and ideas (Gray 1988). They tend to avoid risk (García-Sánchez et al. 2013).
- People with high UAI tend to be more emotional, stressed, and anxious. In high UAI cultures, people feel it impossible to change the status quo because rigid rules govern their lives (Sedita et al. 2022).
- High UAI is closely associated with conservatism, which favors a conservative measurement approach to deal with the uncertainty of future events (Lee and Herold 2018).

Key characteristics of cultures with low UAI include:

- Societies with low UAI accept uncertainty more easily and face each day as it comes (Vitolla et al. 2019).
- They have an approach that prioritizes implementation over principle. They are more tolerant of ambiguity and differing opinions. Deviation is more readily tolerated (Tata and Prasad 2015).
- They try to have as few rules as possible (Hofstede 2011). They dislike rules, whether written or unwritten (Ho et al. 2012).
- They are more willing to take risks in life (Perkins et al. 2022). They are calmer, less stressed and more able to control their emotions (Hofstede 1983).

According to Gray's (1988) accounting values model, societies with high UA are expected to be more prone to secrecy (hence negative relationship with transparency) because of the need to restrict information disclosure to avoid conflict and competition and to maintain security (Adnan et al. 2018). However, most modern research in the context of sustainability and integrated reporting (IR) generally finds a positive relationship, contrary to traditional expectations (Leonidou et al. 2017). Many

studies such as Alvarez and Martinez (2020), Martinez and Alvarez (2020), Antonicelli et al. (2015), Vitolla et al. (2019), Gallén and Peraita (2018), Lu and Wang (2021), Widyastuti (2018), Peng et al. (2014), Ho et al. (2012), Ogundajo et al. (2022), Uyar et al. (2022), Alvarez and Ortas (2017), Nicolo et al. (2024) have identified a positive relationship between the level of Uncertainty Avoidance (UAI) and corporate sustainability disclosures (disclosure/reporting/assurance). The main motivations of the studies can be summarized as follows:

- Since cultures with high UAI need rules, regulations, and structure to avoid uncertainty, this can positively impact companies' reporting behavior.
- Some research has also focused on the possibility of a positive relationship, as individuals who accept uncertainty are more likely to take risks, and this risk-taking is highly correlated with unethical actions (Ho et al. 2012).
- A sense of uncertainty creates anxiety (Hofstede 1983). Uncertainty-avoidant cultures attempt to control their behavior with rigid rules and beliefs. The existence of these rigid codes of conduct and norms may encourage managers to disclose environmental information (Martinez and Alvarez 2020).
- Companies with lower tolerance for uncertainty promote business practices through regulations due to their higher degree of uncertainty avoidance, which leads to the implementation of more stringent and standardized actions (such as normative reporting) (García-Sánchez et al. 2013).
- Higher UAI may result in greater formalization (Antonicelli et al. 2015). In such cultures, the fear of the unknown or uncertain and the resulting high demand for information leads companies to disclose higher-quality integrated reports. This is explained by the fact that stakeholders feel less uncertain when they have access to more information about the company's financial and social/environmental impacts (Vitolla et al. 2019).
- Companies in countries with high UAI are found to be more likely to have their integrated reports assured (Uyar et al. 2022).
- Engaging in CSR activities can be seen as an effective way to reduce environmental uncertainties faced by companies (Peng et al. 2014).
- Sustainability measures are implemented to make the world a better place to avoid unpleasant future events such as compromising the prudent use of resources or wasting existing resources, which can support the expectation of a positive relationship (Ogundajo et al. 2022).

However, studies such as Hope (2003), Williams (1999), Adnan et al. (2018), and Song et al. (2018) have found a negative and significant relationship between UA and CSR disclosure. Studies that predict and/or detect a negative relationship between UA and transparency are generally based on Gray's (1988) theoretical framework, which relates Hofstede's cultural dimensions to accounting values. These findings support the theoretical view that although high UA cultures generally maintain strict internal controls and rules and regulations, they may prefer secrecy regarding public information disclosure to avoid conflict and security breaches.

6.3.7 *Hofstede—Long-Term Versus Short-Term Orientation (LTO) and Sustainability Practices*

The LTO dimension refers to the degree to which a society exhibits a future-oriented or pragmatic perspective rather than a normative or short-term perspective. Essentially, this dimension relates to whether a society chooses to focus its efforts on the future or on the present and past (Hofstede 2011). LTO refers to the way a society deals with present and future challenges while maintaining ties to its past and the focus of efforts (Hassanein et al. 2024).

The characteristics of societies with high LTO scores are as follows:

- Societies with a long-term orientation (high LTO score) tend to focus on the future and prepare even if the consequences are slow (Hassanein et al. 2024).
- It is believed that the most important events in life will occur in the future by encouraging virtues aimed at future rewards (Hofstede 2011).
- In these societies, they believe that traditions are adaptable to changing conditions (Perkins et al. 2022) and that truth depends on the situation, context and time (Alvarez and Martinez 2020).
- Values such as thrift and perseverance are encouraged, and the ability to sacrifice personal interests for a goal is highlighted (Leonidou et al. 2017; Perkins et al. 2022).
- Since companies aim to work for long-term viability and profitability rather than short-term results, stakeholders place greater importance on social and environmental reporting, as these reports provide important insights into the future (Martinez and Alvarez 2020).
- East Asian countries such as South Korea, Taiwan, Japan, China have high LTO scores (Leonidou et al. 2017).

However, societies with a short-term orientation (low LTO scores) are classified as normative. They tend to focus on the past and present. Respect for traditions and personal stability and immutability of the status quo are valued (Tata and Prasad 2015). Social change is viewed with suspicion (Hassanein et al. 2024) and good, and evil are believed to have universal guides (Hofstede 2011). Society's past serves as a moral compass (Vitolla et al. 2019). Propensity to save for the future is relatively low and the expectation of quick results is important. Stakeholders in these cultures may prefer the traditional financial reporting format to sustainability reports (García-Sánchez et al. 2013). The US, Australia, Latin America, Africa, and middle east countries tend to have a short-term orientation.

Sustainability is a long-term approach that aims to meet the needs of the present generation without compromising the needs of future generations (Barbosa et al. 2021). Therefore, high LTO cultures are expected to exhibit a greater propensity for sustainability practices. The theoretically expected impact of LTO on CSR/SDG reporting and environmental practices is generally positive, as sustainability implies a long-term strategy (Lu and Wang 2021). A significant body of literature such as

Sannino et al. (2020), Lu and Wang (2021), Peng et al. (2014), Ferrero and Garcia-Sánchez (2017), Pizzi et al. (2022), Ogundajo et al. (2022), Nicolo et al. (2024) suggest that high LTO is associated with better sustainability performance and higher transparency.

Firms in high-LTO countries have been found to invest more in environmental practices (pollution prevention, recycling, and waste reduction) (Song et al. 2018; Zaher 2023). Sustainability and improving environmental performance require sacrifice in the present to benefit future generations, which is more likely in long-term oriented cultures (Lu and Wang 2021; Tata and Prasad 2015). According to Nicolo et al. (2024), high LTO refers to a higher stakeholder orientation and a higher orientation of companies towards the social and environmental concerns of stakeholders. According to Uyar et al. (2022), companies with a long-term focus are more likely to obtain assurance for their integrated reports to build trust with stakeholders and maintain strong ties in the future.

Some empirical studies have concluded that LTO has either a negative or statistically insignificant effect on sustainability disclosures, despite the expectation of a positive relationship. Orij (2010), Vitolla et al. (2019), Perkins et al. (2022) and Widyastuti (2018) have not obtained a significant result between LTO and sustainability practices in their research. A negative relationship has been identified between LTO and sustainability practices in studies such as Gallén and Peraita (2018), Alvarez and Martinez (2020), Martinez and Alvarez (2020), and Song et al. (2018). There are also claims that LTO should be removed from the cultural framework because it is specific to Far Eastern countries (Perkins et al. 2022).

6.3.8 Hofstede—Indulgence vs. Restraint (IND/IVR) and Sustainability Practices

Indulgence vs. Restraint (IVR) refers to the extent to which people express their desires and impulses. This cultural dimension focuses on the relationship between the satisfaction of basic human desires related to enjoying life and the control of that satisfaction (Hofstede 2011). It also reflects the extent to which people, based on their upbringing, attempt to control their desires and impulses (Alvarez and Ortas 2017). Indulgence represents a society that allows relatively free gratification of such desires (Song et al. 2018; Vitolla et al. 2019). This implies relatively weak control. Restraint, on the other hand, reflects the belief that this gratification must be restricted and regulated through strict social norms (Sulej 2022). This implies relatively strong control.

The influence of the Indulgence vs. Restraint (IND/IVR) dimension on sustainability and corporate social responsibility (CSR) practices is one of Hofstede's most recent cultural dimensions, which has been addressed in the literature with contradictory results. A significant body of literature suggests that cultures with high levels of indulgence show a negative bias towards sustainability practices and reporting.

Among the key arguments in this context is the view that societies with high indulgence scores will be reluctant to sacrifice their desire to enjoy life for the sake of addressing environmental problems (Lu and Wang 2021; Alvarez and Martinez 2020). In addition, because sustainability initiatives require sacrifice and their benefits accrue over the long term, societies with high IND scores may engage in activities that provide immediate gains at the expense of the future (Ogundajo et al. 2022; Tata and Prasad 2015). A culture of restraint (low IND) controls and regulates need satisfaction through strict social norms. It is assumed that societies with this strict discipline will have greater incentives to meet stakeholder needs and implement environmental practices (Martinez and Alvarez 2020).

In contrast, some studies suggest that high indulgence positively influences sustainability practices and societies with indulgence inherently expect greater transparency. Citizens may be more actively involved in ESG (Environmental, Social, and Governance) issues because their well-being and quality of life may be affected (Huang et al. 2024).

Consequently, Indulgent cultures, because of their focus on personal well-being and enjoyment, may tend to be less interested in sustainability practices that are often costly and provide long-term benefits; however, their optimism and emphasis on freedom of expression may result in a higher level of social pressure and disclosure, particularly in the context of environmental policies and transparency.

6.4 Theories Addressing the Relationship Between Sustainability Practices and Culture

This section of the study examines cultural factors affecting sustainability practices through various theories and studies, including Institutional Theory, Stakeholder Theory, and Legitimacy Theory. These theories explore how sustainability efforts and the standardization process depend not only on rational economic factors but also on national and institutional culture.

6.4.1 Sustainability Practices from the Institutional Theory Perspective

Institutional theory is an essential theoretical framework that explains the impact of social structures, beliefs, norms and rules within which organizations operate on their decision-making processes, structures and practices (Amran and Haniffa 2011; Ioannou and Serafeim 2012). This theory argues that a firm's behavior is shaped not only by economic or rational factors but also by formal and informal pressures imposed by the institutional environment (Meyer and Rowan 1977; Di Maggio and Powell 1983). Meyer and Rowan (1977) opposed the traditional Weberian view that

organizations should establish rational structures to do the best work at the least cost and argued that the main purpose of organizational structures is not to be efficient but to appear legitimate (legal, acceptable, reliable).

Meyer and Rowan (1977) laid the foundations for the field of Institutional Theory by demonstrating that organizations do not exist solely to solve technical problems but also adapt to cultural structures (myths) that reflect societal expectations and beliefs, explaining why organizational structures often deviate from productivity. According to Meyer and Rowan (1977), organizations become isomorphic to their environments, reflecting socially constructed reality (legitimate myths) rather than simply responding to technical needs. Organizations that incorporate these myths of legitimacy increase their chances of resources, stability, and survival because they appear "correct and modern" from the outside. In this regard, according to institutional theory, firms within the same institutional context tend to develop similar behaviors and strategies to address pressures originating from different socio-political institutions, resulting in institutional isomorphism (Di Maggio and Powell 1983; Meyer and Rowan 1977). The more firms adapt to pressures originating from different socio-political institutions, the more legitimacy they gain for their social roles (Di Maggio and Powell 1983).

Di Maggio and Powell (1983) approached the concept of isomorphism, a restrictive process that causes organizations to become increasingly similar, particularly from the perspective of institutional isomorphism and identified three basic institutional isomorphic change mechanisms behind organizational homogenization (similarity). These mechanisms elucidate the processes through which institutionalization takes place. By means of such mechanisms, organizations seek to achieve legitimacy and ensure their survival through alignment with prevailing social expectations (Ferrero and Garcia-Sánchez 2017).

According to the Di Maggio and Powell (1983), Coercive Isomorphism results from formal and informal pressures (e.g., government regulations or cultural expectations) exerted by other organizations on which organizations are dependent. Mimetic isomorphism, or imitation, is a type of pressure that arises in situations of environmental uncertainty. When organizational technologies are poorly understood, goals are unclear, or the environment creates symbolic ambiguity, organizations may model themselves on other successful or perceived legitimate organizations. Normative isomorphism arises primarily from professionalization and relates to pressures from group norms or professional expectations to adopt certain institutional practices. Normative structures concern the collective struggle of members to define the conditions and methods of practice of a profession (Amran and Haniffa 2011).

On the other hand, Scott (2001) presented an approach for understanding institutional influences using three basic pillars: regulative, normative and cultural-cognitive, and argued that these pillars provide stability and meaning to organizations. The regulatory Pillar includes rulemaking, monitoring, and enforcement activities that restrict and regulate behavior, and the formal laws that provide boundaries and rules that govern the task environment in which companies operate (Abeydeera et al. 2016). Deviations from what the regulatory pillar stipulates are legally sanctioned (Antonicelli et al. 2015). The normative pillar encompasses social values and norms

that create social expectations for the pursuit of organizational goals and objectives, and these values and norms are considered prescriptive, setting expectations that shape the behavior of organizational actors (Abeydeera et al. 2016). Actions that deviate from socially accepted behaviors are considered morally wrong (Antonicelli et al. 2015). The Cultural-Cognitive Pillar includes things that are considered orthodox and taken for granted. Actions that do not fit the Cultural-Cognitive Pillar are not culturally supported or recognized (Antonicelli et al. 2015).

Scott's (2001) pillars link the adoption of sustainability practices to three distinct types of pressures. The direct influence of culture is specifically addressed through the normative and cultural-cognitive pillars. While the normative pillar imposes social responsibility norms through ethical and professional expectations, the Cultural-Cognitive pillar creates the most profound cultural impact by encompassing the fundamental beliefs and values that embrace sustainability as a way of life and are unquestioningly embraced. In summary, both theories (Institutional Isomorphism and Scott's Pillars) suggest that organizations' sustainability behavior is a response to pressures imposed by the institutional environment (culture, law, and industry) within which they operate. Sustainability reporting functions as a tool to secure legitimacy by interacting with the expectations of various stakeholders within this environment (Alvarez and Martinez 2020; Ferrero and Garcia-Sánchez 2017).

Campbell (2007), in his study that presents a framework for determining the conditions under which companies act socially responsible, focuses on the threshold between responsible and irresponsible behavior, differing from traditional definitions of socially responsible corporate behavior. He argues that institutional conditions such as strong government regulations, industrial self-regulation, institutionalized dialogue with civil society organizations, and stakeholders increase the likelihood of companies acting responsibly (i.e., sustainably) regarding environmental and social welfare. Campbell (2007) argues that Scandinavian countries such as Finland, Sweden and Denmark, with institutions such as regulation, self-regulation and institutionalized dialogue that enable strong ethical corporate behavior (CSR), are among the world's most competitive economies, contradicting the neoliberal argument that institutional constraints (including sustainability efforts) undermine competition and market efficiency.

6.4.2 Sustainability Practices from the Stakeholder Theory Perspective

Stakeholder theory is one of the most influential frameworks in sustainability practices for understanding the relationship between business and society. This theory focuses on the idea that a company's success and long-term survival require it to respond to the expectations and demands of various groups beyond its shareholders, namely stakeholders (Alvarez and Ortas 2017). The definition of stakeholders by

Freeman (1984) states that stakeholders are "any group or individual that can influence or is affected by the achievement of a corporate objective". Stakeholders differ from other interested parties because they have the means to bring their needs to attention and the ability to act when those needs are not met (Czerny and Kowalczyk 2023). Stakeholders include a variety of groups, including managers, shareholders, and creditors, as well as customers, suppliers, employees, communities, and the public.

The basis of stakeholder theory is that a firm's survival depends on successfully managing its relationships with stakeholders (Vitolla et al. 2019). Stakeholder Theory focuses on the need for companies to respond to the demands of their stakeholders to maintain competitive advantage and viability. In this context, unlike the traditional financial model, Stakeholder Theory posits that the sole purpose of corporate management cannot be to maximize profits and create value for shareholders; instead, these must be obtained through or in coexistence with a grid of values of other stakeholders (Alvarez and Ortas 2017).

This theory supports the idea that the corporation has an implicit contract with society. According to this contract, the corporation is permitted to consume natural resources, utilize manpower and other resources to produce goods and services, and generate waste in a sustainable manner, but at the same time it must also create wealth for all stakeholder groups (García-Sánchez et al. 2013). Stakeholder theory addresses the company's relationship to its dynamic and complex environment and its ability to balance the competing demands of its various stakeholder (Amran and Haniffa 2011).

Stakeholders need to be informed about the economic, social and environmental impacts of corporate performance so that they can continue to forgo resources they provide or penalize poor performance (García-Sánchez et al. 2013). Corporate social and environmental reporting (CSER) is considered a good tool for open communication and listening between companies and their stakeholders about their concerns and contributions. Companies can engage in CSR disclosure practices to fulfill their accountability to their stakeholders (Sannino et al. 2020). Stakeholder pressures require companies to act in an environmentally friendly manner. Environmental disclosures explained to stakeholders include pollution reduction and waste management, resource efficiency and environmental management systems.

Stakeholder Theory suggests that companies that do not meet expectations regarding environmental and social issues cannot survive in the market (Barbosa et al. 2021). Stakeholder engagement and commitment are emphasized as prerequisites for sustainability. Engaging with stakeholders offers the potential to gain competitive advantage (Suhardjo et al. 2024). Strong corporate governance (transparency, accountability, fairness, and responsibility) promotes sustainability by ensuring continuity. Ethical management is the cornerstone of sustainability-oriented action (Şahin and Çankaya 2019).

6.4.3 *Sustainability Practices from the Legitimacy Theory Perspective*

Legitimacy theory is one of the dominant theoretical perspectives used to explain companies' Corporate Social Responsibility (CSR) and environmental/social reporting (CSER) practices. CSER is adopted as a mechanism for maintaining legitimacy. Legitimacy theory is defined as "a generalised perception or assumption that the actions of any entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman 1995). Legitimacy theory is one of the systems-based theories that explains an organization's relationship with the society in which it operates and why it adopts practices such as sustainability and corporate governance (Vitolla et al. 2019). Legitimacy theory suggests that there is a social contract between the company and society, that to be able to continue its activities the company must be perceived by the wider society as having a legitimate position and that sustainability practices are adopted as the mechanism to maintain this legitimacy (Amran and Haniffa 2011). The social contract requires the organization to increase accountability to ensure that it acts in the best interests of society (Uyar et al. 2022).

If there is a real or potential incompatibility between institutional actions and social values, a "legitimacy gap" arises, jeopardizing institutional legitimacy (Haniffa and Cooke 2005). Companies may decide to disclose information to close the legitimacy gap. The pursuit of legitimacy is considered important in demonstrating an organization's conformity to social values. Management's efforts to demonstrate that the organization is socially valuable are called the legitimation process (Haniffa and Cooke 2005).

Companies can use strategies to establish, maintain, or repair corporate legitimacy. The four main legitimation strategies identified by Lindblom (1994) are (Haniffa and Cooke 2005):

- Informing stakeholders (e.g., about intended improvements in performance).
- Attempting to change public perceptions of the company.
- Diverting attention from a problematic issue.
- Changing external expectations about the organization's performance.

Efforts to gain legitimacy can also be accomplished through substantive or symbolic management. The substantive approach requires making changes to policies and activities to gain legitimacy, while symbolic management attempts to positively influence stakeholder perceptions of the company (Chang et al. 2019).

Organizations incorporate institutionalized rules as a means of gaining legitimacy, resources, and stability to enhance their survival prospects, resulting in sustainability reporting (Alvarez and Martinez 2020). Legitimacy theory views CSR disclosures as strategic management tools (Gallén and Peraita 2018). Managers may release

information to save corporate image rather than to increase accountability and transparency (Chang et al. 2019). Organizations may adopt new practices (e.g. sustainability assurance/verification) in response to external, institutional pressures to establish corporate legitimacy; this is often related to internal needs or the search for social acceptance combined with the search for efficiency (Boiral et al. 2019).

However, several studies have examined the negative relationship between disclosure and performance from a socio-political perspective, such as legitimacy theory. Legitimacy theory posits that disclosure is used by firms to demonstrate that they operate within the boundaries of society. Lu and Wang (2021) noted that disclosure is strategically used by firms with poor environmental performance, particularly to suppress or soften negative news and demonstrate that their activities are perceived as legitimate. Furthermore, legitimacy theory posits that sustainability disclosure is primarily used by managers to influence external (especially negative) perceptions of the firm, for window dressing and impression purposes, and to reduce exposure to social and political environments (Lu and Wang 2021).

Legitimacy theory is based on the idea of the "social contract," which is the central proposition of Stakeholder Theory. However, while legitimacy theory focuses on the strategies that managers can choose to maintain their legitimacy, Stakeholder Theory focuses on the direct influence of stakeholders on management decisions (Ferrero and Garcia-Sánchez 2017). Legitimacy is achieved through organizations' compliance with institutional pressures in their environment (Waldman et al. 2006). The mechanisms of institutional isomorphism (coercive, normative, and mimetic) introduced by DiMaggio and Powell (1983) force firms to adopt similar behaviors to gain legitimacy (Ferrero and Garcia-Sánchez 2017). Organizations operating in highly institutionalized environments place greater emphasis on gaining legitimacy and resources for survival, regardless of productive efficiency (Abeydeera et al. 2016).

6.5 Conclusion

Despite efforts to embrace the concept of sustainability globally, how sustainability practices are interpreted, implemented and reported at the organizational level is deeply influenced by the cultural context. Culture plays a decisive role at every stage, from setting sustainability goals to determining which issues companies will prioritize.

National cultural dimensions explain similarities and differences among cultures worldwide and imply specific relationships between these dimensions and stakeholder preferences and actions. Stakeholders in different geographies have different expectations regarding corporate decisions due to values, norms, and practices stemming from different cultural contexts. Hofstede's six cultural dimensions (Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long-Term Orientation and Tolerance/Restraint) directly influence which sustainability issues (social, environmental) companies focus on and the quality of reporting. Companies operating in countries with more collectivist and feminine (low masculinity) cultural

systems have been found to place greater emphasis on social and environmental issues and submit higher-quality integrated reports due to their greater emphasis on the common good and societal issues. Conversely, companies in cultures with high power distance, individualism, and masculinity tend to be less engaged in sustainability issues.

It can be stated that cultural differences cause sustainability reporting not to be a "uniform" practice, which is both a challenge and a source of enrichment in terms of global standards. Global standards are valuable to provide a common language and comparability, their effectiveness can be diminished if they fail to take cultural considerations into account. Feedback processes and continuous dialogue between standard-setting institutions and companies are crucial to achieve this balance. Policymakers and regulators should provide flexible guidance that considers the values and ways of doing business of different cultures. A key performance indicator or a metric mandated in one country may not be meaningful in another. In this case, companies should be flexible enough to report the most relevant issues within their materiality analysis. Companies should understand the national cultural nuances of their operational context and consider what types of information and ethical focus stakeholders prioritize in addition to efforts to align with global standards when determining the reporting strategies.

In short, it can be concluded that increasing cultural sensitivity will increase the reliability of sustainability reporting and its credibility in the eyes of stakeholders and that the success of global standards largely depends on the level of internalization of these standards by local practitioners. Future studies can contribute to the literature with more specific cross-country studies to more systematically integrate the cultural perspective into corporate sustainability reporting.

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Part III
Institutional Culture, Transparency and Global Standards

Chapter 7
Regulatory Bodies Shaping Accounting Culture in Türkiye: A Global Comparative Analysis

Ahmet Fethi Durmuş and Tuba Derya Baskan

Abstract The historical trajectories, social structures, and cultural values unique to each nation have significantly influenced the development of accounting practices. In the wake of globalization, there has been an increasing emphasis on standardizing these practices to ensure the provision of reliable, comparable, transparent, and comprehensible financial information. Within this context, the notion of "accounting culture" encompasses the collective values, beliefs, behavioral norms, and ethical frameworks embraced by professionals within the accounting field. Consequently, the establishment of regulatory bodies, the enactment of legal frameworks, and the implementation of standards are essential in institutionalizing accounting cultures at the national level. This study provides an in-depth analysis of the role of regulatory institutions that have shaped and continue to influence the development of accounting culture in Türkiye. Specifically, the study focuses on key regulatory authorities such as the Public Oversight Accounting and Auditing Standards Authority (KGK), the Capital Markets Board (SPK), and the Banking Regulation and Supervision Agency (BDDK). These entities play a critical role in setting accounting standards, regulating audit processes, and formulating financial reporting principles, thereby contributing substantially to the institutionalization of accounting practices in Türkiye. The research methodology includes the examination of official publications issued by these institutions, policy analyses guiding accounting standards, and relevant regulatory frameworks. Based on the findings, a comparative evaluation will be undertaken at the global level. Within this scope, the study examines the perspectives and practices of globally influential institutions such as the Financial Accounting Standards Board (FASB) and the Securities and Exchange Commission (SEC) in the United States. The comparative analysis between these international bodies and Türkiye's

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_7

regulatory structure aims to provide deeper insights into the formation and evolution of accounting culture within both national and international contexts.

Keywords Accounting culture · National regulatory bodies · International regulatory bodies · Financial reporting standards · Financial transparency

7.1 Introduction

Regulatory bodies, which have gained prominence in many countries since the 1970s, are defined primarily by their institutional autonomy and the independence of their decision-making organs. In Türkiye, these institutions are referred to by various terms such as "upper council," "regulatory board," or "independent administrative authority". They generally possess a distinct legal personality and the institutional guarantees necessary to make independent decisions. These entities primarily function as specialized supervisory authorities established to safeguard the economic public order and exercise powers of regulation, supervision and enforcement (Sever 2015: 195).

The formation of accounting culture is influenced by both international and national regulatory institutions that operate across different levels. At the international level, organizations such as the IASB, IFAC, FASB, and SEC have played significant roles in harmonizing accounting standards and practices, promoting comparability across jurisdictions, and developing professional ethical principles. These bodies contribute to maintaining a coherent global framework for accounting practices and thus act as key agents in shaping international accounting culture. On the national level, in line with each country's specific economic, legal, and cultural context, institutions such as the Public Oversight Accounting and Auditing Standards Authority (KGK), the Capital Markets Board (SPK), the Banking Regulation and Supervision Agency (BDDK), and the former Turkish Accounting Standards Board (TMSK) have taken the lead in standardizing accounting practices within Türkiye.

Consequently, accounting culture acquires a multidimensional structure, shaped simultaneously by international norms and domestic imperatives. This synthesis occurs within the framework of global financial principles emphasizing transparency, reliability, and comparability.

The main objective of this study is to conduct a comprehensive analysis of the regulatory institutions that play a decisive role in the formation and evolution of accounting culture in Türkiye. In particular, it focuses on major regulatory authorities—KGK, SPK, and BDDK—and explores their impact on the adoption of accounting standards, the assurance of audit quality, and the enhancement of financial reporting practices. These national institutions not only influence the development, supervision, and guidance of local accounting practices but also contribute to the integration of the Turkish system into the global framework. Thus, their activities extend beyond mere technical regulation, encompassing a broader institutional and

cultural transformation that affects the evolution and international harmonization of the Turkish accounting culture.

In this research, official documents, legislation, guidelines, standards, and policy papers published by these institutions serve as primary data sources. Through the analysis of these materials, both the historical development and the contemporary influence of these bodies are examined to elucidate how accounting culture in Türkiye has been shaped from a multidimensional perspective.

7.2 The Relationship Between Accounting Culture and Regulatory Institutions

Accounting culture represents one of the key environmental factors shaping a nation's accounting system. It constitutes a dynamic phenomenon that encompasses the values and behaviors created, shared, and transmitted within a society (Karabınar and Kışlalıoğlu 2014: 234). Accounting operates as an open system influenced by its surrounding environment (Sevilengül 2001); hence, it can be regarded as both a product of social values and a subculture within the broader national culture (Gray 1988).

The variations among accounting systems and their underlying causes stem from the complex and multifaceted nature of culture itself. Differences in accounting practices among countries are influenced by numerous factors, including social values, religion, political and economic systems (Askary et al. 2008: 67), legal traditions, developed capital markets, financial resources, inflation, the degree of professional specialization and organization among accountants (Mueller et al. 1991: 13), taxation policies, and the level of economic development (Choi and Meek 2008: 36). Nevertheless, culture is widely recognized as the most profound and pervasive factor shaping accounting systems (Karabınar and Kışlalıoğlu 2014: 235).

A review of the literature reveals that the concept of accounting culture has been primarily analyzed through the lens of Hofstede's cultural dimensions, adapted to the accounting field by Gray (1988). Gray posited that accounting emerges from societal values and forms an integral component of national culture.

Hofstede's framework has become the most frequently utilized foundation in studies on accounting culture (Reimann et al. 2008: 65). These cultural dimensions are explained through four main categories (Hofstede, 1980a: 44):

- Power Distance: Reflects the degree to which members of a society accept inequalities and hierarchical distributions of power. In accounting, a high power-distance culture implies adherence to centralized authority and uniformity, whereas a low power-distance culture allows greater professional discretion.
- Individualism vs. Collectivism: Indicates the extent to which individuals prioritize personal goals over group objectives. In highly individualistic societies, confidentiality in accounting may be stronger, while in collectivist societies, group responsibility and transparency are emphasized.

- Masculinity vs. Femininity: Refers to the distribution of emotional roles between genders; masculine cultures value competition and achievement, whereas feminine cultures emphasize quality of life and sensitivity. In masculine societies, measurable results and quantitative indicators are more valued, suggesting a higher degree of secrecy in accounting practices.
- Uncertainty Avoidance: Describes the extent to which individuals in a society tolerate ambiguity. In societies with high uncertainty avoidance, strict adherence to rules and procedures is preferred, and uniformity tends to be higher. In accounting, this leads to risk-averse and conservative practices.

Building on these dimensions, Gray (1988) developed four accounting subcultural values:

1. Professionalism vs. Statutory Control: Relates to whether accounting regulations are guided by professional judgment or by legal and governmental control. A high degree of professionalism reflects self-regulation and autonomy.
2. Uniformity vs. Flexibility: Denotes whether accounting practices are standardized across entities or adapted to specific organizational contexts. High uniformity suggests low professionalism and strict rule adherence.
3. Conservatism vs. Optimism: Expresses the tendency to adopt cautious and risk-averse accounting treatments versus more risk-taking and optimistic approaches.
4. Secrecy vs. Transparency: Determines the extent of information disclosure in financial statements. High secrecy corresponds to limited disclosure, while transparency implies broader accessibility of financial data for all stakeholders.

These cultural dimensions interact with a country's educational, political, legal, and institutional systems, thereby influencing accounting behavior (Chanchani and Willet 2004: 126). As a result, accounting professionals in different cultural contexts may interpret standards differently, leading to variations that weaken the comparability of financial statements (Mukoro and Ojeka 2011: 916).

The relationship between accounting culture and regulatory institutions is deeply intertwined with the social, cultural, and global environments in which accounting operates (Keskin et al. 2020: 197). Regulatory bodies aim to ensure reliability, comparability, and transparency in financial reporting by embedding accounting practices within standardized principles and rules. Simultaneously, they must operate within and adapt to the prevailing national accounting culture. With the advent of globalization, the influence of international institutions such as the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) has intensified, initiating a convergence process between local accounting cultures and global standards (Yılmaz and Şahin 2018: 108). Consequently, countries strive to adapt international frameworks to their cultural and institutional contexts, requiring regulators to design flexible mechanisms that balance global orientation with local realities.

Thus, the relationship between accounting culture and regulatory institutions is not unidirectional but rather a mutual process of interaction and transformation. Regulatory authorities at both national and international levels act not only as technical

standard-setters but also as key agents shaping the evolution of accounting culture itself (Uçma 2012: 174).

7.3 Literature Review

An examination of the literature on accounting culture reveals that the earliest and most influential works belong to Hofstede and Gray. Hofstede (1980b) proposed four key dimensions that explain cultural differences among nations: individualism, power distance, uncertainty avoidance, and masculinity. His study was the first comprehensive attempt to conceptualize how cultural dimensions influence organizational behavior across societies. Gray's (1988) seminal paper marked a turning point in the evolution of the idea that culture can shape accounting practices. By synthesizing conceptual frameworks from the social sciences and international accounting literature, Gray developed a theory that connects societal values with accounting values.

Mouritsen (1989) explored the interaction between organizational culture, accounting systems, and accountability mechanisms within companies. His analysis of a Danish sales organization illustrated the tension between "front-stage" (ideal management) and "back-stage" (actual management) behaviors under a corporate philosophy centered on culture. The study demonstrated how human-oriented, participatory management ideals often clash with market pressures and financial performance goals. Ultimately, Mouritsen concluded that accounting systems function as deeply embedded cultural artifacts that reflect the rational concerns of Western societies—particularly efficiency and profitability.

Chanchani and Willett (2002) examined the empirical validity of Gray's cultural influence theory in the development of international accounting systems. Their study assessed the practical relevance of Gray's four subcultural accounting values professionalism, uniformity, conservatism, and secrec through multivariate analysis based on survey data collected from financial statement preparers and users in New Zealand and India. The findings supported the utility of these constructs as empirically grounded classification structures, while also suggesting the need for contextual adaptation and reinterpretation.

Ding et al. (2005) investigated differences between national Generally Accepted Accounting Principles (GAAP) and International Accounting Standards (IAS) in terms of cultural factors and legal origin. They developed two new measure divergence and absence to capture the degree of variation between the two systems. "Divergence" refers to cases where both national GAAP and IAS address the same issue but prescribe different treatments, while "absence" denotes topics covered by IAS but not by national GAAP. Their results indicated that cultural values have a stronger relationship with divergence than legal origin, whereas no significant link was found for absence, underscoring the pivotal role of culture in shaping accounting diversity.

Karabınar (2006) provided a descriptive overview of major international organizations influencing the global accounting environment, including IFAC, the IASC

Foundation, IOSCO, FASB, and the SEC. His study focused on their objectives, structures, and membership distributions, highlighting efforts to achieve harmonization across accounting practices worldwide and examining Türkiye's position in this global convergence process. The findings emphasized that the future of international accounting will be increasingly market-oriented, with the United States, the United Kingdom, and the European Union playing decisive roles in this transformation.

Güvemli (2008), in his doctoral dissertation, examined the interaction between international accounting standards and the accounting cultures of various countries, with a special emphasis on Türkiye. The research addressed the role of cultural factors in the formation of accounting systems, explored alternative accounting model such as the Anglo-American, Continental, South American, and Mixed Economy system and detailed the historical development and harmonization efforts in specific regions, including China, former Warsaw Pact countries, and Türkiye.

Lim et al. (2012) studied the impact of cultural factors on accounting systems, particularly focusing on how culture shapes accounting practices and financial reporting in China. Their findings highlighted the distinctive characteristics of the Chinese accounting system compared to Western models, demonstrating the enduring influence of local cultural values on accounting behavior.

Bekçi and Bitlisli (2012) investigated the effects of cultural factors on accounting practices through the lens of Hofstede's cultural dimensions and Gray's accounting values. Using survey data from accounting professionals in the province of Isparta, their study found that practitioners tend to favor professionalism, uniformity, conservatism, and transparency, while still maintaining a degree of confidentiality. These findings suggest a hybrid accounting culture combining traditional caution with a growing orientation toward openness and comparability.

Borker (2012) analyzed the cultural influences on the adoption of International Financial Reporting Standards (IFRS) in Central and Eastern European countries. Utilizing Hofstede's cultural dimensions and Gray's accounting values, the study compared these countries' cultural profiles with those required for successful IFRS implementation. The author emphasized that beyond cultural barriers, political conditions, market incentives, and firm-level motivations also play critical roles in determining IFRS adoption outcomes.

Durmuş and Güneş (2017) aimed to evaluate the accounting values of Turkish sworn financial advisors through the Hofstede-Gray cultural framework. Their research focused on Gray's four core accounting value professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency and applied survey methods to assess practitioners' perspectives. The results revealed that Turkish professionals support professionalism, uniformity, conservatism, and transparency, reaffirming the significant influence of cultural factors on accounting practices and professional behavior.

Yılmaz and Şahin (2018) reviewed national and international studies conducted within Hofstede's and Gray's frameworks, emphasizing that while each country's unique cultural characteristics shape accounting practices, the literature remains limited in examining how the widespread adoption of IFRS has transformed these

cultural influences. Their analysis pointed to a research gap regarding the long-term impact of IFRS on accounting culture.

Önder (2020) investigated the influence of accounting culture values on independent accounting professionals in Aydın, Türkiye. Based on the premise that professional cultural values are among the most critical factors shaping national accounting systems, the study applied Gray's four accounting values as its conceptual framework. The results indicated that practitioners in Aydın generally favor transparency, standardization, and professional competence, reflecting a strong tendency toward accountability and methodological consistency.

Within the scope of the aforementioned literature, both national and international institutions influencing accounting culture have been analyzed to illustrate their respective roles and interconnections.

7.4 Major Institutions Influencing Accounting Culture in Türkiye

In the global accounting arena, two primary sets of generally accepted accounting standards have been developed those issued by the International Accounting Standards Board (IASB) and those established by the Financial Accounting Standards Board (FASB) in the United States. The coexistence of these two systems has often resulted in practical inconsistencies and interpretational challenges, especially for multinational corporations. Divergent standards across jurisdictions have created difficulties in ensuring comparability in financial reporting and have generated uncertainty among international investors. To address these discrepancies, the Norwalk Agreement was signed in 2002 between the IASB and FASB, marking a critical milestone in the convergence of IFRS and US GAAP. Under this agreement, both organizations committed to achieving full compatibility between their standards and maintaining long-term coordination (Pacter 2013: 52).

In Türkiye, several institutional structures have played a decisive role in the formation and evolution of accounting culture. These entities are responsible for establishing, implementing, and supervising accounting standards, as well as enhancing professional qualifications within the accounting and auditing profession. The principal institutions include the Public Oversight Accounting and Auditing Standards Authority (KGK), the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Türkiye (TÜRMOB), the Banking Regulation and Supervision Agency (BDDK), the Turkish Accounting Standards Board (TMSK), and the Capital Markets Board (SPK).

7.4.1 Public Oversight, Accounting and Auditing Standards Authority (KGK)

The establishment of the KGK was primarily driven by the need to restore public confidence in financial statements and independent audits following global accounting scandals and corporate collapses. Mirroring developments such as the Sarbanes–Oxley Act (SOX) in the United States and the Eighth Directive in the European Union, Türkiye adopted a similar public oversight model (Keskin 2021: 117).

Prior to the KGK's formation, the oversight of auditing activities in Türkiye was fragmented among multiple institutions, including TÜRMOB, SPK, BDDK, the Energy Market Regulatory Authority (EPDK), and the General Directorate of Insurance under the Treasury. This fragmented structure hindered standardization and effective supervision, thereby underscoring the need for a centralized public oversight mechanism. Consequently, independent audit oversight was made mandatory through Decree Law No. 660, enacted on November 2, 2011, which formally established the KGK (Sağlar and Yüce 2015: 48).

Public oversight refers to the process of systematically ensuring that independent audit activities comply with applicable legislation and auditing standards under the supervision of a public institution prioritizing the public interest (KGK 2019). The KGK operates as an autonomous upper council affiliated with the Ministry of Treasury and Finance, comprising nine members, including a president and a vice president, all appointed by the President of the Republic. Its principal objectives include protecting investor rights, ensuring the preparation of impartial and reliable audit reports, and promoting the provision of accurate, transparent, and comparable financial information in line with public interest.

The Turkish public oversight system is equivalent to European Union standards and aligned with international practices. Within this framework, the KGK oversees the independent audit processes of approximately the largest 10,000 enterprises in Türkiye, including publicly listed companies, bond issuers, banks, and insurance firms (KGK 2019).

Among its key responsibilities, the KGK develops and publishes the Turkish Accounting Standards (TMS) and the Turkish Auditing Standards (TDS), harmonized with international norms. It ensures that financial statements are prepared in accordance with the Turkish Financial Reporting Standards (TFRS) and audited in compliance with the International Standards on Auditing (ISA). Additionally, the KGK holds authority over the licensing, registration, disciplinary procedures, and continuing professional education of auditors and audit firms, as well as the establishment of ethical codes (Keskin 2021: 123).

Through these efforts, the KGK has addressed long-standing structural deficiencies in the Turkish accounting and auditing profession, fostering the development of a reliable, transparent, and internationally aligned accounting culture.

7.4.2 *Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Türkiye (TÜRMOB)*

TÜRMOB has exerted a significant influence on the shaping of accounting culture in Türkiye by fostering both professional institutionalization and international integration. Established under Law No. 3568 in 1989, TÜRMOB granted legal recognition to the accounting profession and undertook responsibilities such as addressing professional needs, facilitating professional activities, safeguarding ethical conduct, and promoting the advancement of the profession in the public interest.

TÜRMOB currently encompasses 77 Chambers of Certified Public Accountants and 8 Chambers of Sworn-in Certified Public Accountants, representing approximately 135,000 members, making it the highest representative body of the accounting profession in Türkiye (Güvemli 2008: 222). Initially, the profession was categorized into three levels—Accountant, Certified Public Accountant, and Sworn-in Certified Public Accountant—although the 2008 amendment consolidated these into two: Certified Public Accountant (SMMM) and Sworn-in Certified Public Accountant (YMM).

In 1993, TÜRMOB established the Turkish Accounting and Auditing Standards Board (TMUDESK) to develop accounting standards consistent with international practices. Supported by TÜRMOB, TMUDESK published the first Turkish Accounting Standards in 1997, aiming to enhance the clarity and reliability of financial statements (Çelik 2005: 111; Yalkın 1995: 260). Through its activities, TMUDESK made substantial contributions to the standardization and professionalization of accounting culture in Türkiye (Başpınar 2005: 51).

TÜRMOB became a member of the International Accounting Standards Committee (IASC) and the International Federation of Accountants (IFAC) in 1994, thereby enabling Türkiye to closely follow global developments and accelerate its harmonization with IFRS. The standardization initiatives initiated by TMUDESK and later continued by the TMSK under TÜRMOB's guidance aimed for full compliance with IFRS, representing a critical step toward integrating Turkish accounting practices with international norms (Güvemli 2008: 187).

Thus, TÜRMOB has played a pivotal role in embedding the accounting profession within a legal and institutional framework, achieving national standardization, and harmonizing Turkish practices with global standards. These efforts have facilitated the transformation of the Turkish accounting culture from a traditional, tax-oriented approach toward a more transparent, comparable, and professional structure.

7.4.3 *Banking Regulation and Supervision Agency (BDDK)*

The Banking Regulation and Supervision Agency (BDDK) has had a profound impact on the evolution of accounting culture in Türkiye, particularly within the banking

and financial sectors and in the adaptation of IFRS. Established in 1999 under Law No. 4389, the BDDK was designed as an autonomous public institution to protect depositors' rights and interests, ensure the stability and efficiency of banking operations, and foster a competitive and sound financial system conducive to sustainable economic growth.

In June 2002, the BDDK published the Regulation on Accounting Practices of Banks, which introduced 17 accounting standards for the banking sector (Güvemli 2008: 231). This regulation aimed to establish uniformity and transparency in accounting systems, prevent off-book transactions, and ensure accurate and reliable accounting in line with the substance of transactions. It also stipulated the principles for the preparation, reporting, and publication of financial statements—both consolidated and non-consolidated—reflecting financial position, performance, and managerial effectiveness (Doğruer 2018, as cited in Güdelci 2019: 209).

In November 2006, the BDDK issued new regulations that repealed the previous accounting framework and mandated the application of Turkish Accounting Standards (TMS) in line with IFRS. Consequently, from the end of 2006 onward, Turkish banks began implementing IFRS-compliant accounting standards (Kocamaz 2012: 115).

Through these measures, the BDDK has enhanced the transparency, accountability, and comparability of financial reporting in the Turkish banking sector, contributing substantially to the modernization of national accounting culture.

7.4.4 Turkish Accounting Standards Board (TMSK)

The Turkish Accounting Standards Board (TMSK) was established by Law No. 4487, which amended the Capital Markets Law (No. 2499), on December 18, 1999, and achieved administrative and financial independence in 2002. It subsequently assumed the responsibilities of TMUDESK (Yayla 2006: 16). The TMSK consisted of nine members appointed for three-year terms (Çelik 2005: 111).

The Board's main objective was to develop national accounting standards aligned with international norms. It sought to ensure the transparency, consistency, and comparability of financial reports and to reflect contemporary international practices within Türkiye's accounting framework (Parlakkaya 2004: 132).

Through licensing agreements with the IASB, TMSK translated and published the complete set of International Financial Reporting Standards (IFRS)—including the conceptual framework, 38 standards, and 21 interpretations—in the Official Gazette. Updates reflecting amendments to IFRS were also promptly issued (Güvemli 2008: 230).

However, under Decree Law No. 660 of November 2, 2011, the TMSK was dissolved, and all its duties, powers, and responsibilities were transferred to the KGK, which also became the sole authority for public oversight of auditing (Yereli 2015: 29).

7.4.5 Capital Markets Board (SPK)

The Capital Markets Board (SPK) has played a central and influential role in shaping accounting culture in Türkiye, particularly in the regulation of publicly listed companies, investor relations, and capital market activities. Established in 1981 under the Capital Markets Law No. 2499, the SPK is an autonomous regulatory institution composed of seven members appointed by the Council of Ministers based on nominations from relevant ministries and agencies.

The SPK's mission is to regulate and supervise the capital markets, establish the operational rules governing listed companies, protect the rights of investors, and ensure the fair and efficient functioning of markets (SPK 2025). The Board achieves these objectives through laws, regulations, and communiqués governing securities issuance, stock exchange operations, and corporate reporting requirements (Güvemli 2008: 242).

Institutions such as the KGK, TÜRMOB, BDDK, TMSK, and SPK have been instrumental in aligning Türkiye's financial reporting and auditing practices with international standards. However, understanding the influence and direction of these institutions necessitates a comparative global perspective. Accounting is not confined to national regulatory frameworks; it is also shaped by international capital flows, investor expectations, and global standard-setting institutions. Therefore, to fully assess Türkiye's accounting culture, it is essential to consider the global standards, diverse implementation models, and ongoing.

7.5 Comparative Analysis from a Global Perspective

At the international level, numerous institutional structures have influenced the development and evolution of accounting culture. These organizations have been instrumental in setting, implementing, and supervising accounting standards, as well as enhancing professional competencies across the accounting and auditing professions.

7.5.1 International Accounting Standards Board (IASB)

The International Accounting Standards Committee (IASC) was established in 1973 through an agreement signed in London by national professional accounting bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, Ireland, and the United States. The committee's constitution, first revised in 1982 and subsequently amended in 1992, 2000, 2001, and 2002 to accommodate new members, laid the foundation for international standard setting (Bragg 2010). In 2001, the International Accounting Standards Board (IASB) replaced the IASC. The IASB's mission is to develop and publish accounting standards that

ensure investors and other users of financial statements have access to comparable, transparent, and high-quality financial information (IFRS Foundation 2024).

7.5.2 International Federation of Accountants (IFAC)

The International Federation of Accountants (IFAC), founded in 1977, is the world's largest international organization representing the global accounting profession. IFAC unites more than 180 member bodies from over 135 countries (https://www.ifac.org). Its objective is to promote a globally consistent, ethical, and high-quality approach to accounting by bringing together professional organizations worldwide.

IFAC's approach to accounting culture is grounded in a principles-based framework, emphasizing professional judgment and adherence to ethical values rather than rigid rule-following. The ethical and technical backbone of IFAC's philosophy is reflected in the IESBA Code of Ethics and the International Standards on Auditing (ISAs), which together establish not only the technical foundation for reporting but also the ethical infrastructure of the profession.

In this regard, IFAC's vision aligns closely with Stephen Gray's concept of "professional orientation," one of the key cultural dimensions of accounting values, which highlights the role of individual professional judgment and independence in decision-making (Doupnik and Riccio 2006).

Historically, Türkiye's accounting system has evolved as a state-controlled and tax-driven structure based on documentary evidence and compliance. However, since the 2000s, the adoption of the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS)—both aligned with IFRS—has marked a significant transition toward a principles-based system. Moreover, through IFAC membership, Türkiye has adopted international norms in auditing and professional ethics. Despite these advancements, professional discretion in Türkiye remains relatively limited in practice, reflecting a system where public oversight and statutory control remain dominant (Kaya and Koch 2015).

Accordingly, Türkiye can be positioned closer to Gray's "statutory control" orientation while progressively converging toward the professionalism advocated by IFAC. This hybrid structure indicates an ongoing effort to reconcile national regulatory traditions with international expectations of professional autonomy and ethical accountability.

7.5.3 Financial Accounting Standards Board (FASB)

The Financial Accounting Standards Board (FASB), established in 1973 in the United States, is the primary independent authority responsible for developing the nation's Generally Accepted Accounting Principles (GAAP). FASB's overarching objective

is to ensure that financial reporting provides reliable, comparable, and transparent information for users (https://www.fasb.org/facts).

The FASB represents a rules-based accounting system, characterized by detailed prescriptions and strict compliance requirements. In such systems, the professional judgment of accountants plays a limited role; instead, adherence to codified rules is paramount. This framework emphasizes legal accountability, investor protection, and enforceable precision, aligning with Gray's (1988) classification of cultures exhibiting high levels of statutory control (Salter and Niswander 1995).

In contrast, the Turkish accounting system historically evolved within a legalist and bureaucratic tradition, strongly influenced by tax legislation and state oversight. The adoption of TMS/TFRS in 2005 signified a shift toward a principles-based approach, aligning Türkiye more closely with international practices and the European Union harmonization process. Nonetheless, the pervasive influence of tax regulations and legal compliance continues to shape accounting behavior in practice.

While FASB's culture is investor-centered and market-driven, Türkiye's accounting environment remains regulator-centered and compliance-oriented, reflecting the strong role of governmental institutions. Although both systems exhibit partial convergence with IFRS, FASB standards are unique to U.S. law and developed autonomously, whereas Turkish standards are largely adapted from international texts through translation and contextual modification (Sevilengül 2020).

Consequently, while the FASB model prioritizes transparency, disclosure, and investor information, the Turkish framework emphasizes public control, audit oversight, and fiscal accountability. Theoretically, Turkish accountants enjoy broader interpretive flexibility, yet in practice, this is constrained by regulatory intervention, reinforcing a hybrid model of controlled professionalism.

7.5.4 Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) was established in 1934 in the United States following the Great Depression. As the principal regulatory and supervisory authority of U.S. capital markets, the SEC's mission is to ensure fair, orderly, and transparent markets, protect investors, and maintain public confidence in financial reporting. The SEC enforces compliance with accounting and auditing standards, mandating the use of FASB-issued principles in financial reporting. It also monitors corporate disclosures to safeguard market transparency and accountability (Christensen et al. 2021).

The SEC's approach to accounting culture embodies a compliance- and enforcement-oriented model, emphasizing legal control, investor protection, transparency, accountability, and public trust. As such, it reflects a system deeply rooted in statutory regulation and oversight, where formal rules and enforcement mechanisms constitute the foundation of the accounting culture (Christensen et al. 2021) (Table 7.1).

Table 7.1 Institutions shaping national and international accounting cultures

Institutions shaping accounting culture in Türkiye		Institutions shaping accounting culture internationally	
Institution	Role and impact	Institution	Role and impact
Capital markets Board—SPK	It sets financial reporting standards for publicly traded companies. Since 2003, the CMB has encouraged the adoption of IFRS-compliant standards, thereby contributing to the development of an accounting approach focused on financial transparency and investor confidence (Capital Markets Board—2003 Financial Reporting Standards Communiqué)	International accounting standards board (IASB)	To establish and publish accounting standards that will enable investors and other financial statement users to access comparable, transparent, and high-quality financial information.
Ministry of Treasury and Finance	Regulates accounting records within the framework of the tax procedure law. For many years, accounting practices in Türkiye have been based on tax legislation, and the accounting culture has been shaped to a large extent by the regulations of this institution[1]	Federation of Accountants (IFAC)	It brings together accounting professional organizations worldwide to promote a globally consistent, ethical, and high-quality approach to accounting
Union of Chambers of certified accountants certified accountants of Türkiye - TÜRMOB	Regulates the professional education, ethical rules, and professional standards of accounting professionals. Thus, it has played an important role in establishing an accounting culture at the practitioner level (TÜRMOB-2023. Guide to ethical rules and professional standards)	Financial accounting standards board - FASB	Ensures that financial reporting users are provided with reliable, comparable, and transparent information, representing a rule-based accounting culture with its clear rules and high adherence to detailed regulations
Turkish accounting standards board—TMSK	It operated between 2002 and 2011. This board laid the foundations for Turkish financial reporting standards (TFRS). It was transferred to the KGK in 2011 (TMSK. (2002). Decree on the establishment of the Turkish accounting standards board)	Securities and exchange commission - SEC	It creates an accounting culture based on oversight and enforcement. Accordingly, principles such as a high level of rule-based approach, investor protection, transparency, accountability, and legal compliance are at the forefront

(continued)

[1] Seri No'lu Muhasebe Sistemi Uygulama Genel Tebliği (26.12.1992), 1 SERİ NO'LU MUHASEBE SİSTEMİ UYGULAMA GENEL TEBLİĞİ, Resmî Gazete No, 21447 (M), Resmî Gazete Tarihi, 26/12/1992, https://ismmmo.org.tr/Mevzuat/Muhasebe-Sistemi-Uygulama-Genel-Tebligleri-Tek-Duzen-Hesap-Plani---3988

Table 7.1 (continued)

Institutions shaping accounting culture in Türkiye		Institutions shaping accounting culture internationally	
Institution	Role and impact	Institution	Role and impact
Public oversight accounting and auditing standards authority—KGK	Established in 2011, it is authorized to determine international accounting and auditing standards in Türkiye. By publishing TFRS, it is the main authority managing Türkiye's IFRS compliance process. The institution's primary objectives are to protect investor rights, ensure that audit reports are prepared accurately, impartially, and independently, and provide accurate, reliable, and comparable financial information based on the public interest		

Source Created by the authors

7.6 Conclusion and Evaluation

Accounting culture is not limited to technical standards and regulations; it is a dynamic phenomenon shaped by the interaction of national cultural values, social structure, and institutional frameworks. Considering Hofstede's cultural dimensions and Gray's accounting values model, Türkiye's accounting culture has historically shown a high level of statutory control and secrecy. This orientation has been reinforced by the dominant role of the state- centered regulatory structure, leading to accounting practices being largely shaped within the framework of tax legislation and public authority oversight.

In the case of Türkiye, regulatory bodies such as the Public Oversight Accounting and Auditing Standards Authority, the Capital Markets Board, the Banking Regulation and Supervision Agency, and the Union of Chambers of Certified Public Accountants and Certified Public Accountants have played decisive roles in institutionalizing the national accounting culture. These institutions contribute to the establishment of the principles of transparency, reliability, and comparability by both defining the ethical and professional framework of the profession and ensuring the alignment of financial reporting standards with international norms.

At the global level, institutions such as the International Accounting Standards Board, the International Federation of Accountants, the Financial Accounting Standards Board, and the Securities and Exchange Commission represent different accounting cultural approaches. Türkiye's historically tax-focused and legally compliant accounting tradition has been shifting toward a principle-based structure in recent years with the adoption of international standards. However, in practice, the supervisory and directive role of public authorities still prevails. When evaluated within the framework of Gray's accounting values model, this situation shows that Türkiye has a high position in terms of legal compliance and confidentiality, but

continues its efforts to comply with global standards in terms of professionalism and transparency.

In conclusion, regulatory bodies shaping accounting culture in Türkiye play an intermediary role not only in the application of standards but also in the interaction between national cultural values and global accounting norms. In this context, the relationship between accounting culture and regulatory bodies should be seen as a process of mutual adaptation and transformation rather than a one-way street. In the coming period, further strengthening the dimensions of professionalism and transparency will enable the development of Türkiye's accounting culture in a manner that is more compatible with international standards and balanced with national cultural values.

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Chapter 8
The Culture of Transparency in Financial Reporting: Perceptions and Practices in Türkiye

Saime Önce and Gülşen Çavuş

Abstract Transparency in financial reporting, which goes beyond legal compliance, can be defined as a company's deep-rooted values, beliefs and norms regarding the accurate, timely and understandable presentation of its financial information. Transparency in financial reporting is the responsibility and approach of a company to disclose information about its financial position, performance and cash flows to all stakeholders accurately, completely and in a timely manner. When it is embraced as a widespread philosophy by all employees, from senior management to operational staff. Transparency in financial reporting becomes a culture. A culture of transparency in financial reporting benefits investors, the company and the economy. Having a transparent culture in financial reporting increases market confidence, reduces capital costs and strengthens company reputation. These benefits ensure that stakeholders, including investors, creditors, employees, regulators and the public, have access to accurate information about a company's financial health, performance and risks. In addition this culture develops internal controls within the company, reduces corruption and ensures the company's sustainable long-term growth. In this framework the aim of the research is to examine the culture of transparency in financial reporting in BIST-ALL companies within the framework of perceptions and practices. Moreover the impact of Hofstede's cultural dimensions and Gray's accounting values on the perceived culture of transparency in financial reporting and the practice culture of transparency in financial reporting is also examined. It has been determined that Hofstede's cultural dimension of masculinity versus femininity increases the perceived transparency culture in financial reporting. The research findings emphasise the importance of transparency in financial reporting as a fundamental cultural norm and highlight the role of national cultural dynamics in shaping the culture of transparency in financial reporting.

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_8

Keywords Transparency · Financial reporting · Hofstede · Gray · National Culture · Accounting culture

8.1 Introduction

Financial statements serve as a fundamental mechanism for communicating a company's financial information to external stakeholders, including investors, creditors, regulators and the public. Given the increasing economic complexity and the growing demand for transparency in capital markets, the quality of the information presented in these statements is paramount. This quality is often assessed by the level of transparency, which is defined as the degree to which the information provided is accurate, complete and readily understandable. In the context of financial reporting, transparency refers to the extent that external parties (such as investors, creditors and regulators) can access, comprehend and rely on the financial information a company presents. Financial reporting transparency involves not only the communication of information in adherence to accounting standards but also the disclosure of risks, the specific accounting policies utilized and compliance with regulatory requirements. Transparency in financial reporting is a key element of corporate governance. Its primary goal is to ensure integrity and accountability in financial reporting, as a result mitigating information asymmetry between management and stakeholders. Moreover it functions as an effective control mechanism for investors to evaluate management performance and incentivizes management to reduce opportunistic behavior. Eventually enhanced financial reporting transparency increases accountability offers information users a clearer understanding of a company's financial performance and consequently leads to improved performance and more accurate decision-making (Athaya et al. 2025, pp. 1–3).

Theoretical frameworks such as agency theory, signaling theory, legitimacy theory and stakeholder theory affirm the crucial role of transparent financial reporting in reducing information asymmetry, increasing accountability and strengthening stakeholder trust. By offering accurate, timely and accessible information about a company's financial standing, transparent reporting reduces the cost of capital, facilitates efficient capital allocation and contributes to economic growth and prosperity. Essentially transparent financial reporting is deemed essential for promoting trust, accountability and efficiency in corporate governance, establishing it as a critical component of sustainable value creation (Darmawan 2023, pp. 35–36). Financial reporting transparency is shaped by a combination of legal and administrative mechanisms and other elements especially national culture and types of subculture (Fung 2014, pp. 75–76; Rajabalizadeh 2025, pp. 47–50).

The primary objective of this research is to empirically investigate the impact of Hofstede's cultural dimensions and Gray's accounting cultural values (derived from these dimensions) on the perceived and practiced transparency culture in company financial reporting. This investigation aims to elucidate the profound influence of national culture and accounting culture on financial reporting. The study empirically

examines the structure and strength of the relationship between national cultural dimensions and financial reporting transparency in Türkiye. This research provides an in-depth analysis of the cultural underpinnings of national differences and accounting values in financial reporting practices and perceptions, focusing particularly on the cultural value of transparency in financial reporting. It will also reveal the interactive and multidimensional nature of cultural values on financial reporting practices, thereby enriching the existing theoretical frameworks in this domain.

8.2 Theoretical Framework of Transparency Culture in Financial Reporting

8.2.1 The Concept of Transparency and Transparency Culture in Financial Reporting

Financial reporting transparency is a critical information component in the decision-making processes of investors, occupying a central position in today's financial markets (Fung 2014, pp. 75–76). Transparency in financial reporting is defined as the responsibility and approach of a company to disclose information about its financial position, performance and cash flows to all stakeholders accurately, completely and in a timely manner (Darmawan 2023, p. 32). Transparency in financial reporting contributes to reducing information asymmetry, mitigating agency conflicts, increasing market efficiency (Armstrong et al. 2016, pp. 107–108). It increases investor attractiveness by reducing the company's cost of capital (Salehi et al. 2023, pp. 1052–1054). To achieve this goal, five fundamental elements must be ensured as part of compliance with corporate governance standards in financial reporting transparency:

- Accuracy,
- Completeness,
- Materiality,
- Timeliness
- Accessibility.

Establishing a culture of transparency in financial reporting within the company is a fundamental step towards ensuring these elements and gaining trust (Fung 2014, pp. 75–76). A culture of transparency in financial reporting can be defined as a set of company values and norms regarding the disclosure of a company's financial information in a manner that is accuracy, completeness, comprehensive, accessibility and timely, not only fulfilling legal obligations but also ensuring that stakeholders (investors, creditors, employees, regulators, etc.) have a complete and true understanding.

A robust corporate governance system is key to enhancing financial reporting transparency. Independent and accountable boards of directors tend to disclose not

only mandatory information but also voluntary disclosures. As a result increases the transparency of financial information in the market. The fundamental problem of corporate governance is the conflict of interest between the 'principal' who owns the company and the 'agent' who manages it (agency theory). Research shows that an increase in the number of independent members on the management and supervisory boards has a positive and significant relationship with the level of voluntary disclosure and consequently transparency. Consequently corporate governance standards are an important component that affects the quality and transparency of reported information by ensuring that financial statements are reliable, accurate, transparent and fair. This transparency also supports the value of the company and economic development (Salehi et al. 2023, pp. 1052–1054). This transparency mechanism, created by the corporate governance structure, accountability and information sharing of companies, reflects the perceived transparency culture in financial reporting.

In addition to perceived transparency in financial reporting that reflects the culture of transparency in the information provided to users in financial reports is transparency in practice. The greatest risk in the financial statements provided to company information users is that the financial statements are prepared and presented in a high-quality manner that is true and fair and free from manipulation (Fung 2014, pp. 75–76). Transparency is the cornerstone of financial statement preparation. When transparency is maintained, opportunities for earnings manipulation are minimised. Low transparency provides management with the opportunity to manipulate without detection, using techniques such as concealing fictitious transactions or liabilities. Such manipulations typically develop in environments with low transparency. Transparent financial reports strengthen the perception of the company's reliability and reduce managers' inclination to manipulate earnings. Transparency encourages managers to be more cautious, acting as an internal control mechanism. This is because the financial information they present will be widely evaluated by stakeholders. Without a transparent financial reporting system, users struggle to assess the accuracy of the information, which distorts the purpose of financial reporting as a rational decision-making tool (Athaya et al. 2025, p. 4). Therefore, low earnings management (earnings quality or financial reporting quality) can be seen as an indicator of transparency in financial reporting practice (Önce and Çavuş 2019, p. 36).

Although corporate governance plays a critical role in promoting accountability for quality financial reporting in establishing a culture of transparency in financial reporting, external influences on financial reporting should not be overlooked (Fung 2014, pp. 75–76). In particular, national culture (collectivism versus ındividualism, avoidance of uncertainty, etc.) and the language used in financial disclosures are among the factors that significantly influence transparency and stakeholder perception. Therefore, a culture of transparency in financial reporting is a multidimensional indicator of success that requires consideration not only of legal and managerial mechanisms but also of the cultural context that influences reporting (Rajabalizadeh 2025, pp. 47–50). It is therefore important to investigate the elements of national culture and subculture that influence the culture of transparency in financial reporting.

8.2.2 Theories Related to the Culture of Transparency in Financial Reporting

Theories related to the transparency in financial reporting published in the literature are addressed in the context of representation theory, signalling theory, legitimacy theory and stakeholder theory.

Agency Theory: Originally developed by Jensen and Meckling (1976), agency theory is based on problems arising from the separation of ownership and management in companies (Alves et al. 2012, p. 15). This theory concerns the relationship between agents and principals, in other words, company managers and shareholders (Alvarez et al. 2008, p. 601). According to the theory, there is a conflict of interest or a lack of goal alignment between agents (managers) and principals (owners). Agents may make decisions that maximise their own benefits. Conversely, agents may not be obliged to maximise the benefits of company owners. Therefore, a conflict arises between the agent and the principal. This conflict requires a set of mechanisms to measure and monitor the agent's behaviour. Consequently, these mechanisms lead to agency costs (Abdel-Fattah 2008, pp. 97–98). One way to reduce agency costs is to disclose information about managers' actions and the economic reality of the companies. Thanks to the culture of transparency created in the companies through information disclosure, shareholders will be able to easily monitor managers and the likelihood of opportunistic behaviour by managers will decrease. Thus, reducing conflicts within the company by increasing transparency will enhance the effectiveness of corporate governance and investor confidence. The culture of transparency will function as a control mechanism for company shareholders and a legitimacy mechanism for managers (Alvarez et al. 2008, p. 601; Darmawan 2023, p. 35).

Signal Theory: Pioneered by Ross (1977), signal theory focuses on reducing information asymmetry. It was adopted by Berle and Means (1932) as part of the concept of information asymmetry between management and ownership (Bollen et al. 2006, pp. 276–277). The theory argues that companies will be concerned with providing information as a mechanism or signal about the company's financial performance in order to change investor expectations and reduce information inequality (Baiman and Verrecchia 1996, pp. 7–8). It concerns how asymmetry can be reduced when the party with more information (e.g., management) communicates this information to others (e.g., investors). In this context, the theory views transparency, or disclosure, as an important tool that managers can use to differentiate themselves from other companies and send signals to relevant parties (Premuroso 2008, pp. 24–26). The theory argues that transparent financial reporting is an indicator of a company's financial health and management's confidence in the future. By providing clear and reliable information to investors and other stakeholders, transparent financial reporting demonstrates management's commitment to maximising shareholder value and prudent risk management practices. This, in turn, enhances market efficiency by enabling investors to make informed decisions based on accurate and timely information (Darmawan 2023, p. 35).

Legitimacy Theory: Legitimacy Theory is a fundamental social science theory that aims to explain companies' attempts to combat perceived threats to their legitimacy. This theory is based on the proposition that there is an implicit social contract between a company and society and that the terms of this contract determine the social behaviour expected of the institution (Patrick and Kiyanga 2014, pp. 18–20). The theory argues that if a company fails to meet social expectations, a legitimacy gap emerges and if this gap is not closed, the company's existence may be threatened (Ogunwole 2019, p. 28). The central focus of legitimacy theory is the continuous effort to gain, maintain, or restore a generalised perception (in other words, legitimacy) that companies assets are desirable, appropriate, or fit within a system of socially constructed norms, values and beliefs (Suchman 1995, p. 574; Cowan and Deegan 2011, pp. 414–417). Transparency, or disclosure, is one of the main tools of legitimacy theory. The theory views explanation as a mechanism through which organisations communicate their legitimisation strategies and thus demonstrate that they comply with social expectations or attempt to change them (Patrick and Kiyanga 2014, pp. 18–20).

Stakeholder Theory: Stakeholders are defined as groups and individuals who benefit from or are harmed by companies activities and whose rights are infringed upon or respected (Freeman 1998, p. 174). Companies stakeholders include shareholders, companies creditors, employees, customers, suppliers and society in general. Stakeholder theory is based on the need for social responsibility, which requires consideration of the interests of all parties affected by the organisation's activities. It emphasises that management should consider not only shareholders but also everyone affected by organisational decisions in the decision-making process. Contrary to the classical view, stakeholder theory argues that 'the purpose of any companies is, or should be, the advancement of the companies and all its principal stakeholders' (Werhane and Freeman 1999, p. 8). The stakeholder theory, proposed by Freeman (1984), emphasises the importance of transparent financial reporting in meeting the information needs of various stakeholders, including employees, customers, suppliers and the wider community. Transparent financial reporting fosters trust and confidence among stakeholders by providing them with information about a company's financial performance, strategic direction and social responsibility initiatives. By addressing the diverse interests of stakeholders, transparent financial reporting contributes to long-term value creation and sustainability, thereby enhancing corporate reputation and resilience in the face of uncertainty (Darmawa 2023, pp. 35–36).

8.2.3 The Impact of Cultural Norms on the Culture of Transparency in Financial Reporting and Empirical Findings

8.2.3.1 The Culture of Transparency in Financial Reporting and Hofstede Culture Dimensions

The national culture dimensions developed by Geert Hofstede have retained their popularity and continued to be used from the past to the present day. Hofstede initially defined national culture in four dimensions. These dimensions are power distance, uncertainty avoidance, collectivism versus ındividualism and masculinity versus femininity. Hofstede later added two more dimensions to these four: tolerance versus restriction and long-term versus short-term orientation (Hofstede 2011, p. 7).

The Power Distance: The power distance dimension is defined as the extent to which less powerful members of organisations and institutions accept and expect an unequal distribution of power. It indicates that a society's level of inequality is endorsed by subordinates as much as by leaders. In societies with high power distance, power inequality is more widely accepted. Hierarchy is pronounced. Subordinates question their superiors less. Centralisation of authority and autocratic management styles are more common. In contrast, in societies with low power distance, power inequality is less accepted. Egalitarianism is encouraged. The hierarchy is more flexible. Subordinates are more inclined to question their superiors. Decision-making processes have a more decentralised structure (Hofstede 2011, p. 9; Hofstede et al. 2010, p. 60).

Studies examining the relationship between national cultural dimensions and transparency culture include Gray and Vint (1995), De Jong et al. (2006), Askary et al. (2008), Akman (2011), Mohammad Maali and Al-Attar (2017) and Gallen and Peraita (2018) have identified a negative relationship between power distance and transparency. This finding indicates that societies with high power distance have less of a culture of transparency. High power distance leads to the use of information as a control mechanism because it accepts the centralisation of power at the top levels. Consequently, it reduces the culture of transparency (Gray and Vint 1995, p. 33; De Jong et al. 2006, p. 111; Askary et al. 2008, p. 66; Akman 2011, p. 11; Mohammad Maali and Al-Attar 2017, p. 251; Gallen and Peraita 2018, p. 2967). In contrast, Zarzeski (1996) and Hope (2003) concluded that there is a positive relationship between power distance and transparency. Low power distance encourages equality and the questionability of authority, thus requiring the free sharing of information. This, in turn, increases the culture of transparency (Zarzeski 1996, p. 18; Hope 2003, p. 14). In summary, the higher the power distance of a country or organisation, the more centralised the flow of information is at the top of the hierarchy. The greater this centralisation, the lower the tendency towards transparency.

Avoidance of Uncertainty: The avoidance of uncertainty dimension relates to a society's tolerance for uncertainty. It indicates the extent to which a culture has

programmed its members to feel uncomfortable or comfortable in unstructured situations. Unstructured situations are new, unknown, surprising and different from the norm. Cultures that avoid uncertainty strive to minimise the likelihood of such situations through strict behavioural rules, laws and regulations, disapproval of deviant views and a belief in absolute truth (Hofstede 2011, p. 10; Hofstede et al. 2010, p. 188).

When examining the relationships found in the literature between uncertainty avoidance culture and transparency, Gray and Vint (1995), Zarzeski (1996), Hope (2003), De Jong et al. (2006), Askary et al. (2008), Akman (2011) and Aggarwal and Goodell (2015) have found a negative relationship between uncertainty avoidance and transparency. Research emphasises the tendency to perceive high uncertainty avoidance and transparency as a risk and to manage this risk through strict rules and information secrecy (Gray and Vint 1995, p. 41; Hope 2003, p. 230; De Jong et al. 2006, p. 111; Askary et al. 2008, p. 66; Akman 2011, p. 11). In contrast, Mohammad Maali and Al-Attar (2017) and Gallen and Peraita (2018) found a positive relationship between uncertainty avoidance and transparency. Studies that identified a positive relationship view transparency as a means of trust and adaptation in cultures with low uncertainty avoidance (Mohammad Maali and Al-Attar 2017, p. 251; Gallen and Peraita 2018, p. 2967). However, Gray (1988) argues that in countries where uncertainty avoidance is dominant, less information is disclosed to different stakeholders (Gray 1988, pp. 8–11).

Collectivism versus İndividualism: The collectivism versus individualism dimension, with individualism on one side and collectivism on the other, is a social characteristic that indicates the extent to which people in a society are integrated into groups, rather than being individualistic (Hofstede 2011, p. 11; Hofstede et al. 2010, p. 90). In the literature, the perspective of prioritised stakeholder groups forms the basis of the correlation between this cultural dimension and transparency in financial reporting. In this context, it is stated that a strong tendency towards collectivism generally brings with it corporate reporting practices consistent with confidentiality. This tendency reflects that the interests of internal stakeholders (e.g., internal companies groups) directly related to the management and financing processes of the companies are given more importance than the interests of external stakeholders, such as potential investors and the wider public (Gray and Vint 1995, p. 36). In contrast, individualistic societies may have a higher demand for accountability than collectivist societies. This demand may trigger the need for comprehensive financial disclosure, thereby increasing transparency in financial reporting practices. For this reason, it is argued that there is a negative relationship between privacy and individualism and therefore a positive correlation is expected between individualism scores and the level of financial disclosure. Empirical studies have found that companies operating in countries with individualistic cultures tend to disclose more information (Akman 2011, p. 8). Some studies, however, predict a negative relationship between perceived transparency culture and individualism, based on the expectation that collectivist cultures are more sensitive to the impact of companies on society and the interests of stakeholders. Another approach expects a positive correlation between perceived transparency culture and individualism, based on the assumption

that collectivist cultures may lead to corruption by favouring certain groups. All these contrasting results suggest that stakeholder pressures significantly affect perceived transparency and that these pressures are more pronounced in more collectivist societies (Gallen and Peraita 2018, p. 2970). This assumption reinforces the idea that stakeholder pressure stems from the tendency to preserve social harmony and group interests in collectivist cultures. Furthermore, it can be concluded that in societies with stronger collectivist values, companies are pioneers in information integration (integrated reporting), which presents different types of information within a single framework (Garcia-Sanchez et al. 2013, p. 828).

Numerous studies in the literature confirm the positive relationship between individualism and a culture of transparency (Gray and Vint 1995, p. 41; Jaggi and Low 2000, p. 510; Hope 2003, p. 230; Archambault and Archambault 2003, p. 187; De Jong et al. 2006, p. 129; Akman 2011, p. 11). However, while Gallen and Peraita (2018, p. 2977) found a negative relationship between individualism and transparency, Mohammad Maali and Al-Attar (2017, p. 251) found no relationship. These conflicting findings demonstrate the complexity of the interaction of cultural dimensions on transparency. The impact of culture on perceived and practised transparency culture in financial reporting is far from being a one-way, straightforward relationship. While most studies in the literature support a positive relationship between individualism and transparency culture, collectivist cultures also play distinctive leading roles in perceived transparency culture, such as in the areas of corporate social responsibility and integrated reporting. In addition to national cultural characteristics, stakeholder pressures also influence the perceived culture of transparency.

Masculinity versus Femininity: The masculinity versus femininity culture dimension, as a social characteristic, refers to the distribution of values between the sexes, which is another fundamental issue for any society and for which various solutions can be found. According to this dimension, the values of women differ from those of men. While the value of males is assertive and competitive, the value of females consists of elements of perseverance, modesty and compassion (Hofstede 2011, p. 12; Hofstede et al. 2010, p. 138).

Examining the literature on the relationship between the masculinity versus femininity cultural dimension and transparency of financial reporting reveals a division in findings. Specifically, several studies established a negative association between masculinity versus femininity (Jaggi and Low 2000, pp. 507–508; Hope 2003, p. 233; Archambault and Archambault 2003, p. 188; Orij 2010, pp. 881–882; Muhammed Maali and Al-Attar 2017, p. 1; Gallen and Peraita 2018, p. 2967; Peng et al. 2022, p. 1). Conversely, Zarzeski (1996) and García-Sánchez vd. and Zarzeski reported a positive relationship (Zarzeski 1996, p. 18; García-Sánchez vd., 2013, pp. 828).

Long-Term Orientation versus Short-Term Orientation: The long-term orientation dimension, as opposed to short-term orientation (referred to as Confucian Work Ethic), is defined as the degree to which individuals are cognitively programmed to delay material, emotional and social gratification (Hofstede 2011, pp. 13–15; Hofstede et al. 2010, p. 235).

However, the existing literature provides conflicting evidence regarding the link to transparency. Orij (2010) and Mohammad Maali and Al-Attar (2017) found no significant relationship between the long-term versus short-term orientation and transparency in financial reporting (using disclosures as the indicator of transparency) (Orij 2010, p. 882; Mohammad Maali and Al-Attar 2017, p. 25). Çavuş (2025) found a negative correlation between long-term value creation and the transparency of financial reporting in both publicly and non-publicly traded companies. This decreased transparency when shifting toward long-term goals is attributed to several strategic and operational factors. Firstly companies often limit disclosure to maintain competitive advantage by protecting innovative R&D and strategic plans from rivals. Secondly, given the inherent uncertainty of long-term projects, reduced transparency is employed to prevent the dissemination of information that could create false stakeholder expectations. Additionally, the belief that comprehensive reporting for these long-term activities is costly and resource-intensive encourages information limitation. Finally, by prioritizing a long-term focus, companies may cultivate a less transparent culture to avoid short-term market pressures, opting instead to build stakeholder trust primarily through their actions rather than immediate, extensive disclosure (Çavuş 2025, pp. 179–180).

Indulgence versus Restraint: In the cultural dimension of ındulgence versus restraint, ındulgence represents a society that allows the relatively free satisfaction of basic and natural human desires related to enjoying life and having fun, while restraint represents a society that controls the satisfaction of needs and regulates it through strict social norms (Hofstede 2011, pp. 15–16; Hofstede et al. 2010, p. 280). Looking at the research conducted in the literature on tolerance and transparency culture, Mohammad Maali and Al-Attar (2017) could not identify a relationship between these two variables (Mohammad Maali and Al-Attar 2017, p. 251). In contrast, Gallen and Peraita (2018) found a positive relationship between tolerance and perceived transparency culture, such as corporate social responsibility statements (Gallen and Peraita 2018, p. 2967).

8.2.3.2 The Culture of Transparency in Financial Reporting and Gray Accounting Culture Values

Accounting culture, defined as a subculture of national culture, was developed by Gray (1988) in connection with Hofstede's national culture dimensions. The accounting culture values model developed by Gray consists of four sub-values. These four accounting culture values are professionalism versus statutory control, uniformity versus flexibility, transparency versus secrecy and conservatism versus optimism. Professionalism versus statutory control is defined as 'maintaining individual professional judgement and professional self-regulation contrary to the law.' Uniformity versus flexibility is defined as 'a preference for the consistent application of uniform accounting rules over time, both between and within companies and a tendency to flexibly modify and apply accounting rules depending on circumstances, despite the consistent application of such rules.' Conservatism versus optimism is

defined as 'a tendency towards a more optimistic, risk-taking approach in accounting measurements, as opposed to a prudent measurement approach to manage the uncertainty of future events.' Transparency versus secrecy is defined as 'a transparent and publicly accountable approach to information about a company, as opposed to a strong secrecy approach whereby information is disclosed only to the company management and those who provide financing to the company' (Gray 1988, pp. 8–11).

Examining the literature concerning the relationship between accounting culture values and financial reporting transparency reveals a strong consensus on the role of professionalism. Dunn and Sainty (2020) assert that professionalism enhances compliance with accounting standards, professional ethical principles, independence in accounting judgment and ultimately, the accuracy and transparency of financial reporting (Dunn and Sainty 2020, p. 256). Supporting this, Boritz and Stratopoulos (2023) posited that highly experienced and competent professional accountants improve financial reporting transparency by providing accurate and transparent financial information that facilitates economic decision-making (Boritz and Stratopoulos 2023, pp. 1–9). Furthermore, research by Idor et al. (2020) indicates that adherence to professional conduct and transparency standards in financial reporting increases both the transparency and overall quality of financial reports (Idor et al. 2020, pp. 1–9). Sripan and Wisaeng (2022) emphasize that accounting professionalism bolsters a company's capacity to comply with international financial reporting standards, which subsequently cultivates trust in financial reporting and elevates perceived transparency (Sripan and Wisaeng 2022, pp. 122–123).

When analyzing financial reporting transparency through the lens of conservatism versus optimism, the literature generally supports the role of conservatism. Hejranijamil et al. (2020) argue that conservatism elevates investor confidence by enhancing the reliability of financial information, thereby increasing transparency (Hejranijamil et al. 2020, p. 179). Similarly, Zadeh et al. (2022) emphasize that conservatism mitigates information asymmetry between management and investors, leading to greater corporate financial reporting transparency (Zadeh et al. 2022, pp. 14–15). Pizzi et al. (2022) further demonstrated that accounting discretion can increase financial reporting transparency and facilitate effective investor decision-making by minimizing the risk of overdisclosure (Pizzi et al. 2022, pp. 97–99). Çavuş (2025) found a positive relationship between the accounting cultural value of optimism over conservatism and perceived transparency in financial reporting. As companies avoid uncertainty, adopt a long-term approach and adopt cautious practices, transparency in financial reporting decreases. Conversely, as companies adopt more optimistic, risk-taking approaches and adopt more flexible reporting approaches, transparency in financial reporting increases (Çavuş 2025, p. 179).

Regarding the relationship between transparency and uniformity versus flexibility in financial reporting, evidence points toward uniformity. Phornlaphatrachakorn and Kalasindhu (2021) assert that uniformity enhances the reliability of financial statements and boosts transparency by reducing confusion or deviations in accounting estimates across periods (Phornlaphatrachakorn and Kalasindhu 2021, pp. 409–418). Correspondingly, Anto and Yusran (2023) showed that companies adopting a uniform accounting policy produce clearer and more reliable financial statements, minimizing

the potential for manipulation or bias in financial disclosures (Anto and Yusran 2023, pp. 29–30). Thus, a substantial body of evidence suggests that uniformity increases the level of transparency in financial reports.

Finally, in examining the relationship between the cultural value of transparency versus secrecy and financial reporting transparency, Orij (2010) found a negative correlation between secrecy and disclosure, postulating that secrecy undermines transparency by limiting the extent of disclosures (Orij 2010, p. 881). Moreover, Zadeh et al. (2022) discovered that financial disclosures become more stable and transparency is enhanced, in organizations with clear policies for protecting accounting data, which, in turn, strengthens investors' capacity for effective financial decision-making (Zadeh et al. 2022, p. 1).

8.2.3.3 The Relationship Between Hofstede's Cultural Dimensions and Gray's Accounting Values and the Culture of Transparency in Financial Reporting

Gray (1988) established accounting culture values as a subculture of the national culture dimensions proposed by Hofstede (1980). Gray proposed that accounting culture values are directly related to national culture values and that they provide a link between accounting culture values and national culture dimensions, thereby establishing the following hypotheses:

- "The higher a country ranks in terms of individualism and the lower it ranks in terms of uncertainty avoidance and power distance, the higher the likelihood that the country will rank highly in terms of professionalism."
- 'The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism, the greater the likelihood that it will rank highly in terms of conformity.'
- "The higher a country ranks in terms of uncertainty avoidance and the lower it ranks in terms of individualism and masculinity, the higher the likelihood that it will rank highly in terms of prudence."
- "The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity, the greater the likelihood that it will rank higher in terms of secrecy" (Gray 1988, pp. 8–11).

Gray states that low levels of uncertainty avoidance increase the cultural value of transparency in accounting. In societies with low power distance, transparency increases and information asymmetry decreases because there are no power inequalities. Furthermore, if the cultural value of pluralism prevails, the level of transparency will be high. In other words, in pluralistic societies, companies are more willing to disclose information to external stakeholders. High levels of transparency are also expected in masculine societies (Gray 1988, p. 11).

In line with the theoretical information presented thus far, Table 8.1 shows the Hofstede cultural dimensions scores for Turkey and the expected relationships

between Gray's accounting cultural values and the culture of transparency in financial reporting.

Based on Table 8.1, the text summarizes the potential effects of Turkey's Hofstede Cultural Dimension scores on the culture of transparency in financial reporting. High Power Distance (77) and High Uncertainty Avoidance (85) scores lead to a high level of centralization of information, limited sharing and avoidance of disclosing risky information in financial reporting, thereby reinforcing the tendencies toward secrecy and uniformity/conservatism. Furthermore, the Low Individualism (37) score, by prioritizing group harmony, indicates a tendency to conceal information due to the fear of reputation loss. Ultimately Turkey's national culture structure due to its strong hierarchy and tendency to avoid uncertainty, supports the values of statutory control, secrecy, uniformity and conservatism, suggesting a culture of cautious information

Table 8.1 Hofstede cultural dimensions, Gray accounting cultural values and transparency culture in financial reporting

Hofstede Culture Dimensions (Turkiye's Score)	Hofstede Cultural Dimension—Culture of Transparency in Financial Reporting	Gray Accounting Culture Value—Culture of Transparency in Financial Reporting
High Power Distance (77)	Centralization, limited sharing of information	**Statutory control:** Authority is at the top level; compliance with standards is high **Secrecy:** Information is protected by the upper authority, may be closed to the outside
Low Individualism (37)	Information may be concealed due to fear of losing reputation when group interests prevail.	**Secrecy:** High group harmony; internal conformity is more important than disclosure
High Uncertainty Avoidance (85)	Risky information is not disclosed, uncertainty is prevented.	**Uniformity:** Tendency towards uniform practices to avoid uncertainty **Conservatism:** Risk avoidance; conservative accounting is preferred
Medium Masculinity (45)	Desire to appear strong, tendency for selective disclosure	Neutral impact; limited competition focus
Long-Term Orientation (46)	Short-term information is prioritized, strategic information is restricted.	**Conservatism:** Traditional values are prioritized, a cautious approach is preferred
Low Indulgence (49)	Compliance with norms, formal and controlled expressions	**Secrecy:** High compliance with societal norms, extroversion may be limited

Source Table created by author

disclosure that is compliant with norms and top authority, rather than one of voluntary transparency in financial reporting.

8.3 Data and Methodology

8.3.1 Purpose and Significance of the Study

The purpose of this study is to examine the relationship between the transparency culture in financial reporting and the dimensions of national culture and accounting culture values. The research sample consists of companies listed in BIST-ALL. Examining relationships transparency culture in financial reporting and national culture and accounting culture is important. Because national culture and accounting culture directly affect the quality of financial information, the global acceptance of information and stakeholder trust. This is because national cultural dimensions and accounting culture values profoundly influence how companies perceive and actually implement financial information. Examining this relationship contributes to enhancing the reliability of capital markets and developing more effective corporate governance mechanisms and policy recommendations tailored to local cultural values.

8.3.2 Research Design and Data

A quantitative research design was used in the study. Companies listed on BIST-TÜM were taken as the research sample. The data to be used in the study were obtained through the Refinitiv Eikon database. Data from 2023 was used as the basis for the research. This is because the governance pillar score is a voluntary score disclosed by companies. In 2024, 14 companies published this score. As this number was insufficient for analysis and 138 companies disclosed their scores in 2023, data from 2023 was used as the basis for the research. The 30 banks, insurance and finance institutions included in the research sample were excluded from the sample scope. In order to ensure normality in the research data, outliers were excluded from the sample scope and the analysis was ultimately conducted using data from 103 companies.

8.3.3 Research Hypotheses, Variables, Model and Method

The research was conducted using a quantitative research design. Correlation analysis and multiple regression analysis methods were used in the research. The dependent variable of the research is transparency culture in financial reporting. The independent

variables of the research are Hofstede's cultural dimensions. The multiple linear regression model created to analyse the effect of national culture dimensions on the culture of transparency in financial reporting is presented below. IBM SPSS Statistics 25 Package Software was used for multiple linear regression analysis in the research.

Research Model:

$$\text{FRTRANSPARENCY} = \beta_0 + \beta_1 \text{CULTURE} + \text{CONTROL} + \varepsilon_{i,t}.$$

Hypotheses: The Hofstede cultural dimensions were initially quantified utilizing aggregate national-level scores. Within the framework of the research model, company-level secondary data indicators, which are empirically linked to the Hofstede dimensions in the extant literature, were employed as independent variables. The ensuing hypotheses, which pertain to perceived and operationalized transparency in financial reporting, the Hofstede cultural dimensions and Gray's accounting values, are formally articulated in the subsequent section:

There is a link between national culture and control (Fashami et al., 2020, p. 257). The power distance dimension in control particularly reflects how individuals manage inequality in relation to authority and power. In countries with high power distance, the decision-making process is typically centralised. In countries with low power distance, managers and supervisors work closely with their counterparts and subordinates are generally expected to be involved in the decentralised decision-making process (Cowperthwaite 2010, p. 180; Pouyamanesh 2025, p. 17). This cultural tendency is reflected in corporate governance, resulting in a hierarchical approach and potentially reducing the tendency to question authority. One of the elements brought about by corporate governance is the independence of the audit committee, which relates to the committee's ability to act independently of management and the audited entity and to use objective judgement. In High Power Distance cultures, where the unequal distribution of power is accepted, senior management is not questioned, which diminishes the critical role of Audit Committee members (including independents) and their genuine independence in decision-making processes, even if legally required. In contrast, in Low Power Distance cultures, egalitarian values and a culture of questioning are encouraged, increasing the capacity of Committee members to effectively monitor and challenge senior management's decisions and actions, thus resulting in a higher level of actual independence. In a cultural context, this level of independence will be inversely proportional to power distance, so it can be used as an indirect indicator of power distance culture at the organisational level. In this context, the hypothesis developed within the scope of the research is as follows.

H_1:
The power distance cultural dimension influences the culture of transparency in financial reporting (both perceived and practised).

In this research, R&D investment intensity was employed as a proxy for a company's uncertainty avoidance culture. Research and Development (R&D) investments are fundamentally characterized by highly uncertain returns. This uncertainty

stems from the fact that the technical success of R&D is not guaranteed. There is always a risk that planned performance specifications will not be met, project completion time will be extended and R&D and production costs will be higher than estimated. Consequently the level of R&D investment and thus uncertainty avoidance, can serve as an indicator of a company-level uncertainty avoidance culture, as it directly reflects the decision-makers' propensity to invest in highly uncertain ventures (Lorca and Andrés 2018, p. 488). In light of this context, the following hypothesis was formulated within the scope of the research:

H_2: The cultural dimension of avoidance of uncertainty affects the culture of transparency in financial reporting (perceived and practices).

More recently, Ajina et al. (2025) concluded that gender diversity on the board of directors enhances transparency in financial reporting by mitigating effective control and reducing earnings management (Ajina et al. 2025, p. 1). Similarly, Menicucci and Paloucci (2016) identified a positive correlation between the proportion of female board members and perceived financial reporting transparency (Menicucci and Paloucci 2016, p. 1). In this context, the proportion of female board members may be employed as a company-level indicator for the masculinity versus femininity cultural dimension. Consequently, the following hypothesis is formulated for the present research.

H_3: The cultural dimension of masculinity versus femininity affects the culture of transparency in financial reporting (both perceived and practised).

Within the company context, the dimensions of long-term orientation versus short-term orientations significantly influence corporate focus. Particularly companies characterized by a high long-term orientation prioritize sustainable, enduring growth over immediate profitability. Therefore short-term performance pressures, such as the mandate for quick profit generation, may prove less effective in these cultures. Given that working capital management and cash conversion cycles target relatively short durations compared to other financial instruments and metrics (Katri and Tuuli 2016, p. 46), net working capital turnover, which serves as a measure of cash utilization efficiency, can be considered an indicator of a company's short-term orientation.

H_4: The cultural dimension of the long-term versus short-term orientation influences the culture of transparency in financial reporting (both perceived and practised).

When examining the relationships between accounting culture values and transparency in financial reporting in the literature, Dunn and Sainty (2020) state that professionalism increases compliance with accounting standards, professional ethical principles, independence in accounting judgment and accuracy and transparency culture in financial reporting (Dunn and Sainty 2020, p. 256). Boritz and Stratopoulos (2023) also stated that highly experienced and competent professional accountants increase transparency culture in financial reporting with accurate and transparent financial information that supports economic decision-making (Boritz and Stratopoulos 2023, pp. 1–9). Idor et al. (2020) stated that compliance with professional conduct and transparency standards in financial reporting increases the transparency and quality of financial reports Idor et al. (2020, pp. 1–9). Sripan and Wisaeng

(2022) emphasized that accounting professionalism increases the company's ability to comply with international financial reporting standards, which in turn increases the perceived transparency culture in financial reporting by increasing trust in financial reporting (Sripan and Wisaeng 2022, pp. 122–123). Based on these findings accounting professionalism is deemed a critical element for enhancing the quality of financial reports (i.e., by increasing practical transparency) and ensuring accurate and reliable disclosures. This consensus leads to the formulation of the following hypothesis:

H_5: The accounting culture value of professionalism over legal control influences the culture of transparency in financial reporting (both perceived and in practice).

Dependent Variable: The dependent variable of the research is transparency culture in financial reporting. Indicators of transparency culture in financial reporting are addressed in terms of perceived and practised transparency culture. Accordingly, variables related to the two aspects of transparency culture in financial reporting are presented in Table 8.2.

Table 8.2 shows the perceived and applied indicators of transparency culture in financial reporting. Within the scope of this research, discretionary accruals have been considered as an indicator of transparency culture in practice in financial reporting. Audit committee expertise and governance pillar score have been used as measures of perceived transparency culture in financial reporting.

Independent Variable: The independent variable of the study is Hofstede's cultural dimensions. As our research is conducted at the organisational level, it is necessary to use indicators that are used at the organisational level. The indicators used indirectly at the organisational level for cultural dimensions and accounting culture values are presented in Table 8.3.

The indirect indicators of Hofstede's cultural dimensions were used as follows: the proportion of women on the board of directors was used for the masculinity versus femininity dimension. The independence ratio of the supervisory board was used for the high power distance dimension. The R&D intensity variable was used for the uncertainty avoidance dimension and the net operating capital turnover rate variable was used for the long-term versus short-term orientation dimension. For the professionalism versus conservatism dimension of Gray's accounting culture values, the expertise score on the board of directors was used.

In the study, the logarithm of company assets, leverage ratio, sales growth and return on assets were used as control variables as indicators of company size. All variables used in the study are presented in Table 8.4.

In the study, correlation analysis was used to assess the relationship between perceived and practised transparency culture in financial reporting. Subsequently, multiple linear regression analysis was employed to test the effect of national culture dimensions and accounting culture on transparency culture in financial reporting. The model equation for multiple linear regression analysis is shown below (Çokluk et al. 2021):

$$Y_i = \beta_0 + \beta_1 X_1 + \ + \beta_2 X_2 + \ldots . + \beta_p X_p + \varepsilon_{i,t}$$

Table 8.2 Indicators of transparency culture in financial reporting

Dimension	Focus	Measured areas	Example indicators
Perception dimension of transparency Culture in financial reporting	Management's belief in, commitment to and quality of corporate governance regarding transparency	Management philosophy, ethical approach, internal control environment	Governance pillar score
Corporate Governance structure	*The strength of mechanisms that set the stage for transparency*	*Audit committee effectiveness*	*Independence and financial expertise of audit committee members, ratio of independent board members*
Accountability and ethics	*The level of internal ethical standards and managers' responsibility-taking*	*"Tone at the top"*	*Board of directors' compliance with ethical codes and tolerance level for corruption*
Information sharing and communication	*How actively financial information is shared, not just mandatorily, but voluntarily*	*Investor relations effectiveness*	*Frequency of analyst meetings, board report's inclusion of detailed and forward-looking information and voluntary disclosures such as ESG*
Implementation dimension of transparency Culture in financial reporting	The quantitative and qualitative quality of published financial reports and information	Financial Reporting quality, compliance with standards, level of information asymmetry	
Quantitative reporting quality	*The extent to which financial data reflects reality and is free from manipulation.*	*Level of earnings management*	*Magnitude of discretionary accruals (manipulation risk)*
Qualitative disclosure scope	*The detail and comprehensibility of verbal information in the reports.*	*Scope of footnotes*	*Existence of detailed disclosures regarding risks, contingent liabilities and complex accounting policies applied*

(continued)

Table 8.2 (continued)

Dimension	Focus	Measured areas	Example indicators
Timeliness and ease of access	*When and through which channels information is made available for access*	*Reporting speed and accessibility*	*How long before the legal deadline reports are published and information is presented in an easily understandable format*
Independent assurance	*How strongly financial information is externally confirmed*	*Audit quality*	*Type of opinion provided by the independent auditor (unqualified, qualified, etc.) and reputation/size of the auditing firm*

Source Table created by authors

Table 8.3 Indirect indicators used for Hofstede's cultural dimensions and Gray's Accounting culture values in the Study

Hofstede National Culture Dimensions	Indicator	Relationship
Power distance (hierarchy)	Independent board member score	A low ratio of independent members is an indicator of high power distance
Uncertainty avoidance	R&D intensity	Low R&D intensity is an indicator of high risk aversion and high uncertainty avoidance
Masculinity versus femininity	Ratio of female members on the Board of Directors	A high score/ratio of female members on the board of directors is an indicator of femininity
Long-term orientation versus short-term orientation	Net working capital turnover ratio	A high net working capital turnover ratio is an indicator of focus on short-term cash flow
Gray accounting culture value	Indicator	Relationship
Statutory control versus professionalism	Board of Directors Expertise Score	An increase in the accounting-finance expertise of the board members is an indicator that professionalism will increase

Source Table created by authors

Table 8.4 Indicators and definitions of variables

	Variables		Symbol	Explanation
Finansal Raporlamada Şeffaflık Kültürü (Bağımlı Değişken)	Perceived culture of transparency in financial reporting	Governance pillar score	GPS	It is the score that shows whether the management processes of the company operate honestly, accountably, transparently and in a way that considers the interests of shareholders and all stakeholders
	A culture of transparency in practice in financial reporting	Discretionary accruals	EARNINGSM	It is a measure of the amount of earnings management a company performs using accruals
Hofstede National Culture Dimensions (independent variables)	Masculinity versus femininity	Board of Directors Gender Diversity Rate	BFEMALE	It is the score calculated by dividing the number of female members on the Board of Directors by the total number of members on the Board of Directors
	Power distance	Audit committee Independence rate	AUDITIND	It is the score obtained by dividing the number of independent members in the audit committee by the total number of audit committee members
	Uncertainty avoidance	R&D intensity	R&D	It is the ratio obtained by dividing the company's research and development expenses by its revenue

(continued)

Table 8.4 (continued)

	Variables		Symbol	Explanation
	Long-term versus short-term orientation	Net working capital turnover	NWCT	It is the ratio obtained by dividing the net working capital of the company by the total revenue
Gray accounting culture Value (independent variable)	Professionalism versus legal control	Board of Directors Expertise Score	BEXPERT	It is the score of the board members of the company who have an industry-specific background or a strong financial background
Control variables		Log of total assets	LOGASSET	It is the logarithm of the value of the company's total assets
		Leverage	LEV	It is the ratio obtained by dividing the total debt amount of the company by its total resources

Source Table created by authors

In the study, multiple linear regression analysis was used to simultaneously examine the complex and multiple interactions of national culture dimensions on transparency culture in financial reporting, control for possible relationships between independent variables, determine the direction and strength of the effect, measure the explanatory power of the model and assess the statistical significance of the results obtained. Furthermore, since the governance pillar score, one of the variables in the study, is information voluntarily disclosed by companies, the use of multiple linear regression analysis is required.

Prior to applying correlation analysis and multiple linear regression analysis, the critical chi-square value and Mahalanobis distance were calculated for the variables included in the regression model for multivariate normality. In line with this calculation, observations exceeding the critical chi-square values ($p < 0.001$) for Mahalanobis distances in the data set were removed from the data set to ensure normality (Arifin 2015, p. 74).

Subsequently, the variance inflation factor (VIF) values were examined to determine whether there was a problem of multicollinearity among the variables to be used in the regression analysis within the scope of the research. Since the variance inflation values for all variables included in the models used in the study were below

five variance inflation factor (VIF < 5) values, it was determined that there was no multicollinearity problem among the variables.

8.3.4 Limitations of the Study

This study is limited to publicly traded companies operating in Turkey. Therefore, the findings regarding the culture of transparency in financial reporting should be evaluated within the Turkish context. They should not be generalised to the culture of transparency in other countries. Furthermore, the indicators representing Hofstede's cultural dimensions are indirect indicators. In this context, surveys, behavioural indicators, or indirect indicators not used in this study could be used for Hofstede's cultural dimensions.

8.4 Findings

8.4.1 Descriptive Statistics

Descriptive statistics for the variables used in the study are presented in Table 8.5.

Correlation analysis was conducted to determine the relationship between the variables included in the study. The findings of the correlation analysis are presented in Table 8.6.

The correlation analysis revealed that the governance pillar score was positively correlated with the female board member score, the board expertise score and company size, all at a statistical significance level of $p < 0.01$. Discretionary accruals were found to be negatively correlated with company size at the same significance level $p < 0.01$.

Table 8.5 Descriptive statistics

Variables	Min.	Max.	Mean	Std. Dev.
GPS	2.180	94.440	51.729	24.970
Earningsm	−918.481	108.534	0.0000	0.98984
Bfemale	0.000	66.670	20.454	15.510
Auditind	0.760	59.540	49.559	20.2150
R&D	0.000	24.820	1615	3498
NWCT	−1424,2112	1498.0872	69.799	236.2727
Bexpert	0.0000	100.000	44.6743	23.3547
Logasset	9.13	12.62	10.6410	0.64948
LEV	0.02	0.96	0.4845	0.1974

Table 8.6 Correlation analysis

	GPS	Earningsm	Bfemale	Auditind	R&DY	NWCT	Bexpert	Logasset	LEV
GPS	1								
Earningsm	−0.064	1							
Bfemale	0.399***	−0.080	1						
Auditind	−0.080	−0.074	−0.123	1					
R&DY	−0.054	0.059	0.098	0.102	1				
NWCT	−0.116	−0.003	0.034	0.072	0.039	1			
Bexpert	0.211**	−0.079	0.062	−0.034	0.058	0.061	1		
Logasset	0.340***	−0.295***	−0.114	−0.061	−0.155	−0.035	0.262**	1	
LEV	0.274***	−0.106	0.174*	−0.104	−0.050	−0.011	0.185*	0.279***	1

***$p < 0.01$; **$p < 0.05$; *$p < 0.10$

8.4.2 Findings and Discussion

In this study, we initially examined the relationship between the perceived transparency culture indicator of companies and the transparency culture indicator in practice. To determine the amount of discretionary accruals, which serves as an operational indicator of transparency in practice, total accruals were calculated. The formula use for calculating the total accrual amount is presented below (Liu and Lu 2007, p. 889):

$TAi = NPi,t - BCF_{i,t}$
TAi = Total accrual value of company i in year t
NPi = Net profit value of company i in year t
BCF_i = Cash flow value of company i from operating activities in year t
t = Indicator for the years within the period 1,…Ti
i = Indicator for the company

Following the calculation of a company's total accruals, the Jones Model, the most widely utilized model in the literature, use to estimate discretionary accruals. It serve as a proxy for the company's earnings management activities. Total accruals were subsequently decomposed into their nondiscretionary and discretionary components. The variables incorporated in the Jones Model and the corresponding equation are presented below (Jones 1991, pp. 211–212):

$$TA_i = \beta 0 + \beta 1 \frac{\Delta REV_{i,t}}{TA_{i,\,t-1}} + \beta 2 \frac{TANGAS_{i,t}}{TA_{i,\,t-1}} + \varepsilon_{i,t}$$

TA_i = Total accrued value of company i for period t
ΔREV_i = Change between company i's revenue item for period t and the previous period's revenue item
$TANGAS_i$ = Gross tangible fixed assets of company i for period t value
TA_{i-1} = Total asset value of company i in the previous period
ε_i = Error term of company i in year t
t = Indicator for the years within the period 1,…Ti
i = Indicator for the company

The relationship between the governance pillar score, which serves as a measure of company' s perceived transparency culture in financial reporting and the discretionary accrual amount, utilized as an indicator of transparency in practice in financial reporting, was investigated using Pearson correlation analysis. The results of this analysis are presented in the following Table 8.7.

Looking at Table 8.7 reveals a weak, negative correlation (−0.064) between a company's governance pillar score and its earnings management indicator (discretionary accruals or earnings management or financial reporting quality). This suggests that as a company's governance pillar score increases, earnings management decreases. That is to say as a company's governance pillar score increases,

Table 8.7 Correlation analysis between governance pillar score and earnings quality indicators

		Perceived Transparency Culture in Financial Reporting (Governance Pillar Score)	Transparency Culture in Practice in Financial Reporting (Discretionary Accrual-Earnings Management)
Governance pillar score	Pearson correlation	1	-,064
	Sig.		,524
Discretionary accruals	Pearson correlation	−,064	1
	Sig.	,524	

earnings quality (transparency in financial reporting) increases. The perceived transparency culture in financial reporting of a company and its practical transparency culture in financial reporting increase in the same direction. This finding between the perceived financial reporting transparency culture and the practical transparency culture variables indicates that the direction of the expected theoretical effect is correct. Fundamentally the governance pillar score reflects the importance a company assigns to transparency, accountability and stakeholder rights. A high-quality governance culture, represented by a high governance pillar score, is theoretically anticipated to reduce managers' propensity for earnings management, leading to lower discretionary accruals. Essentially an increase in the governance pillar score suggests a tendency for discretionary accruals to decrease. However, this weak negative relationship was not statistically significant ($p = 0.524$) Consequently the hypothesized effect is neither statistically robust nor reliable. Therefore ıt conclude that no statistically significant relationship was found between the company's perceived transparency culture in financial reporting and its practical transparency culture in financial reporting. Future research could further explore the relationship between the governance pillar score and transparency in practice by analyzing different earnings management models and variables.

In the subsequent phase of our research, the indicators of financial reporting practice and perceived transparency culture were treated as distinct dependent variables. As stipulated in the research model, their relationship with the indirect proxies of Hofstede's national culture dimensions was analyzed using multiple regression analysis. Furthermore, the relationship concerning Gray's accounting culture value of professionalism versus legal control was also subjected to multiple regression analysis. The results of these regression analyses are detailed in Table 8.8.

According to the regression table results, the H_1, H_2, H_4 and H_5 hypotheses created within the scope of the research were rejected. The H_2 hypothesis created within the scope of the research was accepted. Multiple regression analysis revealed a positive correlation between the perceived transparency culture in financial reporting and the female board member score at the %1 significance level. Conversely, the relationship between perceived transparency culture and the audit committee independence score, R&D intensity and net working capital turnover was found to be statistically

Table 8.8 Regression analysis results for model

Hofstede national culture dimensions								
Dependent variable	Independent variables	ß	t	p	VIF	F	Model (p)	Adjusted R^2
Perceived transparency Culture in financial reporting (governance pillar score)	Constant		−2503	0.016		3635	0.005	0.230
	BFEMALE	0.377	2962	0.005	1115			
	AUDITIND	0.012	0.095	0.925	1058			
	R&D	−0.161	−1319	0.194	1030			
	NWCT	0.077	0.609	0.545	1102			
	LOGASSET	0.444	3318	0.002	1234			
	LEV	−0.001	−0.005	0.996	1183			
Transparency Culture in practice in financial reporting (discretionary accrual)	Constant		2861	0.006		3501	0.007	0.006
	BFEMALE	−0.176	−1242	0.220	1116			
	AUDITIND	−0.043	−0.315	0.754	1061			
	R&D	0.013	0.097	0.924	1030			
	NWCT	0.024	0.168	0.867	1111			
	LOGASSET	−0.391	−2584	0.013	1277			
	LEV	−0.009	−0.062	0.951	1218			
Gray accounting cultural value: Statutory control versus professionalism								
Perceived transparency Culture in financial reporting (governance pillar score)	Constant		−1862			6140	0.001***	0.161
	BEXPERT	0.109	1140	0.257	1089			
	LOGASSET	0.260	2662	0.009	1141			
	LEV	0.182	1892	0.062	1100			
Transparency culture in practice in financial reporting (discretionary accrual)	Constant		2940	0.004		3068	0.032	0.059
	BEXPERT	0.001	0.010	0.992	1087			
	LOGASSET	−0.289	−2764	0.007	1147			
	LEV	−0.023	−0.226	0.822	1104			

***$p < 0.01$; **$p < 0.05$; *$p < 0.10$

insignificant. This positive finding suggests that perceived transparency in financial reporting increases as the proportion of female board members rises. As a result the transparency culture in financial reporting exhibits a positive and significant relationship with the masculinity versus femininity cultural dimension. It can be concluded that an increase in femininity is associated with a greater perceived transparency culture in financial reporting. In addition a non-significant relationship is observed between the perceived transparency culture in financial reporting variable and the board expertise score, indicating that the perceived transparency culture in financial

reporting is not influenced by the accounting cultural value of professionalism versus statutory control.

Gray (1988) stated in one of the hypotheses that relates Hofstede culture dimensions and accounting culture values that "the lower the rank of …..in terms of masculinity, the more likely it is that it will be in the higher ranks in terms of confidentiality." (Gray 1988, pp. 8–11). In this context, the higher a society ranks in terms of the feminine cultural dimension, the more likely it is to rank higher in terms of Gray's privacy accounting value. This demonstrates the complex nature of transparency culture. While high femininity, a dimension of Hofstede's culture, is associated with high ethical and social responsibility (thereby positively supporting a perceived transparency culture in financial reporting), the same dimension may simultaneously increase the value of secrecy due to associated traits like uncertainty avoidance and modesty. Thus, while high femininity leads to ethically honest and responsible management (perceived transparency culture), it may also include a tendency to restrict information to maintain social harmony (an accounting value of secrecy).

With respect to the practical transparency culture in financial reporting, a non-significant relationship was found between this culture and the variables: female board members, audit committee independence score, R&D intensity and net working capital turnover. Based on this outcome, the practical transparency culture in financial reporting appears unaffected by the indirect indicators of Hofstede's cultural dimensions. Moreover, the non-significant relationship found between practical transparency culture and the board expertise score indicates that practical transparency in financial reporting is also not influenced by the professionalism versus legal control dimension.

As with any empirical study, this research is subject to certain limitations. First, the generalizability of the findings should be considered within the context that Hofstede's cultural dimensions were measured using indirect indicators. Second, the indicator variables employed are inherently constrained. Particularly the governance pillar score (perceived transparency culture in financial reporting) and the degree of earnings management (practical transparency culture in financial reporting) may not fully include all facets of financial reporting transparency. As a result future research could be conducted utilizing different indicator variables. In conclusion the culture of transparency in financial reporting may not be influenced only by national cultural values. It can also be shaped by other institutional factors, such as country-specific tax laws, the type of legal system or the maturity of the capital market. In consequence the research findings should be interpreted within this broader context. Moreover since Gray's accounting culture values provide a simplified theoretical framework for the influence of national culture on accounting, complex interactions in real-life settings may be more nuanced than predicted by the model, which eventually limits the generalizability of these specific findings.

8.5 Conclusion

Financial reporting serves as an important instrument for investors, regulators and other stakeholders in comprehending a company's financial performance and future viability. The integrity of this reporting is fundamentally reliant upon a robust culture of transparency in financial reporting. Transparency should be conceptualized not solely as a matter of technical adherence to legal obligations, but as a deep-seated cultural value that reflects a company's management philosophy and its commitment to honesty towards its stakeholders. The concept of transparency in financial reporting is examined across two distinct dimensions: perceived transparency in financial reporting and transparency in practice in financial reporting. Perceived transparency culture in financial reporting refers to the level of trust stakeholders place in the reporting process and the information disclosed. This perception is actively shaped by a company's proactive communication, ethical stance and integrity during times of crisis. Perceived transparency culture in financial reporting primarily influences market trust, reputation and investor relations. Governance mechanisms, such as board independence, the effectiveness of the audit committee and shareholder rights, are proxies for stakeholder trust in the reporting process, in this way representing perceived financial reporting transparency. Transparency in practice involves the provision of clear, accurate and complete information within financial reports. This dimension emphasizes the clarity and manipulability-free nature of the information and accounting policies presented to information users. Achieving earnings quality (or financial reporting quality) is indicative of transparency in practice in financial reporting.

The present research primarily investigated the relationship between companys' perceived transparency in financial reporting and practice transparency in financial reporting. Building a resilient culture of transparency in financial reporting is not just an ethical imperative but a critical strategic requirement for achieving long-term sustainable success. Essentially both perceived and practical transparency in financial reporting are not solely determined by institutional factors; instead these factors are influenced by values deeply rooted in national culture and accounting culture. In this regard the study examined the influence of Hofstede's cultural dimensions and Gray's accounting cultural values on both dimensions of transparency in financial reporting. A key finding is that the female board member score, utilized as an indirect indicator of Hofstede's cultural dimensions (masculinity versus femininity), positively impacts the perceived culture of transparency in financial reporting. Societies with a highly feminine cultural dimension generally place a greater emphasis on relationships, cooperation, quality of life, modesty and empathy. Feminine cultures value a broader spectrum of stakeholders (including employees, suppliers and society) beyond just shareholders. Perceived transparency in financial reporting (as measured by the governance pillar score) necessitates honesty and accountability to all stakeholders. This cultural dimension ensures that financial information is viewed not solely as a compliance requirement but as a means of communication with stakeholders. This cultural orientation increases the tendency towards honesty and information sharing

with stakeholders, as a result elevating the perceived culture of transparency in financial reporting within these companies. Moreover feminine cultures promote participatory leadership and consensus-based decision-making, which, in corporate governance, enhances the effective functioning of the board of directors—the foundation of perceived transparency in financial reporting.

The findings of this study have specific limitations. The financial reporting transparency culture examined can be influenced not only by national cultural values but also by numerous other environmental factors. For example; country-specific laws, capital markets and the prevailing legal system. Consequently the research results must be evaluated with these considerations in mind. This research demonstrates that a culture of transparency in financial reporting impacts not only what financial information is reported (accuracy and completeness) but also how and why it is reported. Eventually companies and policymakers must consider the importance of national cultural and accounting culture awareness when developing and implementing financial reporting reforms.

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Chapter 9
IFRS Compliance Debates From A Cultural Perspective: A Comparative Analysis Based On Selected Country Examples

Kezban Şimşek

Abstract International Financial Reporting Standards are widely accepted as globally applicable financial reporting standards used by or committed to adoption/convergence by numerous jurisdictions. However, discussions continue regarding the impossibility of achieving uniformity in reporting on a global scale despite legal adoption. Culture, as an important environmental factor influencing the accounting practices and institutions of nations, is at the center of these debates. This is because national culture influences the shaping of accounting practices and institutions. In this study, the debates surrounding the IFRS adoption process are examined from a cultural perspective, and the cultural incompatibilities that arise during the implementation of International Financial Reporting Standards in countries with different cultural structures are analyzed using the Hofstede-Gray model. Using a combination of quantitative and comparative qualitative analysis methods, the study found that full compliance, where both a cultural profile conducive to IFRS and actual compliance exist, was only observed in developed countries. Full non-compliance, where neither a cultural profile conducive to IFRS nor actual compliance exists, was only observed in developing countries. Cultural inhibition, where there is a cultural profile conducive to IFRS but no actual compliance, and institutional pressure, where there is actual compliance despite not having a cultural profile conducive to IFRS, were observed in both developed and developing countries.

Keywords Culture · Accounting · Accounting sub-culture · IFRS · Hofstede-gray

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_9

9.1 Introduction

As a global reporting language, countries and numerous companies are accelerating their efforts to comply with International Financial Reporting Standards (IFRS). The process of complying with IFRS brings with it numerous problems for countries and companies. These problems disrupt the IFRS compliance process and also bring with them numerous debates regarding the global adoption of IFRS. Ding et al. (2005: 343) state that technical and/or political dimensions are essential in IFRS compliance discussions. However, they also state that the difficulties experienced in IFRS compliance are not only related to contractual reasons or alleged technical superiority but are also driven by diversity in cultural factors. According to Cieslewicz (2014: 511), national economic culture does not directly affect national accounting practices; the impact of national culture on accounting standards and practices occurs through institutions that constitute the country's legal, governance, and regulatory framework. Cieslewicz (2014), like Ding et al. (2005), states that global compliance with IFRS is not only dependent on the technical acceptance of the standards but also on strong and appropriate institutions (rule of law, low corruption, audit quality) that support the values of IFRS, such as transparency and professionalism.

Studies (Cieslewicz 2014; Nurunnabi 2015) reveal that culture has a direct or indirect impact on accounting practices. In this sense, it is possible to say that changing various aspects of accounting in a country requires much more than the formal adoption of standards. This situation highlights the need to consider cultural issues when explaining the requirements for adopting and implementing IFRS (Nurunnabi 2015: 136). This is because accounting, as a social field, is shaped within the society in which it exists, and accounting professionalism is influenced by the values of that society.

Gray's (1988) accounting subculture model, formulated based on Hofstede's (1980) four social values with four-dimensional hypotheses of professionalism, uniformity, conservatism, and secrecy, clearly demonstrates how culture affects the accounting system, assuming a relationship between the socio-cultural dimension and the accounting subculture. For this reason, the Hofstede-Gray model is still widely accepted as the most important theoretical framework for analyzing the relationship between culture and accounting (Abdulkarim 2022: 382; Li 2021: 340; Herath and Carlis 2017: 260).

This study examines the cultural incompatibilities that arise during the implementation of International Financial Reporting Standards in countries with diverse cultural structures using the Hofstede-Gray model. The study examines countries with different cultural profiles within two distinct groups: developed and developing. The countries' calculated IFRS proneness scores are compared with the actual compliance status obtained from the IFRS Foundation and interpreted from an institutional theory perspective.

9.2 The Concept of Culture

The concept of culture, a multidimensional and complex structure (Van der Laan Smith et al. 2005: 132), has a wide variety of meanings interpreted from different perspectives (Herath and Carlis 2017: 260). Culture, whose boundaries are being determined through these numerous definitions, assumptions, and discussions, is considered a central concept in the social sciences (Zeyrek 2021: 140).

Culture, which Raymond Williams (1983: 87) calls "one of the two or three most complex words in the English language," is an abstract concept in constant flux and refers to the recognizable products of organized human life at any given time (Moore 1980: 5). Hofstede defines culture as "the collective programming of the mind that distinguishes members of one human group from others" (Hofstede 2011: 3). The term "mind" in the definition refers to thinking, feeling, and behavior and has implications for beliefs, attitudes, and skills (Arrindell 2003: 861).

According to Kluckhohn (1951, cited in Hofstede 1980: 21), culture consists of the ways of thinking, feeling, and reacting that constitute the distinctive achievements of human groups, acquired and transmitted primarily through symbols. Culture is the interactive combination of common characteristics that influence how a human group responds to its environment. The human element, prominent in definitions of culture, demonstrates the interrelationship between people and culture. Culture can be modified over time depending on the needs of society. The reason culture is constantly changing is that it is shaped by human societies (Edem et al. 2022: 65; Moore 1980: 5).

Three categories of active use are important in understanding the complexity of modern development and use of the concept of culture. The first is its use as "an independent and abstract noun describing the general process of intellectual, spiritual, and aesthetic development". The second is its use as "an independent noun, used generally or specifically, denoting a particular way of life of a people, period, group, or humanity in general".The third is its use as "an independent and abstract noun describing the works and practices of intellectual and, in particular, artistic activities" (Williams 1983: 90–91).

Social systems comprise a system of social norms, comprising value systems shared by the major groups within a nation. Values have been defined as "the tendency to prefer some situations over others". The fundamental essence of culture consists of traditional ideas and, in particular, the values to which these ideas are attached. Values are among the building blocks of culture (Hofstede 1980: 19–21). Thomas (1937, cited in: Smith 2007: 15–16) argues that culture is "the material and social values of every human group, primitive or civilized". Unlike the individual level, values at the collective level represent culture; in this sense, it can be said that culture refers to a socially or collectively adopted system of values (Gray 1988: 4).

The word "culture" is used to refer to societies or nations. The word "subculture" is used at the organizational, professional, or family level. The degree of cultural integration varies among societies. However, most subcultures within a society share characteristics with other subcultures (Hofstede 1980: 26).

9.3 Hofstede's Cultural Dimensions Model

Hofstede's cultural dimensions theory was developed as a result of extensive surveys he conducted on IBM employees in the 1970s. Considered one of the most comprehensive cross-cultural studies ever conducted (Gray 1988: 5) and becoming the most widely used framework in accounting research (Edem et al. 2022: 66), Hofstede's research aimed to identify the structural elements of culture, specifically those that most strongly influence known behaviors in work environments in organizations and institutions (Gray 1988: 5). In his research, Hofstede considered the complexity and potential multidimensionality of a country's national culture (Tsakumis et al. 2007: 134) and presented evidence of cultural differences based on survey data obtained from carefully matched samples across multiple countries. Based on this evidence, Hofstede proposed four theoretically based, factorially derived national culture dimensions that can be used to predict cross-cultural differences (Arrindell 2003: 861). These four dimensions are Power Distance, Uncertainty Avoidance, Individualism versus Collectivism, and Masculinity versus Femininity (Arrindell 2003: 861). Subsequent studies have added two more dimensions to these four: Long Term versus Short Term Orientation and Indulgence versus Restraint (Hofstede 2025). These dimensions, which constitute the six-dimensional model of national culture, are explained below.

9.3.1 Power Distance

Power distance is defined as the extent to which less powerful members of institutions and organizations within a country expect and accept the unequal distribution of power (Hofstede 2011: 9; Hofstede et al. 2010: 61). It is also expressed as the degree to which members of a society accept the unequal distribution of power within institutions and organizations (Arrindell, 2003: 861). Hofstede (2001: 29) sees power distance as the fundamental problem of human inequality. Here, power distance represents inequality. In high power distance societies, inequality is greater, obedience to authority is common, and hierarchical structures are strong. In these societies, subordinates expect to be told what to do, while in low-power-distance societies, subordinates expect to be consulted. In high power distance societies, corruption is more common, and scandals are covered up. In low power distance societies, corruption is less common, and scandals often end political careers (Hofstede 2011: 9).

9.3.2 Collectivism-Individualism

Collectivism, a social characteristic, refers to the extent to which people in a society are integrated into groups (Hofstede 2011: 11). Individualist societies have a cultural structure in which ties between individuals are loose. In these cultures, individuals are expected to care for themselves and their immediate families. Collectivism refers to a preference for a tight social structure in which individuals can expect their relatives, clans, or other group members to care for them (Arrindell 2003: 861). In these societies, people are integrated from birth into strong, cohesive groups, usually extended families (including uncles, aunts, and grandparents). In collectivist societies, families continue to protect individuals in exchange for unconditional loyalty and oppose other groups. When we look at the differences between these two social structures, we see that individualist societies are dominated by the concept of "I," while collectivist societies are dominated by the concept of "we". In individualist societies, everyone is expected to care for only themselves and their immediate family, while in collectivist societies, extended families and clans are expected to be cared for. While in individualist societies, duty is more important than relationships, in collectivist societies, relationships are more important than duty (Hofstede 2011: 11).

9.3.3 Femininity–Masculinity[1]

This dimension, as a social characteristic, expresses the distribution of values between genders, another fundamental problem for any society. In this cultural dimension, the assertive pole is labeled "masculine" and the modest, compassionate pole "feminine". In feminine societies, women hold the same modest and compassionate values as men. In masculine societies, women are somewhat assertive and competitive, though not as much as men. In these societies, there are significant differences between men's values and women's values (Hofstede 2011: 12). In other words, masculinity represents a society where social gender roles are clearly distinct, while femininity represents a society where gender roles overlap. In masculine societies, the expectation is for men to be assertive, tough, and focused on material success, while women are more modest, compassionate, and concerned with quality of life. In feminine societies, the expectation is for both men and women to be modest, compassionate, and concerned with quality of life (Arrindell 2003: 861).

[1] In 2023, The Culture Factor renamed the Masculinity and Femininity dimension to the Achievement and Motivation for Achievement dimension to reflect changes in the understanding of gender non-binary and to clarify that the dimension does not merely measure gender roles. The changed name does not constitute a reinterpretation of the dimension and does not affect country scores. (Maricopa 2025; The Culture Factor 2023. https://ope.maricopa.edu/culturepsychology/chapter/hofstedes-cultural-dimensions/?utm_source Access Date: October 15, 2025).

9.3.4 Uncertainty Avoidance

Uncertainty avoidance relates to the degree to which members of a society are uncomfortable with uncertainty and ambiguity (Arrindell 2003: 861). This concept is not synonymous with risk aversion; it refers to a society's tolerance for ambiguity. In other words, it indicates the extent to which a culture programs its members to feel uncomfortable or comfortable in unstructured situations. Unstructured situations here refer to the new, the unknown, the surprising, and the unfamiliar (Hofstede 2011: 10). A high tendency to avoid uncertainty leads societies to support beliefs that promise certainty and to maintain institutions that maintain harmony (Arrindell 2003: 861). These societies tend to minimize potential uncertainties through strict codes of conduct, laws, and rules, disapproval of deviant views, and a belief in absolute truth. High stress, emotionality, anxiety, and neuroticism prevail. Being different is dangerous. One must persevere in a task even if it is not liked. Clarity and structure are essential. There are lower scores in health and well-being (Hofstede 2011: 10).

9.3.5 Short-Term Orientation–Long-Term Orientation

This fifth, factorially derived, dimension of national cultures has been labeled Long-Term and Short-Term Orientation. This dimension has been compared with the long- and short-term aspects of Confucian thought. This dimension is reported to have a strong correlation with economic growth (Arrindell 2003: 861–862; Hofstede 2011: 13). This dimension relates to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs (Arrindell 2003: 861–862). While a long-term orientation values perseverance, frugality, organizing relationships according to status, and a sense of shame, a short-term orientation values mutual social obligations, respect for tradition, personal determination, and stability (Hofstede 2011: 13–15).

9.3.6 Indulgence–Restraint

The sixth dimension, recently added to Hofstede's model of cultural values, is Indulgence–Restraint. This dimension addresses aspects not covered by the other five dimensions but known from the "happiness research" literature. Indulgence represents basic and natural human desires related to enjoying life and having fun. Indulgent cultures refer to a society that allows these desires to be satisfied relatively freely. Restraint, on the other hand, refers to a social culture that controls and regulates the satisfaction of needs through strict social norms (Hofstede 2011: 15). The differences between these two cultures are as follows: in indulgent societies, leisure is valued, freedom of speech is important, a high proportion of people who feel happy,

and active participation in sports is common. In restrained societies, leisure is less valued, freedom of speech is not a primary concern, the number of people feel happy, and active participation in sports is low (Hofstede 2011: 16).

9.4 Accounting-Culture Relationship and Institutional Theory

The importance of culture in influencing and explaining behavior in social systems has been recognized and researched, particularly in the fields of anthropology, sociology, political science, management, and psychology (Gray 1988: 4; Hofstede 2011: 3). Hofstede states that occupational culture is a relatively unexplored area compared to other fields (Hofstede 2011: 3).

Culture influences societies in the formation of professional culture, as well as in political, legal, social, and economic systems. Along with other systems, culture plays an important role in shaping professional cultures and encouraging each society to develop national accounting standards that reflect their unique and diverse factors (Evans and Taylor 1982: 115; cited in Ağca 2015: 3). This is because cultural values significantly influence business practices and shape the accounting environment.

Values, professional conduct rules, and ethical accounting practices are crucial elements for the accounting profession. These values, codes of conduct and ethical accounting practices influence actions. Accounting is a discipline that heavily relies on human judgment in the implementation of accounting practices (Riahi 2022: 29). In the practice of the accounting profession, an individual's values shape the process by transforming into attitudes and behaviors. The cultural values and social experiences of the society in which the individual lives play an important role in shaping these values, which are important for the accounting profession (Zahid et al. 2024: 1060–1061). Accounting values also influence the development of countries' financial reporting systems (Tsakumis 2007: 29). Edem et al. (2022: 65) state that cultural characteristics are also reflected in the way individuals interpret international regulatory standards in the accounting profession, and therefore the interpretation of IFRS is based on the individual's perception, which is determined by the individual's cultural programming. This situation is also taken into account in explaining stakeholder preferences and behaviors, because cultural differences shape the profile of stakeholders and influence their behaviors and preferences (Van der Laan Smith et al. 2005: 132; Zahid et al. 2024: 1061).

Accounting is a profession that emphasizes the importance of professionalism. Professionalism highlights the responsibilities of accountants in a country, explains the rules of professional conduct, professional values, and explains why ethics are important for the accounting profession. Accountants are expected to act professionally. However, accountants are influenced by the values of the society in which they live, which play a crucial role in the development of their identity. In this sense, considering that social culture can change and observing a cultural tendency towards

an increase in ethical violations and corruption in social culture, it may not be possible for accountants to behave professionally. In the opposite situation, where unethical behavior is absolutely not tolerated and is rejected by society, there is a cultural environment that encourages accountants to behave professionally. This situation shows that the impact of culture on the accounting profession can be positive or negative, depending on the dynamics of the dominant culture in the environment in which the accountant operates (Edem et al. 2022: 63–64).

According to institutional theory, a society's institutions are shaped not only by technical requirements but also by cultural and social expectations, referred to as the institutional environment (Lammers and Garcia 2014: 198). Addressing the relationship between accounting and culture from an institutional theory perspective, Cieslewicz (2014: 515) states that developed accounting environments require a certain level of social structure and support, and that culture also influences accounting practices through the institutions that form these social structures. In his research, Hofstede (1980) aimed to identify the elements of culture that most strongly influence known behaviors in the working conditions of organizations and institutions. Gray (1988: 5) also states in his work that social values have institutional consequences, including elements such as the legal system, political system, nature of capital markets, and patterns of institutional ownership, and that these institutions both reinforce ecological effects and social values. Institutions are created by societies to address economic issues and are restructured over time as needed. Institutions are shaped by the society that develops and sustains them, consisting of individuals who think, make decisions, and interact with others. These institutions reflect the cultural preferences of the society that created them. National culture permeates the institutions that form the country's legal, governance, and regulatory framework, shaping accounting standards and practices. When IFRS practices are not internalized and are applied under coercive pressure, quality issues may arise in IFRS practices. High-quality accounting practices require the institutions on which accounting practices are based (rule of law, low levels of corruption, audit quality) to function well (Cieslewicz 2014: 515–516). Cieslewicz (2014) states that global compliance with IFRS does not depend solely on the acceptance of technical standards, but also on strong and appropriate institutions (rule of law, low levels of corruption, audit quality) that support the values of IFRS, such as transparency and professionalism. He notes that in the absence of such institutions, the impact of cultural differences will be even greater.

Nurunnabi (2015: 136) in his institutional theory-based study, confirmed the coercive, mimetic, and normative institutional isomorphism pressures of institutional theory in the obstacles to IFRS implementation, specifically in Bangladesh. Coercive isomorphism refers to change in institutions as a result of external pressures such as the state or the law, while mimetic isomorphism refers to the imitation of examples that are seen as successful in situations of uncertainty. Normative isomorphism, on the other hand, refers to resemblance arising from professionalization through occupational standards, education, and professional networks (DiMaggio and Powell 1983: 150–152). The effectiveness of IFRS declines in countries with weak institutional structures, particularly those with high levels of corruption and weak rule of law (in

contrast to the transparency and integrity required by IFRS) (Nurunnabi 2015: 136, 146). Therefore, the technical adoption of IFRS does not mean that the standards are effectively applied; institutional factors such as cultural values and weak legal practices differentiate the application of IFRS across countries.

As a result, national accounting systems and practices, and the institutions that shape these practices, vary across countries. Culture is recognized as an important environmental factor that gives rise to these differences. The cultural characteristics shared within a nation or community are the source of the common accounting values that define a country's accounting system (Zahid et al. 2024: 1060–1061). Indeed, Radebaugh (1975: Cited in Van der Laan Smith et al. 2005: 132) also states that cultural values are a factor influencing the development of a country's accounting objectives, standards, and practices. Gray (1988) also conducted his studies based on the assumption that cultural values influence a country's accounting system and practices. This reveals the relationship between national culture and the cultural values on which accounting practices are based. In this context, there is a close relationship between cultural values, accounting, and institutions, and understanding the development of countries' financial reporting systems requires an understanding of their cultural systems.

9.5 Gray's Accounting Subculture Values

The accounting subculture dimensions developed by Gray are based on Hofstede's work on cultural dimensions. Gray (1988: 6) began his work with the view that if Hofstede had correctly identified Individualism, Power Distance, Uncertainty Avoidance, and Masculinity as important cultural value dimensions, it should be possible to identify their relationship with accounting values. He aimed to demonstrate that if such a relationship existed, a connection could be established between societal values and accounting systems, and the impact of culture could be assessed.

Gray aimed to investigate the extent to which cultural differences identified in Hofstede's cross-cultural research could explain international differences in accounting systems (Gray 1988: 5). Thus, Gray (1988: 6) attempted to identify important accounting values that may be related to societal values. Gray's cultural accounting framework addresses the influence of culture on a country's set of financial reporting rules and argues that there is a connection between these cultural dimensions and countries' financial reporting systems (Tsakumis 2007: 27–29).

Applying Hofstede's cultural dimensions to accounting systems, Gray (1988) identified four core accounting values to determine the extent to which national culture influences the behavior, practices, and professionalism of accountants. According to Gray, accounting systems are influenced by culture, and this influence is embodied through the following accounting values (Gray 1988: 8–13).

9.5.1 Professionalism Versus Statutory Control

This accounting value relates to whether individual professional discretion or legal regulations imposed by government authorities dominate accounting practices. It expresses a preference for exercising individual professional judgment and maintaining professional self-regulation over adhering to prescriptive legal requirements and regulatory oversight (Gray 1988: 8). Based on cultures, Gray contrasts this accounting value with countries where professional accountants have a degree of freedom to exercise their professional judgment and maintain professional self-regulation with those where they merely follow recommendations imposed by government institutions (Riahi 2022: 29).

Gray (1988: 9) argues that professionalism is closely linked to the dimensions of individualism and uncertainty avoidance. According to Gray (1988: 9), professional judgment is dominant in societies characterized by individualism and low uncertainty avoidance. Furthermore, professional judgment is more likely to be accepted in societies characterized by low power distance. In other words, professional judgment is more prominent in societies characterized by individualism and low uncertainty avoidance, while legal control predominates in societies characterized by high power distance. This may lead to a predominance of top-down regulations in accounting systems.

9.5.2 Uniformity Versus Flexibility

This value relates to whether accounting practices are homogeneous or whether they show flexibility on a company-by-company basis. Uniformity refers to the tendency to apply accounting practices and use them consistently over time, while flexibility refers to the tendency to apply different practices depending on perceived conditions (Gray 1988: 8). Gray compares countries with uniform accounting practices and countries with flexible accounting practices based on cultures in this accounting value (Riahi 2022: 29). This is considered an important accounting value. This is because uniformity, consistency, or comparability are fundamental characteristics of accounting principles (Gray 1988: 9).

Uniformity is closely related to the dimensions of uncertainty avoidance and collectivism. Uniformity is greater in countries with high uncertainty avoidance and collectivism. There is also a relationship between conformity and power distance. Conformity is more easily achieved in societies with high power distance (Gray 1988: 9–10).

9.5.3 Conservatism Versus Optimism

This value relates to whether one is cautious or optimistic in the face of risk. It refers to preferring a cautious approach to measurement, as opposed to a more optimistic and risk-taking approach to cope with future uncertainties (Gray 1988: 8). Based on this accounting value, Gray compares conservative countries, which are cautious about uncertainty, with optimistic countries, which take more risk under the same circumstances (Riahi 2022: 29–30). Conservatism in asset valuation and profit reporting is widely accepted as a fundamental attitude of accountants worldwide (Gray 1988: 10).

Gray argues that this value is directly related to uncertainty avoidance. Caution is more dominant in societies where uncertainty avoidance is high. Furthermore, caution is more dominant in countries where individualism and masculinity are low (Gray 1988: 10).

9.5.4 Secrecy Versus Transparency

This value relates to the extent to which financial information is disclosed to the public. It refers to prioritizing confidentiality and limiting business information to those directly involved in the management and finances of the business, as opposed to a more transparent, open, and publicly accountable approach (Gray 1988: 8). Drawing on this accounting value, Gray compares countries that favor transparency, confidentiality, and restricting business information to those directly involved in management and finances with those that embrace an approach of transparency, openness, and public disclosure (Riahi 2022: 30).

Gray (1988) argues that secrecy may be closely linked to uncertainty avoidance, power distance, and individualism, but less so to masculinity. Secrecy is preferred in societies where uncertainty avoidance and power distance are high and masculinity and individualism are low (Gray 1988: 11; Riahi 2022: 30).

9.6 IFRS: An Overview

After World War II, the globalization of economic activities accelerated. Globalization represents a dynamic process that permeates every aspect of life with its economic, cultural, and technological dimensions. With globalization, people, technologies, and concepts, as well as goods and services, began to spread rapidly around the world (Nobes and Parker 2020: 7). The globalization process has increased global economic mobility, such as cross-border shareholdings, corporate mergers, and international investments. Global economic mobility has brought with it the need for reliable, comparable, cost-effective, and transparent information. Globalization has

also changed stakeholder profiles, and numerous stakeholders have begun to demand high-quality financial information. All these reasons, starting in the last quarter of the twentieth century, made the globalization of accounting rules and practices important and necessary. This process has rendered narrow national perspectives on financial reporting inadequate (Kardeş Selimoğlu et al. 2017: 2; Nobes and Parker 2020: 6–7; Usul and Kıymık 2010: 124).

This universal demand for information in financial reporting has become too complex to be met by countries' own accounting standards, giving rise to the need for a common financial reporting language that can be used globally. To address this need for a common language in financial reporting and to increase transparency, comparability, and confidence in financial reporting, the IFRS Foundation published International Financial Reporting Standards (IFRS) prepared by its affiliate, the IASB (International Accounting Standards Board) (IFRS Foundation 2025a). Today, International Financial Reporting Standards are recognized as high-quality financial reporting standards and are seen as a significant milestone in increasing transparency and market discipline (Taylor et al. 2024: 1).

As a result of globalization, international accounting standards have become necessary and mandatory, and efforts are underway in many countries around the world to harmonize national accounting systems with IAS/IFRS (Çankaya 2007: 133). The path to global adoption of IAS/IFRS undoubtedly includes numerous significant milestones. The first of these is the International Accounting Standards Committee (IASC), established in 1973 to develop fundamental accounting standards and ensure their global acceptance. The Committee published the first conceptual framework in 1989. The IFRS Foundation was established in 2000. That same year, the IASC underwent a restructuring process and became the IASB in 2001. The IASB adopted the IASC standards in 2001. The European Union adopted IFRS Accounting Standards in 2002. This is considered a significant development in the global acceptance of IFRSs. In 2003, the IASB published its first Accounting Standard, IFRS 1, and its second, IFRS 2, in 2004. 2005 witnessed significant progress toward making the standards globally accepted. In Europe, 7000 companies in 25 countries transitioned from national accounting standards to IFRS Standards. That same year, Australia, Hong Kong, New Zealand, South Africa, and others also adopted IFRS Accounting Standards. Furthermore, China adopted accounting standards largely consistent with IFRS Accounting Standards, aiming for full compliance. More than 100 countries adopted IFRS Accounting Standards in 2007, and in Japan, companies were permitted to use the standards voluntarily in 2009. Brazil committed to adopting the standards in 2010. Canada began using the standards in 2011, and approximately 80 jurisdictions have adopted IFRS Accounting Standards for SMEs. Argentina, Mexico, and Russia began using the Standards in 2012. Public companies in Japan were permitted to use the Standards in 2013. In 2015, India adopted Indian Accounting Standards based on IFRS Standards, and Saudi Arabia mandated the use of the Standards in 2017 (IFRS Foundation 2025b). Today, these Standards are used in more than 140 jurisdictions and are globally accepted as a common reporting language (IFRS Foundation 2025a).

The adoption of IFRS by a large number of countries, and the fact that many countries have declared their adoption, highlights the importance of transitioning to a harmonized set of global accounting standards. IFRS adoption has been associated with a number of financial and capital market benefits (Gordon et al. 2012: 375; Taylor et al. 2024: 1). Global compliance with IAS/IFRS aims to provide benefits such as international comparability of financial statements, increased international capital flows, meeting the need for reliable and transparent information, and reducing information processing costs and asymmetric information (Rahman et al. 2002: 47; Gordon et al. 2012: 375). Taylor et al. (2024: 1) also provide evidence of the positive impact of IFRS adoption on financial inclusion, stating that IFRSs can be used as a tool to promote greater financial access and utilization.

However, the occasional lack of acceptance of international financial reporting standards by national accounting standards practitioners and the difficulties experienced in their implementation can create difficulties in integrating international financial reporting standards, which are being attempted to be unified globally, into national accounting practices (Nobes and Parker 2020: 93–94). In practice, these difficulties in standardizing financial reporting are seen to stem from country-specific variables beyond the standards themselves (Cieslewicz 2014: 511; Alsharairi et al. 2018: 208). These country-specific variables include numerous factors such as cultural differences, regulatory frameworks, institutional differences, financing sources, capital market characteristics, corporate governance practices, and differences in financial statements and tax forms (Alsharairi et al. 2018: 208). In this sense, professional accounting practices cannot be considered independent of the national context and culture. Indeed, a slightly modified version of IFRS has been adopted in many countries. While some other countries have adopted IFRS, the expected uniformity of national accounting standards is not possible because it is affected by variables beyond the standards. IFRSs have reduced international disparities, but many national-level differences persist. This is because fundamental cultures and institutions differ across countries, making completely uniform practices impossible. At this point, it is safe to say that even with a single set of standards, uniform practices would be unrealistic (Cieslewicz 2014: 511; Nobes and Parker 2020: 4). Choi (1981; cited in: Rahman et al. 2002: 47) argues that the thesis of differences in accounting arising from environmental factors directly contradicts efforts to harmonize accounting worldwide. Harmonization efforts require consideration of micro- and macro-level factors in addition to cultural and market analyses (Rahman et al. 2002: 47).

Studies examining the impact of culture on IFRS adoption in developing countries (Abdulkarim et al. 2022; Albu et al. 2014; Askary 2006; Borker 2012a; Nurunnabi 2015) highlight arguments that IFRSs are not suitable for developing countries. Abdulkarim et al. (2022) offer important implications regarding the cultural adaptation issues of IFRS in developing countries, noting that efforts to adopt standards in developing countries face national cultural and language barriers. Numerous issues, such as the inappropriate use of accounting methods and procedures common in developing countries, the influence of state ownership, and the lack of a well-developed capital markets tradition, are seen as other obstacles to IFRS adoption

(Noravesh et al. 2007: 254). Nurunnabi (2015: 136), in his study on Bangladesh, stated that there are serious questions about the suitability of global accounting standards for developing countries.

The ACCA (Association of Chartered Certified Accountants) report (2011) emphasizes the extent to which financial reporting varies across countries, even in countries that appear to have adopted International Financial Reporting Standards (IFRS). Nobes and Parker (2020: 4) argue that even if multiple accountants from different countries, or even the same country, are tasked with a set of procedures to prepare financial statements, the same statements cannot be produced. They explain this by the fact that the accounting profession relies on professional judgment, and this judgment is partially dependent on the accountant's environment. This has led to debates regarding the harmonization of international financial reporting standards across countries. This study examines these debates during the IFRS harmonization process within a cultural context.

9.7 IFRS Compliance Process in Turkey

The development of accounting systems in Turkey appears to have followed a trend parallel to that of the countries with which it has economic relations. This trend led to the influence of French and later German accounting systems on accounting systems. The ongoing and accelerating economic relations with the United States also impacted the country's accounting systems. The need for integration with EU practices, coupled with the impact of the initiatives for full membership in the European Union (EU) that began in 1987, led to the restructuring of accounting systems in Turkey in line with EU directives. Today, they are influenced by International Accounting Standards (Başpınar 2004: 46; Çankaya 2007: 132).

The globalization wave sweeping the world has also impacted Turkey, creating a need to publish globally understandable, comparable, and reliable financial statements. This need has initiated a transition to financial reporting standards, which aim to become a global reporting language (Ağkan 2017: 18; Erol and Aslan 2017: 55). In Turkey, efforts towards international financial reporting standards continued through rather scattered initiatives lacking uniformity of implementation until the establishment of the Public Oversight Accounting and Auditing Standards Board (KGK), established in 2011 and authorized by the Turkish Commercial Code (TCC) to prepare and publish Turkish Accounting Standards.

Turkey's first encounter with International Accounting Standards occurred in 1977, when the International Accounting Standards Board Agreement and Constitution, the Introduction to International Accounting Standards, and International Accounting Standard No. 1 (IAS) were translated into Turkish by the Istanbul University Institute of Accounting and published in the Accounting Institute Journal (Yünlü 2020: 183). However, the process of harmonizing with International Financial Reporting Standards (IFRS) in Turkey began to accelerate in the 1990s and

gradually evolved into a comprehensive process supported by institutional structures. One of the important steps in this regard was the publication in book form by the TMUD (Turkish Accounting Professionals Association) in 1992 of the 31 IASs adopted to date. Another important development was the establishment of the Turkish Accounting and Auditing Standards Board (TMUDESK) in 1994 by TÜRMOB (Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey). TMUDESK has published 19 national accounting standards based on the IASs. Another important development was the establishment of the Turkish Accounting Standards Board (TMSK) under the Capital Markets Board (CMB) in 2002. TMSK established the institutional infrastructure for this process, began publishing the Turkish Accounting Standards (TMS) compatible with IFRS, and has published 38 accounting standards throughout its existence (Kardeş Selimoğlu et al. 2017: 22; Yünlü 2020: 183–185). The CMB published the "Communiqué on Accounting Standards in Capital Markets", Series: XI, No: 25, which was published in 2003 and was valid from 2005. With this communiqué, the CMB made a radical change in Turkey's financial reporting system by making full compliance with IFRS mandatory for publicly held companies (Başpınar 2004: 49; Erol and Aslan 2017: 57–65).

Beginning in 2005, the EU mandated IFRS implementation for publicly traded companies. This further accelerated Turkey's efforts to comply with IFRS in line with EU directives, which had been in the process of becoming a full EU member since 1987 (Koç Yalkın et al. 2006: 291). The need to revise the TCC in line with EU requirements arose, and in 2007, the Commercial Code Commission was tasked with preparing the draft of the new Turkish Commercial Code (TTK). The draft TCC addressed the powers of the TMSK and issues related to the Turkish Accounting Standards (TAS) it had published. Effective 2005, TAS implementation became mandatory for publicly traded companies subject to CMB regulations. While the scope of implementation is quite limited, this regulation is significant because it introduced the obligation to prepare truthful financial reports for the first time in Turkey (Yünlü 2020: 183–185).

In addition to these developments, the 2000s witnessed major corporate bankruptcies. These bankruptcies, rife with scandals involving numerous accounting frauds, undermined public trust while also demonstrating the importance of public oversight in establishing it (Çankaya 2007: 134; Erol and Aslan 2017: 72). Following these bankruptcies, regulations were introduced globally regarding international financial reporting and auditing standards, as well as the regulation and oversight of these standards through public oversight. One of the most significant developments addressing this process in Turkey was the establishment of the Public Oversight, Accounting and Auditing Standards Authority (KGK) in 2011 by Decree Law No. 660. The KGK aimed not only to set accounting standards but also to improve the quality of financial reporting by regulating independent auditing processes. With the Turkish Commercial Code (TCC), published in 2011 and whose accounting provisions came into force in 2013, the application of IFRS became mandatory for all capital companies and companies that met certain size criteria. This paved the way for IFRS compliance

to be extended not only to publicly traded companies but also to the real sector as a whole (Yünlü 2020: 185).

In Turkey, regulations have been made regarding the scope of application of IFRS. For large and medium-sized enterprises subject to independent audit but not required to use IFRS, the BOBI FRS was published in 2017 (Yünlü 2020: 186). For enterprises not subject to independent audit but voluntarily using IFRS or BOBİ FRS, the KÜMİ FRS was published, effective from 2023 (KGK 2023: 2). In Turkey, all public interest entities are required to prepare their financial statements in accordance with IFRS. Of these, companies whose securities are traded in a regulated market, brokerage firms, and portfolio management companies have been using IFRS voluntarily since 2003 and compulsorily since 2005. The use of IFRS has been mandatory for banks since 2006, for financial leasing companies, factoring companies and financing companies since 2007, and for insurance, reinsurance and pension companies since 2008 (Serçemeli 2016: 6196).

9.8 Literature

Most studies examining the relationship between accounting-culture and IFRS-culture utilize Gray's subculture values. Some studies examining the relationship between accounting-culture and IFRS-culture are presented in Table 9.1:

Table 9.1 shows that there are numerous studies addressing the relationship between accounting culture and IFRS culture. This study overlaps with many studies in the literature because it is based on the Hofstede-Gray model. However, it differs from many studies in the literature because it addresses culture-based discussions in IFRS compliance using a different methodological approach.

9.9 Investigating the Relationship between IFRS Compliance Process and Accounting Subculture

9.9.1 The Purpose of the Research

The aim of this research is to analyze the cultural incompatibilities that arise in the process of implementing International Financial Reporting Standards (IFRS) in countries with different cultural structures and to evaluate the interaction of global accounting standards with local cultures from a comparative perspective.

Table 9.1 Literature summary

Authors (Year)	Purpose	Method	Findings	Country
Zahid et al. (2024)	To examine the relationships between Chinese national cultural values and accounting practices	Quantitative (Empirical)	shows that cultural values strongly influence financial reporting practices in China	China
Abdulkarim et al. (2022)	To investigate the role that culture and language play in the implementation of International Public Sector Accounting Standards (IPSAS)	Quantitative (Empirical) Survey	Cultural dimensions such as professionalism, confidentiality, and uniformity significantly influence the implementation of IPSAS. Furthermore, they demonstrate a significant link between culture, language, and IPSAS implementation	Qatar
Edem et al. (2022)	To emphasize the importance of accounting professionalism and analyze the impact of national culture on this professionalism	Conceptual Analysis	It has been concluded that culture has varying degrees of impact on accounting professionalism, depending on the level and nature of interaction with international elements and standards.	–
Riahi (2022)	To examine the adaptability of International Accounting Standards to developing countries	Conceptual Analysis and Survey	It has been found that Tunisia's current cultural context is somewhat different from what is required for the adoption of international accounting standards	Tunisia
Li (2021)	Examines the effect of cultural differences on the quality of information disclosure by companies	Quantitative (Empirical) Analysis	The study found that avoiding uncertainty has a significant positive correlation with the quality of information disclosure by companies, that a future-oriented approach has a significant negative correlation with the quality of information disclosure by companies, but that other cultural dimensions have no significant relationship with the quality of information disclosure by companies	China

(continued)

Table 9.1 (continued)

Reisch (2021)	Within the European context, it is to examine whether the accounting strategy of the management of companies applying IFRS is influenced by national culture	Quantitative (Empirical) Analysis	The results do not support the existence of a relationship between management accounting strategy and national culture	14 European countries
Herath and Carlis (2017)	To examine the direct and indirect effects of culture on accounting procedures and standards	Literature Review	Despite the adoption of standards such as IFRS, it has been noted that the influence of national culture remains persistent and continues to shape accountants' judgments, ethical perceptions, and reporting preferences	–
Kestane and Ağca (2017)	Based on the cultural values created by Hofstede and adapted to accounting by Gray, it aims to determine Turkey's position among countries applying IFRS	Descriptive statistical analyses	It has been concluded that Turkey is relatively close to Anglo-Saxon countries in terms of Power Distance and Individualism-Collectivism, to Anglo-Saxon and Continental European countries in terms of Masculinity-Femininity, and to Continental European and South American countries in terms of Uncertainty Avoidance	92 countries
Nurunnabi (2015)	It investigates the impact of cultural factors on the implementation of global accounting standards (IFRS)	Qualitative analysis	The study has confirmed the coercive, imitative, and normative pressures of institutional isomorphism in the barriers to IFRS adoption	Bangladesh
Öztürk (2015)	Evaluating valuation differences between historical cost-based approaches and international accounting/financial reporting standards within a cultural context	Literature review	It has been stated that cultural differences play a decisive role in the characteristics of accounting subcultures and that, for this reason, national differences in accounting practices persist	–

(continued)

Table 9.1 (continued)

Cieslewicz (2014)	To empirically test whether the effect of national economic culture on accounting is mediated by institutions.	Quantitative (Empirical) Analysis	It has been found that institutions mediate the relationship between national-level economic cultural variables and accounting	62 countries
Borker (2014b)	To examine the potential of Egypt, Iran, and Iraq to produce high-quality financial reporting based on International Financial Reporting Standards (IFRS) from a cultural perspective.	Quantitative analysis	Iran has the highest IFRS orientation, followed by Egypt and then Iraq	Egypt, Iran, and Iraq
Albu et al. (2014)	It is to investigate how global accounting standards are adapted and applied when confronted with the local institutional and cultural context in a developing economy.	Qualitative Analysis	Local actors play an important role as active mediators in the implementation of IFRS, seeking legitimacy and working to protect their own interests	Romania
Karabinar and Kışlalıoğlu (2014)	To provide general information about studies conducted in the field of accounting culture and to evaluate the results of selected empirical studies in terms of aspects that conform to and do not conform to Gray's classification	Qualitative Analysis	It is observed that most studies in the field of accounting culture are based on Gray's (1988) study, which is considered a pioneering work on the subject	–
Koleśnik (2013)	To review the literature examining the role of culture, which is seen as one of the reasons for different accounting practices in different countries	Literature review	It is accepted that accounting is shaped by the environment in which it operates and that national cultural values have a strong influence on accounting practices	–

(continued)

Table 9.1 (continued)

Jannelli and Tesone (2013)	To evaluate the complex Accounting Harmonization process concerning Italian Public Administration and to question whether this process is a cultural preference.	Theoretical analysis and evaluation	It has been determined that the difficulties in implementing IPSAS (International Public Sector Accounting Standards) led to the creation of a series of European Public Sector Accounting Standards (EPSAS)	Italy
Combs et al. (2013)	The cultural impact of harmonizing Russian Accounting Standards (RAS) with International Financial Reporting Standards (IFRS) has been examined from the perspective of practitioners.	Qualitative analysis	The "Soviet culture" theory, which has an impact on the harmonization of Russian Accounting Standards with IFRS, has been supported	Russia
Borker (2013a)	The aim is to determine which of Gray's accounting values and corresponding Hofstede cultural dimensions would most support the creation of accounting standards such as IFRS	Theoretical analysis and model extension	It has been determined that the accounting values that most support IFRS are professionalism, flexibility, optimism, and transparency	–
Borker (2013b)	Develop an accounting profile for each 3G country based on cultural accounting values derived from Hofstede	Quantitative Analysis	Cultural accounting profiles for 3G countries have been created using Gray and Hofstede's concepts	3G Countries
Drnevich and Stuebs (2013)	To examine the potential impact of cultural differences on the accounting decisions made by accountants when interpreting and applying standards	Discussion and Scenario Analysis	It is emphasized that the principle-based structure of standards has the potential to lead to culturally based different interpretations and outcomes	–
Shima and Yang (2012)	To empirically examine what factors influenced the adoption of IFRS	Quantitative (Empirical) analysis	It is emphasized that the factors for adopting IFRS are divided into two main incentive groups: Contracting Incentives and Signaling Incentives	73 countries

(continued)

Table 9.1 (continued)

Neidermeyer et al. (2012)	It is to examine in the context of cultural characteristics, economic dependencies, and the timing of adoption of IFRS	Quantitative (Empirical) analysis	Cultural factors have been shown to predict economic dependencies, at least in one case (European Union membership). It is emphasized that certain cultural characteristics are associated with the delay in adopting IFRS	37 countries
Borker (2012a)	Examining countries' culturally derived accounting orientations	Theoretical and Comparative Analysis	China and Russia are the BRIC countries furthest from the IFRS profile. The accounting orientations of these countries are shifting towards Statutory Control, Uniformity, Conservatism, and Secrecy. India and Brazil, on the other hand, have a more suitable profile than China and Russia	Brazil, Russia, India, and China
Borker (2012b)	To assess the impact of certain cultural characteristics of Central and Eastern European Countries (CEECs) on the successful adoption and implementation of IFRS	Comparative Cultural Analysis	Compared to countries such as Russia and China, the profiles of countries such as Germany and Sweden are seen to be closer to the IFRS profile. The profiles of CEEC countries such as the Czech Republic, Lithuania, Slovakia, Poland, and Slovenia have shown a tendency towards values such as Statutory Control, Conservatism, and Secrecy, rather than the Professionalism and Flexibility required by IFRS	Central and Eastern European Countries

(continued)

Table 9.1 (continued)

Alves and Antunes (2011)	To investigate the current state of financial accounting standardization in two European Union (EU) member countries	Qualitative Analysis	The results show that the accounting harmonization process is of vital importance and contributes significantly to the development of the global economy. However, it has been noted that the process is not yet complete and that greater flexibility is needed to allow for further development and better adaptation to the characteristics of each country	Portugal and Poland
Hosal Akman (2011)	To examine whether the use of IFRS, due to countries sharing the same set of standards, eliminates the impact of cultural dimensions on financial reporting	Quantitative (Empirical) analysis	Despite the global use of uniform accounting standards, it has been concluded that cultural differences continue to play a decisive role in the level of disclosure	Australia, France, Germany, Italy, Netherlands and UK
Richardson and Eberlein (2011)	To examine how international standard-setting bodies such as the IASB establish and maintain their legitimacy outside the sovereignty of democratic states	Conceptual Analysis and Comparison	The IASB has strengthened its legitimacy by emphasizing due process norms. Findings reveal that transnational standard setters compete with local/ cultural expectations in their quest for legitimacy	United States and United Kingdom
Fah (2008)	To develop a different approach to examine the impact of culture on accounting practices	Quantitative (Empirical) Survey Study	It has been demonstrated that motivational values and beliefs influence accountants' interpretation of IFRS concepts and their judgments in the context of financial reporting. The findings support discussions that cultural values and beliefs may be a source of resistance to the adoption and implementation of IFRS	Malaysia
Noravesh et al. (2007)	To examine the relationship between Hofstede's cultural values and Gray's accounting values in the Iranian context	Quantitative (Empirical) Analysis	Results showing the relationship between cultural and accounting values in Iran have been found, and more than half of Gray's hypotheses have been supported	Iran

(continued)

Table 9.1 (continued)

Tsakumis (2007).	To empirically examine the impact of national culture on accountants' application and interpretation of accounting rules	Empirical Survey Study	No significant difference was found between Greek and US accountants in their decisions regarding the recognition of contingent liabilities and assets. It was found that US accountants were more conservative but more transparent than their Greek counterparts	Greece and the USA
Marrero and Brinker (2007)	Despite efforts to establish global accounting standards (including IFRS), it is to demonstrate why cultural and social differences hinder harmonization and the impact of these differences on international standards	Conceptual Analysis and Literature Review	It is stated that the principles-based framework being developed by the IASB and FASB could potentially increase the impact of cultural differences, as it will lead to greater reliance on the judgment of practitioners	–
Chand and White (2006)	To examine whether cultural differences prevent the consistent application of standards	Empirical Study	It is emphasized that cultural differences will continue to play an important role in the application of principle-based IFRS standards.	Fiji
Askary (2006).	To examine the effects of culture on accounting professionalism	Quantitative (Empirical) analysis	It demonstrates that accounting systems in developing countries are not homogeneous and that the transition to the high level of professional judgment required by IFRS will encounter different challenges depending on each country's cultural and institutional background	12 developing countries

(continued)

Table 9.1 (continued)

Ding et al. (2005).	It is to investigate the role of culture as a fundamental factor explaining the differences between national GAAPs and international accounting standards	Quantitative (Empirical) regression analysis	It is emphasized that culture should be recognized as an important causal factor explaining why national accounting standards differ from international standards	–
Amat et al. (2000)	To examine the extent to which changes in cultural dimensions during Spain's political transition process are consistent with developments in the accounting environment	Conceptual and Comparative Analysis	It provides evidence that major changes in the political and cultural environment lead to corresponding changes in the national accounting environment	Spain

9.9.2 Research Sample and Data Sources

The research sample consists of 20 countries, 10 developed countries with diverse cultural profiles and 10 developing countries with diverse cultural profiles. A 20-country sample provides a wide range of Hofstede-Gray scores for calculating quantitative scores and will also make it easier to demonstrate how different cultural profiles yield different IFRS compliance scores. Furthermore, it provides a reasonable sample group for comparing IFRS quantitative compliance scores with actual compliance levels in the final stage of the study and interpreting them within the framework of corporate culture. Considering the criticisms in the literature regarding the applicability of IFRSs in developing countries, a distinction was made between developed and developing countries in the sample selection process, with the aim of highlighting the differences between the two country groups. The countries included in the study are as follows (Tables 9.2 and 9.3):

9.10 Research Method

This study examines the relationship between cultural values and International Financial Reporting Standards (IFRS) using a comparative quantitative-qualitative analysis. The Hofstede-Gray model was used to assess the interaction between national culture and financial reporting standards, and the methodologies of Gray (1988) and Borker (2014a) were used to calculate quantitative culture scores. The qualitative interpretation of the findings within the framework of institutional theory was informed by the work of Cieslewicz (2014) and Nurunnabi (2015).

Table 9.2 Countries examined in the scope of the research

Developed countries	Developing countries
1. USA	11. Türkiye
2. United Kingdom (UK)	12. Egypt
3. Australia	13. Iraq
4. Germany	14. Iran
5. France	15. Bangladesh
6. Japan	16. China
7. Spain	17. Brazil
8. Netherlands	18. India
9. Israel	19. Nigeria
10. Ireland	20. Vietnam

Source IMF (International Monetary Fund). (Oct 2025) Classification of Economies in the World Economic Outlook (WEO). https://data.imf.org/Datasets/WEO/Groups-and-Aggregates-October-2025 Access Date: 19.10.2025

Table 9.3 Data sources of the research

Data type	Data source	Purpose
Cultural Data	Hofstede Culture Dimensions (PDI, IDV, MAS, UAI)	Calculating the Accounting Subculture Scores of Countries
Theoretical Framework	Gray (1988) Hypotheses, Borker (2013a, 2014a)	Creating IFRS-Prone Cultural Profiles of Countries and Calculating Quantitative Scores
Actual Adaptation Data	IFRS Foundation Compliance Data, World Bank ROSC Reports (if necessary)	Classifying the Actual IFRS Compliance/Mandatory Status of Countries
Institutional Framework	Cieslewicz (2014) Institutional Theory, Nurunnabi (2015)	Qualitative Interpretation of Discrepancies Between Quantitative Scores and Actual Compliance

A four-stage mixed approach was followed in the research, in which quantitative and qualitative analysis methods were used together.

- Stage 1: Obtaining Hofstede culture scores and calculating countries' accounting subculture scores
- Stage 2: Calculating countries' culturally based IFRS predisposition scores using the Borker (2014a) methodology
- Stage 3: Classifying countries' de jure IFRS compliance levels obtained from the IFRS Foundation
- Stage 4: Comparative analysis of the congruence and discrepancies between the quantitatively calculated expectation scores and actual compliance levels, and in-depth interpretation within the framework of institutional theory

Table 9.4 Hofstede-Gray model based on the relational strength and hypotheses stated in Gray's (1988) study

	Power Distance (PDI)	Individualism (IDV)	Masculinity (MAS)	Uncertainty Avoidance (UAI)
Professionalism (PROF)	↓*	↑**	?	↓**
Uniformity (UNI)	↑*	↓**	?	↑**
Conservatism (CON)	?	↓*	↓*	↑**
Secrecy (SEC)	↑**	↓**	↓*	↑**

Source [2] Gray (1988)? 0, * 1 and ** 2 represent the coefficients. ↑↓ shows the direction of the relationship

9.10.1 Quantitative Calculation Methodology (Calculation of Accounting Subculture Scores and IFRS Compliance Index)

In the study, accounting subculture and IFRS compliance scores were calculated for each country. Scores for accounting subculture dimensions were calculated using a methodology that considered the strength of the relationships mentioned in Gray's (1988) original hypotheses, while cultural predisposition to IFRS was calculated using a methodology developed by Borker (2014a) and based on the Hofstede-Gray (1988) theoretical framework. Only the first four cultural dimensions (PDI, IDV, MAS, and UAI) included in Gray's original model were used in this study.

- ***Stage 1: Calculating Accounting Subculture Scores***

In calculating the scores for the four dimensions of accounting subculture (Professionalism, Uniformity, Conservatism, and Secrecy), the strength of the relationships mentioned in Gray's (1988) original hypotheses was taken into account. Gray (1988: 8-11) indicates that some Hofstede dimensions have a stronger impact on accounting values than others. This study adopted a transparent and simple weighting method based on the relational strength identified in Gray's (1988) original study (Tables 9.4 and 9.5). In this method, the effects of the Hofstede dimensions on Gray's accounting values were assumed to be 2 for strong relationships, 1 for less strong relationships, and 0 for no relationship, as theoretically stated in Gray's (1988) study, and were used as coefficients in the calculations. A weighted average was calculated by multiplying the Hofstede scores of the accounting subculture dimensions by the weightings obtained by transforming them according to Gray's hypotheses. Negative relationships were reversed (100-score) and included in the formula. Scores for accounting subculture dimensions were calculated with the following formula;

[2] In preparing the table, inspiration was drawn from the work of Gray (1988), and from the work of Baydoun and Willet 1995; Chanchani and MacGregor 1999, and Borker (2012a, 2012b), who used similar tables in their studies.

Table 9.5 Gray's hypotheses

HI: The higher a country ranks in individualism and the lower it ranks in uncertainty avoidance and power distance, the more likely it is to rank high in professionalism
H2: The higher a country ranks in uncertainty avoidance and power distance and the lower it ranks in individualism, the more likely it is to rank higher in uniformity
H3: The higher a country ranks in uncertainty avoidance and the lower it ranks in individualism and masculinity, the more likely it is to rank high in conservatism
H4: The higher a country ranks in uncertainty avoidance and power distance and the lower it ranks in individualism and masculinity, the more likely it is to rank higher in secrecy

Final score of the calculated accounting subculture dimension.

It is a collection process based on Hofstede's four cultural dimensions.

It is the score for the relevant Hofstede dimension. If the relationship is positive, the direct score is used; if the relationship is negative, the score is inverted (100-Hofstede Score).

These are the coefficients representing the relational strength specified in Gray's hypotheses (see Tables 9.4 and 9.5) (Fig 9.1).

- **Stage 2: Calculation of the IFRS Compliance Index**

Borker's (2014a) Composite IFRS Compliance Index methodology was used in calculating the IFRS predisposition (Compliance) scores of countries. Borker (2013a: 174) revealed the cultural predisposition profile of IFRS as optimism, flexibility, professionalism, and transparency. The calculated accounting subculture scores were converted into a final Composite Index representing the cultural profile predisposed

$$Skor_A = \frac{\sum_{i=1}^{4}(Converted\ Score_i x Weight_i)}{\sum_{i=1}^{4} Weight_i}$$

$Skor_A$ = Final score of the calculated accounting subculture dimension.

$\sum_{i=1}^{4}$ = It is a collection process based on Hofstede's four cultural dimensions.

$Converted\ Score_i$ = It is the score for the relevant Hofstede dimension. If the relationship is positive, the direct score is used; if the relationship is negative, the score is inverted (100-Hofstede Score).

$Weight_i$ = These are the coefficients representing the relational strength specified in Gray's hypotheses (see Tables 9.4-9.5).

$\sum_{i=1}^{4} Weight_i$ = It is the sum of all weights included in the calculation.

Fig. 9.1 The sum of all weights included in the calculation

$$Composite\ IFRS\ Compliance\ Index = \frac{(PROF+(100-UNI)+(100-CON)+(100-SEC))}{4}$$

Fig. 9.2 Composite IFRS compliance index

Table 9.6 Categorical classification of actual IFRS compliance levels

Compliance category	Definition	Degree of compatibility
Full Compliance/ Mandatory	Mandatory use of IFRS for all listed domestic companies	High compatibility
Convergence/ Permission	Allowing voluntary use of IFRS or high convergence of National Standards to IFRS, or allowing or mandating the use of IFRS by foreign companies	Low compatibility
Restricted Use/ Rejection	Allowing complete prohibition of IFRS or allowing very limited use	Low compatibility

to IFRS, utilizing Borker's (2014a) methodology. In this calculation, negative relationships were reversed and included in the formula (100-score). The composite IFRS compliance scores of countries were calculated using the Borker's (2014a) methodology with the following formula (Fig. 9.2);

9.10.2 Categorical Data Collection and Qualitative Analysis

Actual data on IFRS compliance status obtained from the IFRS Foundation will be classified, then compared with the calculated IFRS compliance scores and interpreted from the perspective of institutional theory, making use of the studies of Cieslewicz (2014) and Nurunnabi (2015) within the scope of qualitative analysis.

- **Stage 3: Categorical Classification of Actual IFRS Compliance Levels**

At this stage, the de jure IFRS compliance status of each country in the study sample was determined using IFRS Foundation data and these data were classified as shown in Table 9.6.

- **Stage 4: Qualitative Comparative Analysis**

The main contribution of the study is the interpretation within the framework of institutional theory, utilizing the works of Cieslewicz (2014) and Nurunnabi (2015), by comparing quantitative indices with actual compliance data. By comparing the calculated IFRS Index with the IFRS Foundation's actual compliance classification, a compliance/non-compliance status will be determined for each country as follows:

1. Perfect Fit: High Cultural Score/High Actual Fit
2. Institutional Pressure: Low Cultural Score/High Actual Fit

3. Cultural Blocking: High Cultural Score/Low Actual Fit
4. Perfect Mismatch: Low Cultural Score/Low Actual Fit

9.11 Findings

- **Stage 1: Findings Regarding the Calculation of Accounting Subculture Scores**

Findings regarding the calculation of accounting subculture scores are presented under this heading. The Hofstede Culture scores used in the calculation of accounting subculture scores are presented in Table 9.7.

Table 9.7 shows that power distance scores in the countries comprising the sample range from 13 to 97. The country with the lowest power distance score is Israel (13),

Table 9.7 Hofstede cultural values of countries

Countries		Hofstede culture scores			
		Power Distance (PDI)	Individualism (IDV)	Masculinity (MAS)	Uncertainty Avoidance (UAI)
Developed countries	USA	40	60	62	46
	United Kingdom	35	76	66	35
	Australia	38	73	61	51
	Germany	35	79	66	65
	France	68	74	43	86
	Japan	54	62	95	92
	Spain	57	67	42	86
	Netherlands	38	100	14	53
	Israel	13	56	47	81
	Ireland	28	58	68	35
Developing countries	Turkey	66	46	45	85
	Egypt	80	13	55	55
	Iraq	97	25	53	96
	Iran	58	23	43	59
	Bangladesh	80	5	55	60
	China	80	43	66	30
	Brazil	69	36	49	76
	India	77	24	56	40
	Nigeria	80	0	60	55
	Vietnam	70	30	40	30

while the country with the highest power distance score is Iraq (97). Individualism scores range from 0 to 100; the country with the lowest individualism score is Nigeria (0), while the country with the highest score is the Netherlands (100). Masculinity scores range from 14 to 95; the country with the lowest masculinity score is the Netherlands (14), and the country with the highest masculinity score is Japan (95). Uncertainty Avoidance scores range from 30 to 96; the country with the lowest uncertainty avoidance score is Vietnam (30) and China (30), while the country with the highest score is Iraq (96).

Accounting subculture scores, calculated based on the weighted average of Hofstede scores according to Gray's (1988) methodology, are presented in Table 9.8.

Table 9.8 shows Gray's Accounting Subculture Scores. The professionalism dimension of the accounting subculture ranges from 12 to 71; the country with the

Table 9.8 Gray accounting subculture values scores of countries

Countries		Gray's accounting subculture scores			
		Professionalism	Uniformity	Conservatism	Secrecy
Developed countries	USA	58	42	43	41
	United Kingdom	69	31	32	32
	Australia	61	39	42	39
	Germany	59	41	46	39
	France	42	58	64	60
	Japan	37	63	57	53
	Spain	41	59	66	59
	Netherlands	71	29	48	38
	Israel	47	53	65	47
	Ireland	64	36	36	35
Developing countries	Turkey	31	69	70	66
	Egypt	27	73	61	70
	Iraq	12	88	79	83
	Iran	34	66	63	64
	Bangladesh	22	78	65	74
	China	49	51	38	53
	Brazil	30	70	67	67
	India	38	62	50	61
	Nigeria	22	78	63	73
	Vietnam	46	54	48	57
Minimum		12	29	32	32
Maximum		71	88	79	83
Mean		43	57	55	56

lowest professionalism is Iraq (12), and the country with the highest is the Netherlands. Uniformity ranges from 29 to 88; the country with the lowest uniformity is the Netherlands, and the country with the highest uniformity is Iraq. Conservatism ranges from 32 to 79; the country with the lowest conservatism is the United Kingdom, and the country with the highest conservatism is Iraq. Privacy ranges from 32 to 83; the country with the lowest privacy is the United Kingdom, and the country with the highest privacy is Iraq. When developed countries are compared to developing countries, it is seen that professionalism scores are higher, while uniformity, conservatism, and privacy scores are lower.

- **Stage 2: Findings Regarding the Calculation of the Composite IFRS Compliance Index**

The composite IFRS compliance scores calculated using Borker's (2014a) methodology are presented in Table 9.9.

Table 9.9 shows the IFRS compliance scores of the countries covered in the study. The IFRS compliance scores of the countries covered in the study range from 16 to 69. The country with the highest cultural IFRS compliance score is the United Kingdom, followed by the Netherlands, Ireland, and Australia. The country with the lowest cultural IFRS compliance score is Iraq, followed by Bangladesh, Nigeria, and Egypt.

- **Stage 3: Findings Categorical Classification of Actual IFRS Compliance Levels**

The de jure IFRS compliance status of each country in the study sample, determined using IFRS Foundation data, is presented in Table 9.10.

Table 9.10 shows the actual IFRS compliance status of countries, as obtained from the IFRS Foundation. According to the classification criteria used in the research methodology, countries with high actual compliance are the United Kingdom, Australia, Germany, France, Spain, the Netherlands, Israel, Ireland, Turkey, Iran, Bangladesh, Brazil, and Nigeria. Countries with low actual compliance are the United States, Japan, Egypt, Iraq, China, India, and Vietnam. Among developed countries, only two countries exhibited low compliance, while among developing countries, five countries exhibited low compliance.

- **Stage 4: Findings Regarding Qualitative Comparative Analysis**

By comparing the classified IFRS Compliance scores of the countries with the classified actual compliance status, the compliance/non-compliance/institutional pressure/cultural barrier situations determined for each country are presented in Table 9.11.

Table 9.11 shows that countries' classified IFRS compliance scores (cultural profile prone to IFRS) and actual IFRS compliance statuses are clustered under the headings of perfect fit, perfect mismatch, institutional pressure, and cultural blocking.

The Perfect Fit situation refers to cases where the cultural profile prone to IFRS (classified IFRS compliance scores) coincides with corporate obligation, i.e., actual compliance. Countries where there is a perfect fit, i.e., where the IFRS compliance score according to culture coincides with the actual compliance situation, have been

Table 9.9 Countries' composite IFRS compliance index

Countries	Composite IFRS compliance index	Classified IFRS cultural propensity profile	
Developed countries	USA	58	High
	United Kingdom	69	High
	Australia	60	High
	Germany	58	High
	France	40	Low
	Japan	41	Low
	Spain	39	Low
	Netherlands	64	High
	Israel	46	High
	Ireland	64	High
Developing countries	Turkey	32	Low
	Egypt	31	Low
	Iraq	16	Low
	Iran	35	Low
	Bangladesh	26	Low
	China	52	High
	Brazil	32	Low
	India	41	Low
	Nigeria	27	Low
	Vietnam	47	High
Minimum		16	
Maximum		69	
Mean		44	

Note In classifying the scores as high and low compliance, the average score of the countries was taken into account; scores above 44 were classified as high, and scores below 44 were classified as low

identified as the United Kingdom, Australia, Germany, the Netherlands, Israel, and Ireland. These countries generally possess Anglo-Saxon cultural characteristics such as high individualism (IDV) and low power distance (PDI), as predicted by Gray (1988). This cultural profile is directly associated with the high professionalism, optimism, flexibility, and transparency required by IFRS. Therefore, it is possible to say that these countries have legally mandated IFRS, which is compatible with their own cultural values, reinforcing cultural expectations with institutional decisions and encountering minimal cultural resistance when adopting IFRS. This alignment between culture and corporate structure in terms of IFRS adoption in these countries demonstrates that IFRS is not merely a legal requirement but has also been internalized by local institutions.

Table 9.10 Categorical classification of actual IFRS compliance levels

Countries	Classified actual IFRS compliance degrees	
Developed countries	USA	Low
	United Kingdom	High
	Australia	High
	Germany	High
	France	High
	Japan	Low
	Spain	High
	Netherlands	High
	Israel	High
	Ireland	High
Developing countries	Turkey	High
	Egypt	Low
	Iraq	Low
	Iran	High
	Bangladesh	High
	China	Low
	Brazil	High
	India	Low
	Nigeria	High
	Vietnam	Low

Institutional Pressure refers to cases where the cultural propensity profile for IFRS (classified IFRS compliance scores) is low, while actual compliance (institutional obligation) is high; in other words, where culture is overwhelmed by institutional pressure. Countries identified as having institutional pressure include France, Spain, Turkey, Iran, Bangladesh, Brazil, and Nigeria. It is possible to say that these countries are culturally resistant to IFRS, as indicated by their low IFRS Index scores, and that the role of institutional pressure (coercive isomorphism) rather than cultural factors is responsible for the actual adoption of IFRS. In France and Spain, which are among the developed countries, the coercive pressure of European Union (EU) directives can be said to have been effective in the actual adoption of IFRS. In developing countries such as Turkey, Brazil, Iran, Nigeria, and Bangladesh, external pressure, access to global capital markets, attracting foreign investment, and the imposition of IFRS by international financial institutions can be said to be effective in the actual adoption of IFRS. In these countries, although IFRS is legally mandatory, problems in the quality of implementation are expected. Cultural values may lead to the provisions of IFRS requiring transparency being applied with minimal disclosure.

Cultural Blocking refers to cases where the cultural propensity profile for IFRS (classified IFRS compliance scores) is high, but actual compliance (institutional

Table 9.11 Comparison of countries' classified IFRS compliance scores and classified actual compliance status

Countries	IFRS compliance scores classified according to the calculated IFRS compliance index	IFRS foundation compliance levels classified according to actual compliance status	Status	
Developed countries	USA	High	Low	Cultural Blocking
	United Kingdom	High	High	Perfect Fit
	Australia	High	High	Perfect Fit
	Germany	High	High	Perfect Fit
	France	Low	High	Institutional Pressure
	Japan	Low	Low	Perfect Mismatch
	Spain	Low	High	Kurumsal Baskı
	Netherlands	High	High	Perfect Fit
	Israel	High	High	Perfect Fit
	Ireland	High	High	Perfect Fit
Developing countries	Turkey	Low	High	Institutional Pressure
	Egypt	Low	Low	Perfect Mismatch
	Iraq	Low	Low	Perfect Mismatch
	Iran	Low	High	Institutional Pressure
	Bangladesh	Low	High	Institutional Pressure
	China	High	Low	Cultural Blocking
	Brazil	Low	High	Institutional Pressure
	India	Low	Low	Perfect Mismatch
	Nigeria	Low	High	Institutional Pressure
	Vietnam	High	Low	Cultural Blocking

requirement) is low. In these countries, despite high cultural expectations (quantitative score) for IFRS compliance, the institutional structure (actual compliance) hinders this expectation. The countries identified as having cultural blocking are the United States, China, and Vietnam. Although the US is one of the cultures closest to IFRS in quantitative terms (Score 58), it can be said that its deep-rooted local institutions (US GAAP/SEC) prevent the mandatory adoption of IFRS. The decision that the cost of transition outweighs the benefit indicates that the institutional structure prevails over cultural expectations. The results reached for China and Vietnam may partly point to the limitations of Hofstede's model. However, it can be said that the main obstacle behind the adoption of IFRS is the central government's quest for control. Indeed, since the principle-based flexibility of IFRS is not considered suitable for systems requiring central planning and control, national standards or convergence (Low Actual Compliance) have been preferred in these countries.

Perfect Mismatch refers to cases where both the cultural propensity profile for IFRS and actual compliance are low; in other words, where cultural expectations for IFRS compliance are low and there is no institutional pressure. Countries identified as having a Perfect Mismatch situation are Japan, Egypt, Iraq, and India. These countries are not culturally predisposed to adopt IFRS, nor is there strong institutional pressure to do so. The low level of actual compliance in developing countries such as Egypt, Iraq, and India shows that the coercive pressure of IFRS (Coercive Isoformism) has failed in the face of local accounting systems and cultural resistance. Japan, a developed country with a low quantitative score, has maintained its strong local GAAP. The fact that a culturally resistant system does not institutionally mandate IFRS demonstrates that the system maintains its consistency.

9.12 Conclusion

Culture, which expresses the value judgments of society, is seen as an important environmental factor that influences the institutions and professions of nations. Accounting is a social science field influenced by the value judgments of the society in which it exists. Therefore, the cultural values of the society in which the profession is practiced play an important role in shaping accounting practices and the judgments of accounting professionals.

Culture is considered one of the main reasons for the problems encountered in the implementation and adoption of IFRS, which aims to be a global reporting language, in different countries. Indeed, numerous studies (see Table 9.1) explain the difficulties and resistance encountered in the adoption and implementation of IFRS in terms of culture, highlighting the role of culture in the adoption of IFRS. Due to cultural resistance, many countries do not adopt IFRS directly, but respond to IFRS requirements through convergence efforts or reject them entirely. Even in countries that adopt IFRS as a legal requirement, cultural differences can prevent the desired success in implementing IFRS or cause problems in the quality of implementation.

As a result, national culture shapes the unique cultural values on which accounting professionalism is based, and therefore continues to be at the center of IFRS adaptation discussions. In this study, cultural incompatibilities arising in the process of applying International Financial Reporting Standards in countries with different cultural structures were examined using the Hofstede-Gray accounting subculture model. Conducted using examples of countries with different cultural characteristics grouped as developed and developing countries, the study compared countries' culturally calculated IFRS compliance scores (expected compliance) with actual IFRS compliance status obtained from the IFRS Foundation and interpreted from a corporate theory perspective.

Research findings indicate that countries where cultural expectations are high and IFRS compliance is a corporate requirement are generally those dominated by Anglo-Saxon culture or possessing characteristics of Anglo-Saxon culture. Countries such as the United Kingdom, Australia, Germany, the Netherlands, Israel, and Ireland are generally found to possess Anglo-Saxon cultural characteristics, such as high individualism (IDV) and low power distance (PDI), as predicted by Gray (1988). These countries have reinforced cultural expectations through institutional decisions by making IFRS legally mandatory in line with their own cultural values. While full compliance is only seen in developed countries, no example of a country where cultural expectations and actual compliance coincide has been identified in developing countries. This finding is consistent with the findings of Nurunnabi (2015), who drew attention to the difficulties that may be encountered in the implementation of IFRS in developing countries.

Countries with a low culturally calculated classified IFRS compliance score, i.e., a low cultural propensity for IFRS, but with high actual compliance, i.e., high corporate compulsion, are France, Spain, Turkey, Iran, Bangladesh, Brazil, and Nigeria. This finding shows that these countries are not culturally predisposed to IFRS, but that institutional pressure (coercive isomorphism) plays a role in the actual adoption of IFRS. Although France and Spain are developed countries and there is no cultural affinity, the coercive pressure of European Union (EU) directives is effective in the actual adoption of IFRS; in developing countries, external pressure, access to global capital markets, attracting foreign investment, and the conditions of international financial institutions are effective in the actual adoption of IFRS. As Cieslewicz (2014) also points out, in addition to the technical acceptance of standards in these countries, there is a need for strong and appropriate institutions (rule of law, low levels of corruption, audit quality) that will minimize the impact of culture on accounting practices. Indeed, Nurannabi (2015: 146), in his study specifically on Bangladesh as a developing country, stated that the prevalence of bribery and corruption culture in Bangladesh is a significant obstacle to IFRS implementation. He also confirmed the coercive, imitative, and normative institutional isomorphism pressures specifically in Bangladesh.

The countries with a high culturally calculated classified IFRS compliance score but low actual compliance are the United States, China, and Vietnam. In these countries, despite high cultural expectations (quantitative score) in terms of IFRS compliance, the institutional structure (actual compliance) hinders this expectation.

Although the US has a cultural profile conducive to IFRS, the influence of its deeply rooted local institutions (US GAAP/SEC) can be said to be a factor in the non-adoption of IFRS in practice. The results obtained for China and Vietnam may point to the limitations of the Hofstede-Gray model. However, the main obstacle behind the adoption of IFRS can be described as the central government's quest for control. Indeed, since the principle-based flexibility of IFRS is not considered suitable for systems requiring central planning and control, national standards or convergence (low actual compliance) have been preferred in these countries.

The countries where both the culturally calculated IFRS compliance score and actual compliance are low, and complete non-compliance is observed, are Japan, Egypt, Iraq, and India. In these countries, there is neither a culturally predisposed IFRS profile nor strong institutional pressure. The low level of actual compliance in developing countries such as Egypt, Iraq, and India can be attributed to the failure of IFRS's coercive pressure (coercive isomorphism) in the face of local accounting systems and cultural resistance. In Japan, a developed country with a low quantitative score, the reluctance to adopt IFRS can be attributed to its desire to preserve its strong local GAAP. The fact that a culturally resistant system does not institutionally mandate IFRS demonstrates that the system maintains its consistency.

The results of the study are consistent with the findings of many previous studies, demonstrating that culture continues to be an important factor in the adoption of IFRS and in achieving the desired success in IFRS implementation. For this reason, the potential impact of cultural differences must be taken into account in the adoption of IFRS, which is recognized as a global reporting language, in different countries. Strong institutional regulations should be put in place to minimize the impact of national economic culture, and the necessary steps should be taken to internalize these regulations. Regulations should reflect strong and decisive steps taken to ensure the rule of law, limit the power of privileged classes, and reduce corruption and bribery.

9.13 For the Further Studies

This study compares the cultural IFRS propensity profiles of certain countries with their actual compliance status. As in other studies, the scope of research can be expanded, and the impact of culture on the IFRS compliance process can be examined using different methodological approaches. Considering that culture is something that changes over time as it is influenced by people, it is also worth investigating whether there has been a change in the cultural predisposition profiles of countries towards IFRS over time. It is recommended that the same countries be re-examined at different time intervals to investigate the changes in their cultural profiles.

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Part IV
Digitalization, Audit Culture and Ethical Decision-Making

Chapter 10
The Transformation of Accounting Culture in the Digitalization Process: A Comparative Examination of Türkiye and Northern Europe Within the Framework of Gray's Accounting Values

Suat Kara, Özlem Erdil, and Pelin Özcan

Abstract Accounting culture has undergone a profound transformation with the impact of digitalization, not only in terms of the technical tools employed but also in relation to information production processes, the understanding of transparency, and perceptions of ethical responsibility. Within the framework of Gray's (1988) theory of accounting values, this transformation is most prominently observed along the secrecy–transparency axis, while also reshaping the professionalism–statutory control**,** uniformity–flexibility**,** and conservatism–optimism dimensions. This study conducts a comparative cultural analysis of the impact of digitalization on accounting transparency by examining recent annual reports of large-scale companies operating in Türkiye and Northern European countries through a qualitative research design. Using MAXQDA software, the reports were thematically coded and subjected to comparative content analysis. The findings reveal that in Türkiye, digitalization is predominantly integrated as an extension of regulatory compliance and risk-avoidance-oriented reporting, where transparency largely remains at the level of mandatory disclosure. In contrast, in Northern Europe, digitalization is embedded as part of a corporate culture that emphasizes transparency, stakeholder engagement, and sustainable value creation**.** Accordingly, digitalization emerges not merely as a

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_10

technical innovation in accounting practice, but as a transformative cultural domain in which accounting values are redefined in alignment with broader institutional contexts.

Keywords Accounting culture · Digitalization · Transparency · Secrecy–transparency dimension · Gray's accounting values

Abbreviations

BIST	Borsa İstanbul (Istanbul Stock Exchange)
ESG	Environmental, Social, and Governance
IFRS	International Financial Reporting Standards
TFRS	Turkish Financial Reporting Standards
SPK	Capital Markets Board of Türkiye
KGK	Public Oversight, Accounting and Auditing Standards Authority
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ICFR	Internal Control over Financial Reporting
GAAP	Generally Accepted Accounting Principles

10.1 Introduction

Culture is a basic building element that allows people to develop common meanings; it directs behavior within society, creates values, and molds identity. According to Öztürk (1997: 42), culture is a dynamic, evolving, and transforming aspect of social existence. Culture links people and fosters social cohesiveness (Erdentuğ 1986: 230). Culture's features include language, norms, values, belief systems, traditions, behavioral patterns, and social practices, all of which have a direct influence on how society thinks, perceives, and makes choices (Aycan 1998: 22).

In this environment, accounting culture is inextricably linked to societal values, belief frameworks, and institutional organization patterns. Hofstede (1980), who demonstrated that cultural differences are shaped by organizational behavior and social norms, argued that culture manifests differently in different societies along the dimensions of power distance, individualism-collectivism, uncertainty avoidance, gender roles, long/short-term orientation, and tolerance-repression. This method reveals how cultural values affect not only social life, but also institutional processes and decision-making systems.

Gray (1988) expanded on Hofstede's cultural elements to create the Hofstede-Gray Model, which systematically analyzes the link between culture and accounting procedures. Accounting, according to Gray, is a mirror of society's prevailing cultural norms, and hence it has the characteristics of a subculture that emerges inside culture

(Chancani and Willett 2004). Gray identified four core value axes for accounting culture: professionalism—legal control, uniformity—flexibility, prudence—optimism, and secrecy—transparency (Karabınar and ve Kışlalıoğlu 2014). As consequently, accounting culture influences key features such as knowledge generation processes, financial reporting understandings, and transparency levels in accordance with societal cultural orientations (Ball et al. 2008; Doidge et al. 2007; Han et al. 2010). As a result, whereas accounting culture in developed economies is largely founded on the values of professional autonomy and openness, in developing nations, the emphasis focuses more on legal control, secrecy, and prudence. Different cultural orientations clearly indicate that financial reporting is molded not only by standards but also by society's established values and conventions (Doupnik and Tsakumis 2004; Doupnik 2008; Ding et al. 2005; and Nobes 2008). This also suggests that there are major discrepancies in financial reporting procedures among nations (Chatham et al. 2010; d'Arcy 2001; Jones and Wolnizer 2003; Larson and Kenny 1999; Lewis and Salter 2006).

Digitalization, the most significant disruptive factor of the twenty-first century, is radically changing accounting culture. Cloud-based systems, AI-powered auditing tools, blockchain technology, and data analytics apps have transformed not just the record-keeping function of accounting, but also the way information is created and shared. This transition is propelling the accounting profession from a technical area of practice to the forefront of ethical and strategic choices (Quattrone 2016: 118). Digitalization reinforces the trend of openness by speeding up access to and sharing of information, but it also creates new cultural issues in areas such as data security, professional autonomy, regulatory control, and risk perception. This transformation reimagines not only the accounting culture's shift toward openness on the privacy-transparency axis, but also the balance between risk-taking and caution on the conservatism-optimism axis, and the role of professional autonomy and regulatory structures on the professionalism-legal control axis. Adoption of digitalization frequently progresses through legal frameworks and compliance requirements, particularly in developing countries like Türkiye, whereas Northern European countries, thanks to their strong institutional structures, high trust culture, and tradition of professional autonomy, have been able to integrate digitalization with a more participatory and transparent understanding of accounting.

At this juncture, it is important to recall that cultural values are more than just normative statements; they also include practical directions on how social actors "define what is right." According to Johnson (2012), culture is more than simply a collection of technical laws; it is a pluralistic area that explores how societies generate a decent life and ethical conduct. As a result, transparency does not emerge with identical goals and meaning in every society; it is influenced through Gray's other financial values, such as the adoption of digital reporting practices, professional autonomy, trust relationships, the search for corporate legitimacy, and a culture of prudence. Also a result, digitization should be seen not just as a technological shift in accounting systems, but also as a normative space for renegotiating each country's cultural norms (Johnson 2012: 563).

The primary research question for this study is how digitalization redefines the "transparency value" in accounting culture within a cultural framework. The research looked at how cultural variations between Türkiye and Northern European nations (especially Norway, Sweden, Denmark, and Finland) influence the implications of digitalization on accounting transparency in various ways. The qualitative content analysis method was used in the study, and theme coding of reports was conducted using MAXQDA. The codings were interpreted using the values of transparency and privacy, and cross-national similarities and differences were assessed.

10.2 Theoretical Framework: Gray's Values of Accounting Culture

In his 1988 research "Towards Cultural Influences on the Development of International Accounting Systems," Gray asserted that accounting practices are inextricably linked to social culture, therefore situating this connection within a theoretical framework. This model articulates a theory that elucidates the cultural underpinnings of accounting values by correlating ideas of cultural structure from social sciences literature with practices and rules in international accounting (Abongwa 2005: 27–28).

Figure 10.1 illustrates that accounting systems are not just technical requirements; instead, they are influenced by the cultural and institutional attributes of civilizations. The geographical location, economic growth, historical events, and social structure of a nation primarily shape its social ideals. Social values directly impact the core principles embraced by the accounting profession, such as the equilibrium between transparency and confidentiality, the dichotomy of conservatism versus optimism, the interplay between professional autonomy and legal oversight, and the inclination towards uniformity versus flexibility. These accounting principles influence the operation of accounting systems, including reporting forms, auditing methodologies, information generation, and the degree of financial transparency. Consequently, accounting procedures are not a universally applicable technical framework; rather, they are a social construct historically influenced by the cultural framework and inter-institutional power dynamics of each nation (Salter and Lewis 2011: 133).

Consequently, Gray categorized accounting culture according to several value axes to elucidate how this cultural transmission is manifested in accounting systems. Gray posits that accounting culture may be assessed via four primary value axes that are in conflict with one another. These axes illustrate the equilibrium between the primacy of professional judgment and legal authority (professionalism–statism), the capacity to adapt to circumstances as opposed to rigid rule adherence (uniformity–flexibility), a prudent stance coupled with a forward-looking optimism (conservatism–optimism), and the dichotomy of openness and accountability versus restricted information dissemination (secrecy–transparency) (Karabınar 2005: 45).

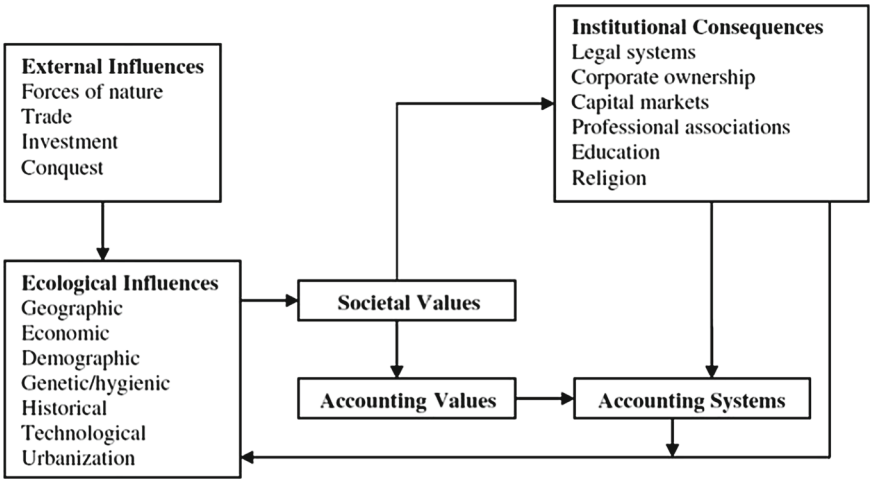


Fig. 10.1 Cultural context, societal values, and accounting subculture. *Source* (Gray 1988; Karabınar 2005)

10.2.1 Professionalism and Statism

Gray (1988) asserts that the degree of autonomy accountants possess in their professional activity may be affected by the cultural context. He asserts that the concept of "professionalism" embodies the accountant's readiness to make judgments based on personal judgment and their inclination to preserve independence in the process. Gray asserts that professionalism pertains to the capacity of accounting practitioners to independently apply their professional judgment. Conversely, "statism" is a framework in which legal laws are paramount and accountability mechanisms are determined by state power (Askary 2006: 103). In this context, professionalism might be linked to Hofstede's cultural characteristics of individuality and uncertainty avoidance. In individualistic societies, autonomous decision-making, personal accountability, and the appreciation of individual work are more pronounced. In cultures characterized by low uncertainty avoidance, the flexible application of expert judgment is more easily embraced due to the absence of a need to impose stringent regulations.

Conversely, the correlation between professionalism and power distance is less pronounced; however, in cultures characterized by low power distance, the focus on people of varying rank or authority possessing equal input facilitates the embrace of autonomous professional judgment. Nonetheless, the degree of masculinity does not seem to be a substantial determinant in elucidating the significance of professionalism (Gray 1988: 9).

10.2.2 Consistency and Adaptability

Gray (1988) asserts that the principle of uniformity entails the standardization of accounting methods in enterprises and their constant adherence to a certain set of regulations. Conversely, flexibility denotes the capacity of accounting methods to adjust to evolving circumstances; yet, this is contentious since it may complicate inter-company comparisons. The possible effects of changes in corporate structure over time on reporting consistency also represent a substantial worry about flexibility. Flexibility is crucial in contexts where enterprises must design accounting procedures tailored to their own conditions (Gray 1988: 9). In this context, uniformity signifies a propensity for the standardization and homogeneity of accounting methods, while flexibility permits adaptations in application according to circumstances and context. The degree of a society's tolerance for uncertainty serves as the primary cultural factor that dictates the equilibrium between these two values. In cultures characterized by low uncertainty avoidance, variations are seen as inherent and beneficial to variety; hence, uniformity is not perceived as an objective to be maintained in all circumstances (Noravesh et al., 2007: 260).

The importance of uniformity is linked to Hofstede's dimensions of uncertainty avoidance and individualism-collectivism. Minimizing ambiguity, preserving order and predictability, and prioritizing written norms and legal laws are seen as components that enhance the uniformity approach. In civilizations with elevated power distance, consistent behaviors are more readily embraced due to the pronounced emphasis on authority and obedience to hierarchical structures. Conversely, it is said that the masculine factor lacks a strong correlation with monotony (Gray 1988: 10).

10.2.3 Conservatism and Optimism

Conservatism, a virtue within Gray's accounting culture, denotes a cautious stance in the face of future uncertainty and entails sensible evaluations to mitigate the effects of prospective hazards. Conversely, optimism embodies a perspective on assessing economic occurrences that is grounded on favorable expectations and a propensity for risk-taking. Consequently, these two values indicate the desire for prudence in financial reporting systems against maintaining an optimistic future perspective (Durmuş and Güneş 2017: 86). Lewis and Salter (2006) describe conservatism as the inclination to exercise caution in measurement and valuation when disclosing financial information; conversely, they link optimism to the manifestation of optimistic expectations on the company's future success in financial statements.

The impact of the conservative principle in accounting may be reinforced by many things. The evolution of capital markets, the expectations of financial statement consumers aligned with their interests, the perspectives of accounting practitioners, and the uniformity of tax law are significant elements affecting the conservative bias. In the domain of culture, conservatism is posited to be intimately associated with

the dimension of uncertainty avoidance. In cultures characterized by considerable uncertainty, people may choose a conservative reporting strategy, opting for prudence in anticipation of possible adverse future consequences (Gray 1988: 10). Yusoff et al. (2014) corroborate this scenario, asserting that a conservative reporting culture results in firms making more restricted disclosures and engaging in information exchange within a regulated framework.

Conversely, in cultures characterized by elevated individualism and masculinity, along with less risk aversion, one may witness more optimistic and risk-taking accounting procedures. According to Gray, the power distance dimension does not exhibit a substantial correlation with conservatism (Gray 1988: 10).

10.2.4 Confidentiality and Clarity

The privacy principle articulated by Gray (1988) pertains to restricting business information to designated persons and groups while managing information dissemination in a regulated manner. Conversely, transparency pertains to the clear, comprehensible, and readily available dissemination of financial and management information to a broader array of stakeholders (Gray 1988: 8). Consequently, the principles of privacy and transparency include the cultural inclination towards the restriction or openness of information dissemination. Privacy involves the restricted and deliberate dissemination of information, while transparency denotes the availability of clear and accessible information to stakeholders (Yusoff et al. 2014: 442). The selection between these two methodologies is influenced by the competitive framework of institutions, societal expectations, and cultural principles. The significance of privacy is linked to cultural aspects like uncertainty avoidance, power distance, and individualism–collectivism. In cultures characterized by high uncertainty avoidance, information disclosure procedures may be more constrained owing to a propensity to evade risk and conflict. In societies characterized by large power distance, the regulated dissemination of knowledge is more easily accepted to preserve hierarchical systems.

Conversely, in cultures where collectivism prevails over individuality, safeguarding information may be embraced as a more coherent strategy due to the emphasis on community cohesiveness and social harmony. Conversely, it is said that in cultures that emphasize human-centered values, social welfare, and quality of life, the inclination towards more openness and transparency in information sharing may intensify, particularly on matters of social benefit and public interest (Gray 1988: 11).

Transparency is not only a technological procedure for information dissemination; it is also a cultural practice influenced by societal perceptions of governance, trust dynamics, and cultural norms. Historically, transparency was primarily linked to paper-based information dissemination and restricted oversight. However, with digitalization, it has evolved to include the visibility, accessibility, and auditability of public and institutional information within digital contexts. Digital transparency

is seen as a more effective instrument for accountability, participation, and trust enhancement, particularly with the incorporation of information and communication technology into governance procedures. The varying perceptions and implementations of digital transparency across various societies indicate that it is influenced not just by technology infrastructure but also by cultural values, power dynamics, and institutional frameworks (Taş and Durgun 2022: 14). The efficacy of digital transparency practices relies not on the accessibility of technology tools, but on the degree to which these technologies are assimilated into a culture of openness, trust, and collaborative monitoring. Consequently, whereas digitization enhances the principles of openness, it simultaneously prompts new ethical and managerial debates over data privacy, information asymmetry, and digital exclusion.

In this perspective, it is evident that the new significances of transparency acquired via digitization cannot be considered in isolation from the cultural background. Social values, which influence the structure of accounting systems, directly affect the adoption of digital applications, the information provided, and the limits of acceptable openness. Consequently, digital transparency is defined not only by the availability of technological means but also by the cultural orientations of institutions, stakeholder expectations, and the degree of integration of professional ethical standards. This study analyzed the annual reports of large-scale enterprises in Türkiye and Northern Europe, focusing not only on content but also on uncovering the cultural reflections of Gray's additional dimensions of accounting culture, including conservatism-optimism and professionalism-legal control, alongside the value of transparency.

10.3 Methodology

This research chose companies featured in the BIST Sustainability 25 Index to constitute the Turkish sample. BIST Sustainability 25 comprises enterprises that undergo regular assessments of their environmental, social, and governance (ESG) performance, with their sustainability policies validated by independent rating agencies. The primary rationale for choosing these organizations is that they exemplify the highest standards of openness, corporate responsibility, and digital reporting methods in Türkiye. Consequently, these organizations provide a robust analytical framework that elucidates the evolution of accounting culture amid the digitization process.

The study chose Northern European nations (Sweden, Denmark, Finland, and Norway) for comparative analysis. These nations lead in global literature with corporate governance frameworks characterized by elevated transparency, a stakeholder-centric approach to accounting, and reporting systems oriented towards digital data management. Furthermore, Northern European nations not only adopt global reporting standards like as IFRS, GRI, CSRD, and TCFD but also actively contribute to the formulation of their application principles. Consequently, the nations in issue have a culture framework that prioritizes openness, professionalism, and adaptability, as delineated in Gray's (1988) accounting values model.

The choice of companies from the BIST Sustainability 25 Index as the Turkish sample and the designation of Northern European countries as the comparative framework enhances the methodological rigor in comprehending the impact of digitalization on accounting culture within a cultural context. In Türkiye, a legal compliance and prudence-oriented accounting strategy predominates, while professionalism, stakeholder openness, and data-driven reporting are established as normative principles in Northern Europe. This alternative method demonstrates how digitization is transforming accounting transparency.

Consequently, the chosen sample is appropriate and adequate for the study's objectives regarding both comparability and the analytical visibility of cultural variations.

10.3.1 Research Framework

This study was structured within a comparative qualitative research paradigm, including both qualitative content analysis and theme analysis approaches throughout the data processing phase. The primary aim of the study is to compare accounting transparency, digital reporting practices, and corporate disclosure cultures in the annual reports of large enterprises in Türkiye and Northern European countries over the past three years, and to elucidate how these practices are influenced by Gray's (1988) theoretical framework of accounting values.

Qualitative content analysis is a systematic approach for examining text-based business documents, aiming to find recurrent patterns of meaning within the material (Miles et al. 2014). This technique included segmenting activity data into coherent phrases, which were then coded based on conceptual similarities and categorized thematically. The theme analysis technique assessed the interrelations across codes and elucidated the representation of cultural accounting values, including transparency, professionalism, prudence, and secrecy, within the reports (Braun and Clarke 2006).

The research model has the characteristics of a comparative case study. Businesses included in the BIST Sustainability 25 Index in Türkiye and chosen big enterprises from Northern Europe were analyzed based on comparable reporting formats (activity reports) and the same timeframe (the last three years). This method guarantees the consistency of reporting practices in terms of structure and content across two distinct cultural and institutional settings. The research assessed code matrix, code density distributions, and theme association analyses conducted using MAXQDA software to underscore cultural diversity. The influence of digitization on accounting transparency, which varies according to cultural environment, has been extensively elucidated.

This research model posits that digitalization in corporate reporting constitutes not only a technical transformation but also a cultural restructuring process, influenced by accounting values, norms of corporate transparency, and stakeholder communication perceptions, which differ across nations.

10.3.2 Data Acquisition Procedure

This research dataset comprises the annual reports from the previous three years of firms included in the BIST Sustainability 25 Index. The consistent and methodical release of reports by the corporations within the index, addressing sustainability and corporate governance practices, aligns with the study's objectives and offers a uniform document framework.

The analysis focused only on the activity reports from the last three reporting years (2022, 2023, and 2024) for each organization. These reports provide significant qualitative data about the study's emphasis on digitalization, transparency, and the transition of accounting culture, since they include corporate disclosures related to environmental, social, and governance (ESG) strategies alongside firms' financial success.

The reports were retrieved in digital PDF format from the firms' official corporate websites and the Public Disclosure Platform (KAP). The papers were examined according to the original text without any content loss. The three-year report series analyzed for each organization produced a textual data volume between about 700 and 1200 pages.

The same methodology was used for the Northern European comparative sample; the annual reports of chosen large-scale enterprises operating in Sweden, Denmark, Finland, and Norway during the last three years were included into the dataset. Information from Northern European firms was mostly obtained from the official corporate websites of the relevant entities. Furthermore, worldwide annual report and integrated reporting databases, including the Annual Report Archive and the GRI Database, were used to augment the report's integrity and the verifiability of sustainability disclosures. Furthermore, the public disclosure platforms of the stock exchanges in the respective nations were examined to verify the official sources of the published news. The corporate reporting archives from Nasdaq Stockholm (Sweden), Nasdaq Copenhagen (Denmark), Nasdaq Helsinki (Finland), and Oslo Børs (Norway) were analyzed, with all reports retrieved in their original digital PDF versions. Consequently, the two sample groups were aligned regarding time interval and document type, ensuring methodological equilibrium for cross-cultural comparison.

10.3.3 Method of Data Analysis

The research used qualitative content analysis. The activity reports of Turkish and Northern European companies released in the past three years were analyzed according to meaning units; the corporate discourse structures, stakeholder communication language, transparency levels, risk management expressions, and sustainability focuses in the texts were systematically assessed (Miles et al. 2014). The analytical approach linked the conceptual focus and explanatory frameworks in the

reports to Gray's (1988) model of accounting values, which serves as the theoretical foundation of the research.

Thematic analysis was used as a fundamental component of the content analysis (Braun and Clarke 2006). Initially, the reports were analyzed by open coding, and significant expressions taken from the texts were assigned codes. In the second step, the codes were categorized based on their conceptual linkages, resulting in the formation of primary themes under the axes of "Professionalism–Legal Control," "Compliance–Flexibility," "Conservatism–Optimism," and "Confidentiality–Transparency." Themes were then reevaluated for theoretical clarity, contextual coherence, and conceptual integrity, leading to the refinement of the coding system.

The study also has a comparative analytical aspect. Within this framework, the codes from the Turkish and Northern European populations were designated as two distinct code groups, and the topic intensities, expression variety, and discourse orientations were assessed comparably. Consequently, it has been shown how cultural disparities influence accounting openness and reporting terminology.

The whole coding and analysis procedure was executed with MAXQDA Analytics Pro 2024 software. The resultant theme organization has been documented in mind-map format.

10.3.4 Validity and Reliability

The data's validity and reliability in the study were guaranteed following the comprehensive verification principles of qualitative research methodology. The materials were assessed for authenticity, currency, and institutional validity according to Scott's (1990) criteria for documentary analysis, which include authenticity, dependability, representativeness, and significance. In this regard, all activity reports of corporations from Türkiye and Northern Europe were acquired in their original digital PDF format from the companies' official corporate websites, stock exchange public disclosure systems, and worldwide reporting databases.

Gray (1988) offered theoretical rigor throughout the coding and interpretation phases of the accounting values model, with the coherence and explanatory strength of the themes being systematically evaluated within the theoretical-empirical fit framework. To guarantee the credibility of the coding procedure, the researcher first coded the data, which was then subjected to independent comparison examination by a second qualitative researcher. A significant consensus was achieved between the two coders, and discrepancies were deliberated to refine the coding system into its definitive, comprehensive, and coherent format (Miles and Huberman 1994).

MAXQDA Analytics Pro 2024 was used in the analytic process to enhance the validity of the identified themes and the results of the cultural comparison. Ultimately, direct textual citations from activity reports were included throughout the interpretation of results phase, so guaranteeing the verifiability of interpretations with the data and the transparency of the analytical process.

10.4 Results and Analysis

The thematic study categorized the impacts of digitalization on accounting culture into four primary topics, according to Gray's Accounting Values Model. Figure 10.2 illustrates a mind map that encompasses the themes and sub-themes. Themes were assessed for legal compliance and professionalism in financial reporting practices, corporate adaptability to digital transformation, the balance between conservatism and optimism amid uncertainty, and the levels of confidentiality and transparency in corporate communication strategies.

Each subject was meticulously analyzed, taking into account the styles of expression, levels of emphasis, and patterns of corporate discourse included in the activity reports; pertinent text segments were coded with MAXQDA and substantiated with direct quotations. Consequently, the manner in which organizations are transforming their accounting cultures via digitization has been elucidated at a subject level (Table 10.1).

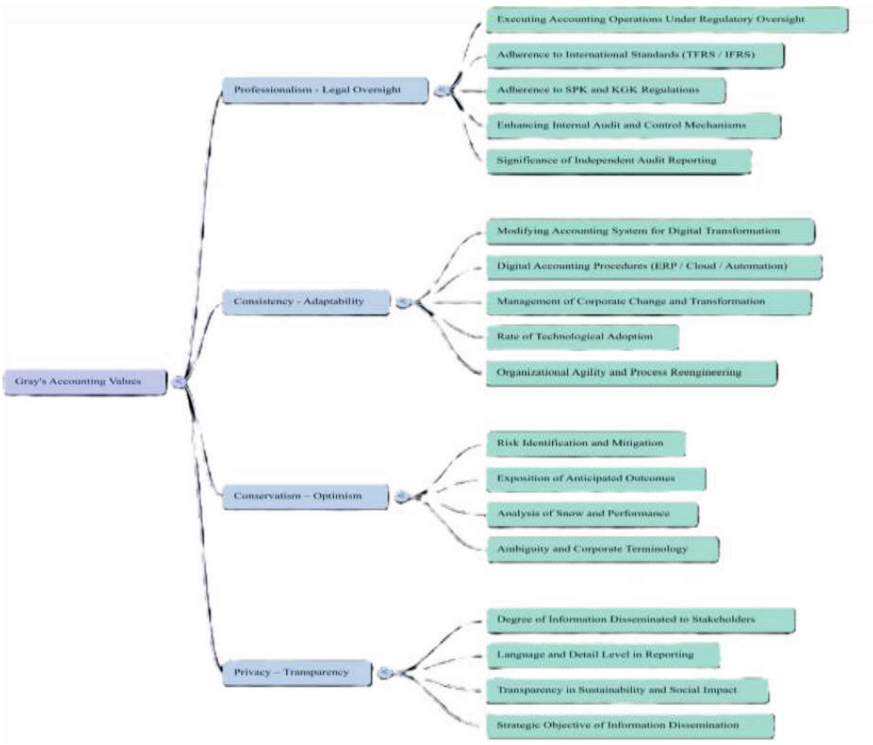


Fig. 10.2 Mind map of themes and subthemes

Table 10.1 Comparison of Türkiye and Northern Europe by accounting culture theme

Theme	Türkiye	Northern Europe	Cultural Interpretation (Gray 1988)
Professionalism—Balancing Legal Control	Compliance and adherence to regulations are emphasized. Corporate governance principles are expressed within the framework of "legal requirements." Quote: "The company... is taking utmost care to comply with SPK regulations. (Erdemir, 2024: 32)	Internal control and reporting are presented as a natural part of corporate ethics and professional values Quote: "Hydro's internal control... reflects the tone set by the board and executive management." (Hydro, 2023: 262) In Türkiye, it is authority-centered, while in Northern Europe, it focuses on self-regulation and professional autonomy	In Türkiye, it is authority-centered, while in Northern Europe, it focuses on self-regulation and professional autonomy
Uniformity—Flexibility	Digitalization is expressed as the integration of existing systems. The change is cautious and controlled. Tools like ERP and automation are for efficiency and compliance	Digitalization is related to corporate culture and business model transformation. Developing flexibility and agility is at the forefront Quote: "Hydro uses different financial scenarios to manage uncertainty." (Hydro, 2023: 24)	In Türkiye, gradual adaptation is dominant, while in Northern Europe, agile transformation and innovation are prevalent

(continued)

Table 10.1 (continued)

Theme	Türkiye	Northern Europe	Cultural Interpretation (Gray 1988)
Conservatism—Optimism	Future expectations are cautious, and risk management is presented in terms of threat reduction. Performance is evaluated based on stability Quote: "It is exposed to price change risks... models are being developed for forecasting purposes." (Ereğli Iron and Steel Factory)	The future is expressed with the goals of opportunity, a field of opportunity, and long-term value creation Quote: "We aim to deliver profitable growth toward 2035 and provide long-term shareholder value." (Equinor, 2023: 36)	In Türkiye, a cautious and controlled discourse is seen, while in Northern Europe, a visionary and growth-oriented discourse is observed
Privacy—Transparency	Information sharing is summary and selective. The explanations mostly meet regulatory requirements	Detailed reporting, performance metrics, scenario analyses, and risk assessments are presented in a clear and verifiable manner Quote: "Hydro's 2023 detailed risk review is included in this report." (Hydro, 2023: 24)	In Türkiye, information control is central, while in Northern Europe, transparency and stakeholder accountability are key

Theme 1: Professionalism—Managing Legal Oversight

This issue involves examining the degree to which corporations adhere to legal requirements, norms, and auditing agencies in their accounting practices.

"The company has embraced the principles of 'equality', 'transparency', 'accountability', and 'responsibility', which underpin its corporate governance, and is diligently striving to adhere to the Capital Markets Law (SPKn.) along with the supplementary regulations and directives of the Capital Markets Board (SPK)." Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Activity Report (2024)—Page 32.

Hydro's internal control over financial reporting (ICFR) conforms to the COSO 2013 Internal Controls Integrated Framework, which consists of five interrelated components and 17 applicable principles that must be implemented and functional. The five components are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The financial reporting control environment at Hydro is regulated by the Global Directives and embodies the

tone established by the board and top management. This encompasses a collective set of attitudes, ethics, and values held by all employees. Hydro Integrated Annual Report (2023), page 262.

Executing Accounting Operations Under Regulatory Oversight

Reports from Türkiye usually relate accounting methods to the "framework established by public authority." Companies delineate their procedures for preparing and reporting financial statements, emphasizing compliance, conformity, and auditing.

In Northern Europe, these processes are associated with institutional standardization and a sense of professional accountability. In this context, supervision is seen as an inherent component of a culture of responsibility.

Adherence to International Standards (TFRS / IFRS)

In Türkiye, adherence to international standards is regarded as a mandatory technical obligation, whereas Northern European firms view IFRS as a means of enhancing corporate transparency and comparability.

Adherence to SPK and KGK Regulations

In Türkiye, the narrative of integration is predominantly framed as "compliance with regulations." In Northern Europe, there is a cultural practice centered on self-regulation, in which internal control mechanisms collaborate with regulatory frameworks.

Enhancing Internal Audit and Control Mechanisms

In Türkiye, internal audit serves to mitigate risks, whereas in Northern Europe it functions as a mechanism for corporate learning and process enhancement.

The Significance of Independent Audit Reporting

Independent auditing in Türkiye is characterized by independence, documentation, and verifiability. In Northern Europe, trust is linked to a culture of openness and responsibility.

Theme 2: Consistency—Adaptability

This subject concerns the degree of organizational adaptation of enterprises to digitization and their methods for managing change. Gray's model posits that in cultures with a robust cultural backdrop, change is regulated and incremental, whereas in individualistic and participative societies, it occurs quickly and in an innovation-driven fashion.

"Capacity to adjust and modify production capacities to optimize short-term profitability in reaction to fluctuating demand." (Hydro Integrated Annual Report (2023), page 2).

"Hydro employs many financial scenarios to manage uncertainty." (Hydro Integrated Annual Report (2023), page 24).

"Hydro does climate risk assessments to comprehend and alleviate impacts at the operational level." (Hydro Integrated Annual Report (2023), page 24).

These assertions suggest that a culture of flexibility and flexible management is an established standard in Northern Europe. Transformation pertains to risk management, strategic scenario development, and capacity adaptability.

"In Equinor, we aim to empower all employees' development and provide diverse learning opportunities. In 2023, employees spent over 624,000 hours on formal learning. These learnings aim to improve competence development and facilitate innovation and digitalization. Externally, we actively interact with students and young individuals in Norway to promote the fields of science, technology, engineering, and mathematics (STEM), along with other competencies crucial for our future needs.." (Equinor Annual Report (2023) page 78).

Modifying the Accounting System for Digital Transformation

In Türkiye, discussions on digital transformation mostly focus on migrating traditional accounting procedures to a digital framework and enhancing operational efficiency. Conversion is characterized as a "technical imperative." Northern European enterprises, meanwhile, see digitization as a reconfiguration of corporate culture and business model. In this context, transformation pertains to strategic innovation capability and organizational learning.

Digital Accounting Procedures (ERP / Cloud / Automation)

In Türkiye, ERP, e-invoicing, e-ledgers, and automation technologies are used for compliance and traceability. In Northern Europe, these instruments function in conjunction with decision support systems; accounting not only maintains records but also produces future forecasts.

Management of Corporate Change and Transformation

In Türkiye, business transformation is sometimes seen as a process fraught with danger that needs meticulous management. In Northern Europe, change is seen as an unavoidable element in establishing a sustained competitive advantage.

Rate of Technological Adoption

In Türkiye, adaptation is a process that is "incremental and mindful of maintaining established frameworks." A culture of adaptability and experience predominates in Northern Europe.

Organizational Agility and Process Reengineering

In Türkiye, flexibility is seen as a means of enhancing operational efficiency. In Northern Europe, flexibility pertains to the reconfiguration of corporate culture and work practices.

Theme 3: Conservatism—Optimism

This subject analyzes how corporations articulate risk, uncertainty, and prospective strategic anticipations in their annual reports. Gray's (1988) conservatism-optimism axis posits that accounting procedures in some cultures are influenced by prudence and caution, whilst others prioritize a future-oriented and inventive approach. In this

environment, Turkish reporting is mostly risk-averse and prioritizes regulated development, while Northern European reporting focuses on opportunity, adaptability, and long-term value generation.

"It is susceptible to price fluctuation hazards; models are being built to forecast them." Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Activity Report (2024)—Page 23.

"Currency risk is mitigated by the use of suitable financial instruments." Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Activity Report (2024)—Page 23.

"The portfolio is managed by establishing a balanced interest rate framework." Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Activity Report (2024)—Page 23.

"It mitigates liquidity risk by maintaining the liquidity reserve." Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Activity Report (2024)—Page 23.

"We delivered strong earnings and competitive capital distribution, while focusing on capital discipline and making solid progress on our ambitions. We aim to deliver profitable growth towards 2035 and provide long-term shareholder value." (Equinor Annual Report (2023) page 36).

Risk Identification and Mitigation

The discourse on risk management in Türkiye focuses on mitigating dangers and enhancing control systems. Risk is seen as a factor that requires management and mitigation. In Northern Europe, risk is framed as a domain of learning that bolsters organizational resilience and amplifies adaptive ability.

Exposition of Anticipated Outcomes

Future forecasts in Türkiye are articulated with caution and conditionality; the discourse about the future is prudent. In Northern Europe, the future represents a domain of value creation that is strategically influenced and enhanced by digitization.

Analysis of Snow and Performance

In Türkiye, financial success is articulated in terms of maintaining stability and regulated profitability. Snow is often assessed in terms of asset preservation. In Northern Europe, snow is seen as a means of reinvestment, sustainable development, and the generation of societal benefits.

Ambiguity and Corporate Terminology

During periods of uncertainty in Türkiye, the discourse is prudent, restrained, and centered on preventive measures. In Northern Europe, the linguistic tone is more upbeat, adaptive, and oriented on capitalizing on possibilities.

Theme 4: Privacy—Transparency

This subject investigates the clarity of information dissemination in activity reports and the degree of access stakeholders have to the institution. Gray's (1988) model posits that in some cultures, accounting information is seen as a confidential asset (secrecy) requiring protection, but in others, it is viewed as a communal asset (transparency) that ought to be freely disseminated to foster stakeholder confidence. In this context, the Turkish report presents material selectively and in a restricted way, while

the Northern European report is distinguished by its comprehensive data sharing and full explanations.

"Hydro's 2023 detailed risk review is included in this report." (Hydro Integrated Annual Report (2023) page.24).

"Sensitivity analysis is an integral part of Hydro's financial planning and is used to make informed decisions." (Hydro Integrated Annual Report (2023) page.24).

Degree of Information Disseminated to Stakeholders

In Türkiye, reports mostly consist of obligatory disclosures; financial and strategic information is conveyed in general terms. Stakeholders in Northern European organizations get comprehensive information, including precise performance metrics, strategy objectives, and assessment outcomes. This scenario reflects a culture of transparent information exchange that enhances stakeholder engagement.

Language and Detail Level in Reporting

In Türkiye, the language of reporting relies on broader phrases and corporate rhetoric. Information on the execution of certain processes is often restricted. on Northern Europe, the reporting language is explicit, grounded in quantitative metrics, and assessable. The correlation among objectives, performance, and outcomes is well articulated.

Transparency in Sustainability and Social Impact

Sustainability reporting is gaining traction in Türkiye; nonetheless, quantifiable impact outcomes are mostly conveyed at a summary level. In Northern Europe, environmental, social, and governance (ESG) indicators are provided with comprehensive measurements, yearly assessments, and independent validation. This method illustrates that a culture of openness is integral to the business brand.

The Strategic Objective of Information Dissemination

In Türkiye, information dissemination primarily serves to safeguard company reputation and fulfill regulatory obligations. In Northern Europe, information sharing enhances stakeholder confidence, upholds accountability as a tenet of corporate social responsibility, and fortifies the link between institutions and society.

10.5 Conclusion and Recommendations

This research analyzed the evolution of accounting culture throughout the digitization process by comparing the annual reports of significant corporations in Türkiye and Northern European nations, in relation to Gray's (1988) theoretical framework of accounting values. The findings demonstrate that digitalization has significantly influenced accounting practices, resulting in a transformation of technical toolsets and a substantial shift in cultural and managerial domains, including organizational behavior, transparency, stakeholder communication, and corporate accountability.

Reporting methods in Türkiye remain closely tied to the regulatory institutional structure, with ideals of transparency and openness often confined to mandated disclosures. Accounting procedures are assessed within a compliance-oriented and risk-averse framework. In Northern European nations, accounting is seen not just as a process for generating and disseminating financial information, but also as a manifestation of the institution's social duty, ethical stance, and ability to create sustainable value. In this climate, openness, accountability, and stakeholder engagement are becoming essential components of corporate identity.

The effects of digitalization vary considerably between these two domains. In Türkiye, digital transformation primarily entails the transference of current business processes to a digital framework; hence, digitalization is characterized as a process of technological adaptation. In Northern Europe, digitalization is seen as a strategic element of business transformation, with data analytics, automation, and integrated reporting frameworks influencing decision-making processes and promoting organizational learning. This case illustrates that the use of technology is intertwined with cultural values; in other words, technology is altering not just "how reporting is conducted" but also "what reporting signifies."

According to the study's conclusions, for Türkiye's accounting culture to integrate digitization more successfully and sustainably, the notion of corporate transparency must first be established as a structural standard. In this environment, it is essential that reports transcend basic compliance paperwork and evolve into a clear, assessable, and comparative mode of communication with stakeholders. Internal audit mechanisms should be regarded not only as instruments for control and risk mitigation but also as facilitators of process enhancement and organizational learning. Additionally, digital accounting infrastructure ought to serve not merely for data processing but also as a fundamental element of decision support and strategic governance systems.

Ultimately, the influence of digitalization on accounting culture is mostly cultural rather than technological. The future of accounting reporting relies on the integration of new technology and on how firms configure their corporate value choices around openness, accountability, and stakeholder orientation. This study demonstrates that accounting culture cannot be viewed in isolation from the digital transformation process, cultural context, and corporate identity; it elucidates how digitalization acquires significance within corporate culture, thereby enhancing the literature on both theoretical and practical fronts.

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Chapter 11
The Cultural Shaping of Audit Practices: Insights From Türkiye

Ayten Özbingöl

Abstract The management and auditing approaches of businesses are shaped by organizational culture. The purpose of this study is to examine the effects of cultural dimensions on audit practices in the context of BIST 30 companies in Türkiye. Waisfisz's Multi-Focus Model of Organizational Culture was used in the study. Initially, the relationship between the cultural dimensions of the model – organizational effectiveness, customer orientation, discipline and control, focus of interest, approachability, management philosophy, acceptance of leadership style, and identification with the organization – and audit practices and types of audits was examined. Subsequently, the cultural structures of the BIST 30 companies were analyzed, and examples were provided for the companies that deviated from the general trend at the dimension level. The findings suggest that cultural differences may lead to variations in audit processes and affect their implementation. This study is unique in that it shows auditing is influenced not only by legal frameworks but also by cultural dynamics, providing an important contribution to the literature.

Keywords Multi-focus model of organizational culture · Audit · Audit quality · BIST 30

11.1 Introduction

One of the fundamental elements that distinguish human communities from one another is their culture and cultural values. In this context, the culture of the society in which people live constitutes national culture when considered at the country level, and organizational culture when considered at the institutional level. Organizational culture is a conceptual construct that refers to a value system shared among members of an organization and that distinguishes one organization from others (Robbins & Judge 2012, p. 520). The internalization of organizational culture by

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_11

managers and employees in a business- through learning, perception, reflection, and feeling- not only strengthens internal cohesion but also plays an effective role in solving problems encountered during the adaptation process to the external environment (Tüyen & Marşap 2022, p. 2146). Because organizational culture exerts its influence in the decision-making process, particularly in situations where written policies and procedures are absent (Cinel & Özdaşlı 2017, p. 732).

As a result of his studies on national cultures, Hofstede developed the cultural dimensions theory, which includes the dimensions of power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, long-term orientation, and indulgence (Hofstede 2001). Inspired by Hofstede's cultural dimensions theory, which is based on national culture, Waisfisz conducted studies on organizational (corporate) culture and, in this context, developed the Multi-Focus Model, creating the Multi-Focus Model of Organizational Culture (organizational culture, https://howtowin.dk/).According to Waisfisz, organizational culture refers to the way individuals within an organization relate to other members, their work, and the external environment, and this pattern of relationships distinguishes the organization from others (Waisfisz, itim International). This model of organizational culture consists of eight dimensions: organizational effectiveness (I), customer orientation (II), discipline and control (III), focus of interest (IV), approachability (V), management philosophy (VI), acceptance of leadership style (VII), and identification with the organization (VIII) (organizational culture, https://howtowin.dk/).

11.2 Literature Review

The literature was constructed based on studies that explore organizational culture and its influence on audit practices.

Krishnan (2005) stated that organizational culture is effective at different stages of the auditing process – planning, risk analysis, evidence collection, and reporting.

Rahman (2020) examined the impact of various dimensions of organizational culture – leadership style, communication patterns, ethical climate, teamwork, and risk orientation – on auditing in the context of audit firms. The findings indicate that leadership style significantly affects the ethical practices of audit firms; effective communication enhances teamwork and collaboration, thereby improving audit outcomes; while an excessively cautious risk approach may negatively impact audit effectiveness.

Surya et al. (2023) examined the relationship between organizational culture and internal auditing. The findings indicate that a strong organizational culture enhances internal audit effectiveness, whereas a weak organizational culture reduces it.

Daryaei & Shahbazi's (2024) model demonstrates the connection between multiple aspects of organizational culture and audit quality. The model includes organizational culture elements such as organizational vision and mission, organizational goals and objectives, organizational ethics, control and supervision, innovation and risk-taking, communication management, and attention to stakeholders. The study

reveals that organizational culture has a significant impact on audit quality and that, when effectively implemented, it can enhance audit quality.

11.3 Theoretical Background

This study examines the relationship between the organizational culture dimensions identified by Waisfisz and audit practices in companies listed on the BIST 30 index.

11.3.1 Organizational Effectiveness

How work is conducted in an organization indicates whether the organization is goal-oriented or means-oriented. In organizations, means-orientation prioritizes how work is carried out, whereas goal-orientation focuses on the outcomes or achievements (Waisfisz 2015 as cited in Caudle 2016, pp. 52–53). Therefore, in means-orientation, adherence to procedures (compliance) is prioritized, whereas in goal-orientation, performance is prioritized.

In audit services, a means-oriented approach is process-based, as it is structured around how audit activities are to be carried out. In this approach, the priority of auditing is to ensure compliance with rules and procedures; therefore, in means-oriented organizations, compliance auditing comes to the forefront. Compliance auditing aims to determine whether the audited entity adheres to the laws, regulations, and other requirements imposed by the government or authorized authorities (Messier et al. 2006, p. 55).

Whether a business has achieved its objectives and how efficiently it has utilized resources to achieve these objectives is evaluated through operational auditing (Bozkurt 2000, p. 29). Therefore, in goal-oriented organizational cultures, audit activities focus on outcomes, and operational auditing becomes a priority. Operational auditing aims to evaluate the organizational structure, internal control systems, business processes, and management performance. While evaluating a business's current performance and the efficiency of its resource utilization, the auditor also provides improvement recommendations based on deficiencies in achieving objectives (Kardeş Selimoğlu 1999, p. 196).

In means-oriented organizations, auditing serves as a compliance tool, whereas in goal-oriented organizations, auditing functions as a performance measurement tool. In organizational culture, one dimension may dominate over the other, or both dimensions may be used in a combined manner. For example, the primary objective of banks is to achieve high financial returns; in this respect, banks are goal-oriented. If banks carry out the processes within the organization in full compliance with all rules and procedures – that is, if they exhibit means-oriented behavior – they can achieve the desired outcome. In the study conducted by Enofe et al. (2013, p.28), the relationship between compliance auditing and financial performance was examined

in banks, and it was found that when auditing is carried out in full compliance with all rules and procedures, it enhances the financial performance of organizations (return on investment and profitability).

11.3.2 Customer Orientation

The source of motivation for work in an organization indicates whether the organization is internally-driven or externally-driven (Waisfisz 2015 as cited in Caudle 2016, p. 54). In other words, an organization is considered internally-driven if it prioritizes internal departments and internal policies, and externally-driven if it prioritizes external customers and stakeholders (The Culture Factor Group 2025).

The primary source of motivation in an internally-driven organizational culture is the organization's internal departments and internal policies. Therefore, audit activities are represented through internal auditing. Internal auditing aims to enhance the efficiency of processes and reduce risks by serving both management and the entire organization (Demir et al. 2018, p. 87).

In contrast, in an externally-driven organizational culture, the primary sources of motivation are external customers and stakeholders. In such organizations, audit activities can be represented through independent auditing. Independent auditing serves as a confidence-building element for financial statement users and functions as a key mechanism for ensuring accountability. The primary role of the auditor is to determine whether the financial information of the audited entity presents a "true and fair" view (White & Hollingsworth 1999, p. 91). However, if an independent auditing firm auditing an externally-driven organization loses its independence or acts contrary to ethical principles, audit-related scandals may arise, as in the case of Enron. Indeed, in the early 2000s, similar auditing scandals occurred in many parts of the world.

Furthermore, today stakeholder expectations are not limited to financial indicators alone; they are shaped by non-financial performance disclosures, including environmental, social, and governance (ESG) factors. In other words, stakeholder expectations have gone beyond financial performance. Accordingly, in companies with an externally-driven organizational culture, sustainability assurance auditing practices have become an important tool for enhancing stakeholder trust and satisfaction.

In conclusion, the concept of auditing assumes different roles within organizational culture. In an internally-driven organizational culture, auditing serves as an improvement and control tool that supports managerial decisions, whereas in an externally-driven organizational culture, it functions as an assurance tool that provides confidence and accountability to users of financial statements.

11.3.3 Discipline and Control

It indicates whether the work environment in an organization is governed by rigid or flexible rules (The Culture Factor Group 2025). An organizational culture with more discipline and control can be described as strict, whereas one with less discipline and control can be considered easy-going (Cinel & Özdaşlı 2017, p. 732).

Easy-going work discipline reduces the power distance between managers and employees and allows employees to express their opinions (Roomer 2018, p.1). In this culture, employee feedback regarding the work environment is taken into account by management and evaluated more effectively. In conclusion, a culture of collaboration and participation is strengthened in the work environment. The core elements of a culture of participation - empowerment, teamwork, and skill development - come to the forefront; as the level of participation culture within the organization increases, both employees and the organization can create greater value (Shamsuddin et al. 2020, p. 15). In this context, a culture of easy-going work discipline enhances a culture of participation, adding value to auditing practices. Value-added internal audit is a modernized form of internal auditing and aims at supporting the achievement of corporate governance objectives. Value-added internal audit enhances governance structures and internal control processes, thereby improving the organization's performance and its capacity to create value (Ma 2021, p 121).

In an organizational culture with strict work discipline, cost consciousness is very high, and adherence to established programs is adopted as a priority behavior (Bateman 2014, p. 98). High cost consciousness is closely linked to operational auditing, which aims to evaluate the efficiency of resource utilization within the organization. Additionally, in this culture, strict adherence to rules is emphasized; the organization meticulously complies with all laws, regulations, standards, and internal policies related to its operations. In a culture of strict work discipline, there are practical examples such as the leader closely monitoring professional managers and intervening when off-budget practices are detected in investments (Koç Holding, The Culture Factor Group 2025). This approach is directly related to compliance auditing. However, in today's environment, where risks are rapidly changing and becoming more diverse, internal audit activities need to be continuously aligned with these risks, which is possible through continuous auditing (Eulerich et al. 2020, p. 141). Continuous auditing is the ongoing assessment of an organization's control and risk factors (Memiş & Tüm 2011, p. 149). In this approach, it is essential that auditing is completed at the same time an event occurs or as soon as possible thereafter (O'Donnell 2010, p. 12).

11.3.4 Focus of Interest

This dimension shows whether employees direct their attention toward their own teams/units or toward industry-wide standards, innovations, and professional development (The Culture Factor Group 2025). If employees direct their attention toward their own teams, this indicates a local orientation; if they direct it toward standards, innovations, and professional development, it indicates a professional orientation.

In organizational cultures where a local orientation prevails, employees display behavior that adheres to the rules and rule-setters of the team they belong to or the unit they work in. The reason for this is that the organization's own teams or units come to the forefront. This situation reveals a strong relationship between the local orientation approach and compliance auditing. In organizational cultures where a professional orientation prevails, employees behave in ways that follow standards, keep up with innovations, and focus on their professional development. This situation is associated with continuous auditing and value-added internal audit.

11.3.5 Approachability

The approachability dimension measures the level of ease employees have in communicating with managers and sharing their thoughts or concerns (The Culture Factor Group 2025). Systems with a high level of comfort are referred to as open organizational systems, while those with a low level of comfort are referred to as closed organizational systems.

In open systems, the frequency with which employees provide both positive and negative feedback strengthens the culture of organizational participation. A strong participation culture indicates the presence of a value-added internal audit structure within the organization (Shamsuddin et al. 2020, p. 15). A strong participation culture, associated with open systems, contributes to the development of both corporate governance and internal audit processes, thereby enhancing the organization's performance and value-creation capacity (Ma 2021, p. 121).

In publicly traded companies, accessibility – in other words, the openness of systems - is essential. The public has the right to obtain information regarding the company's management, financial status, activities, objectives, strategies, and policies (Savaş & Güleç 2023, p. 598). This right to information is synonymous with the concept of transparency. Therefore, these companies are expected to adopt corporate governance principles such as equality, transparency, accountability, and responsibility, and to act toward enhancing corporate governance.

The provision of transparency is an indicator of audit quality, and there is a positive relationship between these two elements (Yılmaz 2018, p. 3062). In this context, increasing transparency not only enhances the quality of auditing but also strengthens the reliability of sustainability reports. Therefore, the reliability of sustainability reports plays an important role as a reflection of both transparency and audit quality.

In closed systems, an increase in the power distance between managers and employees within the organization leads to a decrease in the level of communication and, consequently, a reduction in internal audit quality. Similarly, limiting the organization's communication with its external environment results in the public being insufficiently informed and a decrease in transparency. Research shows that there is a relationship between the quality of financial reporting disclosures and the quality of sustainability disclosures (Abeysekera et al. 2021). A decrease in transparency leads to a decline in the quality of both independent audit processes and sustainability disclosures.

11.3.6 Management Philosophy

According to the management philosophy, if the welfare and development of employees are prioritized in an organization, it is referred to as an "employee-oriented" organizational culture, whereas if performance is prioritized, it is referred to as a "work-oriented" organizational culture (The Culture Factor Group 2025).

According to the social dimension of sustainability, it is essential that an individual's basic needs are met and their quality of life is improved within an organization or society (Dağhan 2021). Supporting employees within the organization so that they can work effectively and efficiently, recognizing their efforts, and addressing their needs will enhance their commitment to the organization, as well as strengthen their participation in organizational activities and their efforts to achieve the goals set by the organization (Cez Özer & Göksel 2024, p. 2962). Moreover, in work-oriented organizational cultures, talent management becomes increasingly important, and managing employees according to their abilities is considered a factor that enhances the organization's performance (Kızıltan & Fidan 2023, p. 50). All these elements contribute to ensuring the sustainability of the organization in employee-oriented organizational cultures (Cez Özer & Göksel 2024, p. 2962). Therefore, in such organizational cultures, it is possible to speak of the presence of a value-added internal audit and the necessity of assurance auditing to ensure social sustainability.

When a work-oriented management philosophy is adopted in an organization, managers focus on operational outcomes and performance. In businesses, operational auditing is necessary to measure management success and the effectiveness of implemented policies, to determine the extent to which organizational goals are achieved, and to ensure sustainable growth (Günsel et al. 2021, p. 34). Moreover, compliance auditing may also need to be conducted to assess whether the established policies are being followed. Work-life balance is considered a key component in ensuring social sustainability, at the organizational level by organizations and at the global level by the United Nations (Galvez et al. 2020, p. 1). Therefore, sustainability auditing may be needed to assess whether work-life balance is being maintained.

11.3.7 Acceptance of Leadership Style

A leader is a person who exerts influence over those around them; the primary purpose of leaders is to affect the behavior of their followers and guide their actions to achieve goals (Aydın 2018, p. 272). The acceptance of a leadership style indicates the extent to which employees find the leader's behaviors and approaches compatible with their own expectations and preferences, and the degree to which they adopt and support the manager's leadership style (Caudle 2016, p. 61). In an organization, employees' motivation and performance are significantly influenced by the leadership style (Wang 2023, p. 946). Because employees look up to their leaders, they tend to act in accordance with the leader's behavior. When ethical lapses occur in leadership, this situation becomes normalized by employees. The normalization of employees' misconduct patterns is referred to as counterproductive work behavior, which harms corporate interests and creates negative effects on the company (Shen & Lei 2022, p. 2). Moreover, ethical lapses in leadership lead to a decline in the quality of internal and independent auditing. Nowadays, these lapses also manifest in sustainability reporting as "greenwashing" activities. These practices refer to manipulations carried out to make companies' environmental performance appear more eco-friendly than it actually is.

11.3.8 Identification With Your Organization

The concept of identification can be defined as an individual's perception of themselves as a member of a group and their sense of belonging to that group (Zehir & Yavuz 2017, p. 99). Organizational identification refers to an employee integrating themselves with the organization they belong to and perceiving the organization as a part of their own identity (Caudle 2016, p. 62).

The quality of auditing can be influenced by identification. As a result of examining the relationship between the accounting information system in an organization and the quality of internal auditing, it has been observed that the accounting information system strengthens organizational culture and enhances the quality of internal auditing (Alawaqleh 2021, p. 205). Based on this finding, it can be said that an internal auditor's identification with the organization contributes to the improvement of internal auditing quality within the organization. On the other hand, when considering the concept of identification between the organization and the external auditor, establishing such a connection may violate the principle of independence and, as in the case of Enron, can lead to the emergence of auditing scandals. Table 11.1 illustrates the relationship between the Multi-Focus Model of Culture and auditing.

Table 11.1 Multi-Focus model of organizational culture: relation to auditing

Dimensions of multi-focus model of organizational culture	Explanation	Relationship with auditing	Related audit type
Organizational effectiveness	Means-oriented: The organization focuses on processes	In means-oriented organizational cultures, auditing serves as a compliance tool.	Compliance audit
	Goal-oriented: The organization focuses on outcomes	In goal-oriented organizational cultures, auditing serves as a performance measurement tool.	Operational auditing
Customer orientation	Internally-driven:	In an internally-driven organizational culture, auditing is an improvement and control tool that supports managerial decisions.	Internal audit
	Externally-driven:	In an externally-driven organizational culture, auditing is a guarantee tool that provides financial statement users with confidence and accountability.	Independent audit & Sustainability assurance audit
Discipline and control	Easy-going work discipline:	Internal audit strengthens governance and adds value to the business.	Value-added internal audit
	Strict work discipline:	Audit plays a critical role in measuring efficiency of resource utilization, ensuring regulatory compliance, and proactively implementing preventive controls to address evolving and diverse risks.	Operational auditing & Compliance audit & Continuous auditing
Focus of interest	Local orientation:	In locally oriented cultures, audit expects employees to behave according to team or unit rules.	Compliance audit
	Professional orientation:	In professionally oriented cultures, audit expects employees to act in accordance with industry standards, keep up with innovations, and continue their professional development.	Continuous auditing & Value-added internal audit

(continued)

Table 11.1 (continued)

Dimensions of multi-focus model of organizational culture	Explanation	Relationship with auditing	Related audit type
Approachability	Open system:	Transparency is high in open systems. Auditing plays an effective role in verifying information and ensuring quality.	Value-added internal audit & Independent audit & Sustainability assurance audit
	Closed system:	Transparency is low in closed systems. Auditing is based on limited information. The effectiveness and quality of auditing decreases.	Internal audit & Independent audit & Sustainability assurance audit
Management philosophy	Employee-oriented:	The primary focus of the audit is to support the Well-being and personal development of employees.	Value-added internal audit & Sustainability assurance audit
	Work-oriented:	Audit focuses on performance.	Operational auditing & Compliance audit & Sustainability assurance audit
Acceptance of leadership style	Leadership style has a significant impact on ethical climate.	Commitment to ethical values improves audit quality; deviation from ethical values reduces audit quality.	
Identification with your organization	The quality of the audit may be affected by identification	Identification between the organization and the internal auditor can improve the quality of internal auditing. Identification between the organization and the independent auditor can lead to a breach of the principle of independence.	

Source Compiled by the author using academic journals listed in references

11.4 Research Methodology

In this section, the impact of the organizational culture levels of BIST 30 companies on auditing practices is evaluated based on the Multi-Focus Model of Organizational Culture. The data regarding the companies listed on the BIST included in the study (the names of the companies and the sectors in which they operate) (BIST 30

SECTORS, 2026) were obtained from the official website of the Public Disclosure Platform. The data on the organizational cultures of BIST companies were obtained from the company comparison tool developed by The Culture Factor Group[1] (https://www.theculturefactor.com/company-comparison-tool). The tool includes the six dimensions of the multi-focus organizational culture model – organizational effectiveness, customer orientation, discipline and control, focus of interest, approachability, and management philosophy. The effects of cultural dimensions on auditing practices were examined through thematic analysis.

Firstly, using data from BIST 100 companies, a general framework was established regarding the relationship between organizational culture and auditing practices in large-scale publicly traded enterprises in Turkey. Subsequently, using data from BIST 30 companies, this relationship was analyzed in more detail.

11.4.1 The Role of Organizational Culture in Auditing Practices in BIST 100 Companies

Within the scope of the company comparison tool, data from 100 companies listed in the BIST 100 index were examined; however, data for 5 companies could not be obtained. As a result of the analysis, the overall evaluation status of 10 companies was determined as low, 39 companies as medium, and 46 companies as high. This distribution indicates that the majority of companies listed in the BIST 100 index in Türkiye demonstrate medium or high performance, suggesting that their corporate structures, management approaches, and organizational cultures possess a certain level of maturity. It is believed that the maturity level of organizational culture affects the effectiveness of auditing activities. Indeed, in corporate structures with a strong organizational culture, the effectiveness of internal auditing increases, whereas in structures with a weak or dysfunctional organizational culture, the effectiveness of internal auditing may decrease (Surya et al. 2023, p. 1).

11.4.2 The Role of Organizational Culture in Auditing Practices in BIST 30 Companies

The impact of organizational culture on auditing practices in companies listed in the BIST 30 index, which consists of Türkiye's largest and most liquid enterprises,

[1] All data obtained using The Culture Factor Group's websites are as of November 5,2025. These data may change over time.

was examined using the six dimensions of the Multi-Focus Model of Organizational Culture. The data on the organizational cultures of companies listed in the BIST 30 index were obtained from the company comparison tool developed by The Culture Factor Group (https://www.theculturefactor.com/company-comparison-tool). Table 11.2 presents the cultural characteristics of the companies listed in the BIST 30 index.

When the companies listed in the BIST 30 index in Türkiye are examined within the framework of the Multi-Focus Model of Organizational Culture, it is observed that the cultural dimensions exhibit similar characteristics. The differences in cultural dimensions are illustrated with examples.

11.4.2.1 Evaluation of Findings in the Organizational Effectiveness Dimension

In the evaluation regarding the organizational effectiveness dimension, it was determined that 18 companies have a goal-oriented culture, while 11 companies have a mixed structure combining goal-oriented and strong means-oriented cultures.

In the large and highly liquid companies listed in the BIST 30 index, it can be stated that a goal-oriented culture is dominant, with operational (performance) auditing taking precedence; in companies with a mixed structure, both compliance and operational auditing are conducted together, giving importance not only to outcomes but also to processes. The adoption of a mixed approach – both means- and goal-oriented – in organizational effectiveness indicates that companies value both process quality and outcome success. This situation establishes a balance that can enhance auditing quality.

11.4.2.2 Evaluation of Findings in the Customer Orientation Dimension

In the evaluation regarding the customer orientation dimension, it was determined that 27 companies have an externally-driven organizational culture, while 2 companies have an internally-driven culture. Since all companies listed in the BIST 30 index are publicly traded, it is expected that they have an externally-driven culture that prioritizes external customers and stakeholders.

All BIST 30 companies undergo independent auditing. Independent auditing, as a means of assurance for financial statement users, directly affects the decision-making processes of investors and other stakeholders. Nowadays, the expansion of stakeholder expectations beyond financial performance to include environmental, social, and governance (ESG) factors has brought sustainability auditing to the forefront. Companies with an externally-driven organizational culture tend to enhance stakeholder satisfaction, which aligns with sustainability reporting and independent assurance processes. Therefore, the externally customer-oriented structures of BIST 30 companies can be considered a factor that enhances both awareness and implementation of sustainability auditing.

Table 11.2 Multi-focus model of organizational culture: BIST 30

			Dimension's of multi-focus model of organizational culture					
Sectors			Organizational effectiveness	Customer orientation	Discipline and control	Focus of interest	Approachability	Management philosophy
Financial institutions	Banks	AKBANK T.A.Ş.	Goal-oriented	Externally-driven	Easy-going work discipline	Professional orientation	Open system	Employee-oriented (with some work-oriented aspect)
		TÜRKİYE GARANTİ BANKASI A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		TÜRKİYE İŞ BANKASI A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		YAPI VE KREDİ BANKASI A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Closed system	Employee-oriented
Financial institutions	Holding and investment companies	HACI ÖMER SABANCI HOLDİNG A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		KOÇ HOLDİNG A.Ş.	Goal-oriented	Strongly externally-driven	Strict work discipline	Strongly professional orientation	Strongly open system	Strongly employee-oriented
		TAV HAVALİMANLARI HOLDİNG A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		TÜRKİYE ŞİŞE VE CAM FAB. A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
Financial institutions	Leasing and factoring	DESTEK FİNANS FAKTORING A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	–	Employee-oriented
Financial institutions	Real estate, investment	EMLAK KONUT GYO	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented

(continued)

Table 11.2 (continued)

Sectors			Dimension's of multi-focus model of organizational culture					
			Organizational effectiveness	Customer orientation	Discipline and control	Focus of interest	Approachability	Management philosophy
Manufacturing	Chemicals, petroleum rubber and plastic products	PETKİM PETROKİMYA HOLDİNG A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		TÜPRAŞ. A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		SASA POLYESTER SAN.A.Ş.	Leans towards goal-oriented, with strong means-oriented practices	Externally-driven	Strict work discipline	Professional orientation	Leans towards open	Employee-oriented
		GÜBRE FABRİKALARI T.A.Ş.	–	–	–	–	–	–
Manufacturing	Fabricated metal products machinery …	ASTOR ENERJİ A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Work-oriented
		FORD OTOMOTİV SAN.A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		TOFAŞ A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	–	Employee-oriented

(continued)

Table 11.2 (continued)

Sectors			Dimension's of multi-focus model of organizational culture					
			Organizational effectiveness	Customer orientation	Discipline and control	Focus of interest	Approachability	Management philosophy
Manufacturing	Basic metal	EREĞLİ DEMİR ÇELİK A.Ş.	Means-oriented with elements of goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Mixed (leaning towards closed, but with efforts towards openness)	Employee-oriented
		KARDEMİR KARABÜK DEMİR ÇELİK A.Ş.	Goal-oriented with elements of means-orientation	Externally-driven	Strict work discipline	Professional with strong local ties	Mixed/ somewhat closed	Employee-oriented
Manufacturing	Food, Beverage &Tobacco	ANADOLU EFES BİRACILIK VE MALT SAN.A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		ÜLKER BİSKÜVİ SAN. A.Ş.	Goal-oriented (with strong means-oriented foundations)	Externally-driven	Strict (with easy-going elements)	Professional orientation	Open system	Employee-oriented
Information and communication		TURKCELL İLETİŞİM HİZ. A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
		TÜRK TELEKOMÜNİKASYON A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented

(continued)

Table 11.2 (continued)

Sectors		Dimension's of multi-focus model of organizational culture					
		Organizational effectiveness	Customer orientation	Discipline and control	Focus of interest	Approachability	Management philosophy
Wholesale and retail trade	BİM BİRLEŞİK MAĞAZALAR A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
	MİGROS TİCARET A.Ş.	Goal-oriented with strong means-oriented practices	Strongly externally-driven	Strict with easy-going elements	Professional with local considerations	Strongly open system	Strongly employee-oriented
Transportation and storage	PEGASUS HAVA TAŞIMA. A.Ş.	Goal-oriented	Internally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented
	TÜRK HAVA YOLLARI A.O.	Goal-oriented with some means-oriented tendencies	Externally oriented with some internal orientation challenges	Strict work discipline	Professional with some local tendencies	Open with some closed tendencies	Employee-oriented with some work-oriented aspects
Construction and public works	ENKA İNŞAAT VE SAN. A.Ş.	Goal-oriented, with a strong foundation of ethical means	Strongly externally-driven	Strict, but with mechanisms for feedback and employee Well-being	Strongly professional-oriented	Open system	Strongly employee-oriented

(continued)

Table 11.2 (continued)

		Dimension's of multi-focus model of organizational culture					
Sectors		Organizational effectiveness	Customer orientation	Discipline and control	Focus of interest	Approachability	Management philosophy
Mining and Quarryng	KOZA ALTIN İŞLETMELERİ A.Ş.	Goal-oriented (with strong means-oriented support)	Internally-driven (with stated external orientation and external conflicts)	Strict work discipline	Professional (with strong local employment)	Open (with external challenges)	Employee-oriented
Technology	ASELSAN ELEKTRONİK SAN. VE TİC. A.Ş.	Goal-oriented	Externally-driven	Strict work discipline	Professional orientation	Open system	Employee-oriented

Source Created by the author on 5 November 2025, using the company comparison tool developed by The Culture Factor Group

In the evaluation of companies listed in the BIST 30 index, it was determined that Pegasus Hava Taşımacılığı A.Ş. and Koza Altın İşletmeleri A.Ş. have an internally-driven organizational culture in terms of the customer orientation dimension. Although both companies claim to have an externally-driven organizational culture, their actual behaviors and operational decisions do not align with this claim. The findings identified by The Culture Factor Group were reported as follows (https://www.theculturefactor.com/company-comparison-tool):

Pegasus: *"Despite Pegasus Airlines' stated aim to provide an easy, consistent, and personalized travel experience through innovation and digital initiatives, and its ethical guide emphasizing fair interactions with guests, there are significant indicators of an internal orientation. Numerous customer reviews highlight poor customer service, unaddressed issues, blocked payments, and staff blaming customers for delays. Some employees are described as "horrible" or "condescending" in their interactions. While the strict baggage policy and add-ons are part of the low-cost model, the consistent complaints about the quality of customer service suggest a disconnect between the company's stated external focus and its operational reality in customer-facing roles."*

Koza: *"The company's public relations policies express a commitment to being a preferred choice for stakeholders and showing respect for the needs of the communities it works with, including social responsibility projects. However, recent news reports highlight public protests and accusations of environmental harm, particularly concerning cyanide waste disposal and exploration activities, suggesting a significant disconnect or conflict with external communities. This indicates that despite stated external orientation, operational decisions may sometimes prioritize internal objectives over community concerns, leading to an internally oriented perception from the outside".*

These findings indicate that the companies officially adopt an externally-driven organizational culture, but in practice exhibit internally-driven behavioral patterns. The inconsistency between official discourse and actual practice indicates a misalignment between organizational culture and corporate governance and sustainability practices.

Internally-driven tendencies (a gap between stated intentions and actual practices) may lead to a loss of trust among external stakeholders. Therefore, independent auditing and sustainability assurance auditing play a critical role in maintaining the trust of external stakeholders and investors. In externally-driven organizational cultures, auditing not only ensures the accuracy of financial information but also serves as a fundamental mechanism for guaranteeing the reliability of corporate governance and sustainability reporting. The Pegasus and Koza cases clearly highlight the significance of such auditing practices and the potential effects of internally-driven behaviors on the trust of external stakeholders.

11.4.2.3 Evaluation of Findings in the Discipline and Control Dimension

As a result of the evaluation in the discipline and control dimension, 25 companies were found to have an organizational culture adopting strict work discipline, while 4 companies were identified as having a mixed organizational culture exhibiting both easy-going and strict characteristics.

BIST 30 companies are businesses that implement strategic management practices aimed at long-term survival, achieving sustainable competitive advantage, and generating above-average profitability (Tüyen & Marşap 2022, p. 2147). These findings indicate that a culture of strict work discipline in BIST 30 companies enables the effective and coordinated implementation of control mechanisms within the organization, such as compliance auditing, operational auditing, and continuous auditing. Thus, these effective auditing practices clearly demonstrate the importance of sustainability auditing and independent auditing in companies. On the other hand, mixed structures in the discipline and control dimension that adopt both strict and easy-going work discipline approaches (Akbank, Koç Holding, Migros, Ülker) demonstrate the presence of an internal auditing mechanism that creates added value through a participative culture; this significantly enhances audit quality.

11.4.2.4 Evaluation of Findings in the Focus of Interest Dimension

As a result of the evaluation of the focus of interest dimension, 24 companies were found to have a professionally-oriented organizational culture, while 5 exhibited a mixed organizational culture with both local and professional characteristics. These findings indicate that professional orientation is dominant in BIST 30 companies.

In companies where professional orientation is dominant, value-adding internal auditing and continuous auditing are extensively implemented. In companies dominated by a mixed culture, compliance auditing is also observed alongside these practices.

11.4.2.5 Evaluation of Findings in the Approachability Dimension

As a result of the evaluation regarding the approachability dimension, 1 company was found to have a closed-system organizational culture, 22 companies an open-system culture, and 4 companies a mixed-system culture. Theoretically, all BIST 30 companies are expected to have an open-system organizational culture.

The findings regarding the companies with a closed-system culture in the approachability dimension are as follows:

In the evaluation of the companies listed in the BIST 30 index, it was determined that Yapı ve Kredi Bankası A.Ş. has a closed-system organizational culture in terms of the approachability dimension. The company declares that it has an open-system organizational culture; however, its actual behaviors and operational decisions are not

consistent with this declaration. The findings identified by The Culture Factor Group were reported as follows (https://www.theculturefactor.com/company-comparison-tool):

"There's a discrepancy between stated values and reported experiences. The bank's HR philosophy promotes an "open relationship and transparent management concept". However, customer complaints about unapproachable staff and difficulty reaching branches by phone suggest that in certain areas, particularly customer service, there may be barriers to easy communication and interaction, leading to a perception of a closed environment."

These findings indicate that the company officially adopts an open-system organizational culture, but in practice exhibits closed-system behavioral patterns. This inconsistency indicates a misalignment between organizational culture and corporate governance. Operational deficiencies in the company's communication level should primarily be associated with the internal audit process, as they directly affect information flow and internal control processes. Internal audit should detect these deficiencies and recommend corrective actions to management. This situation could also have an indirect impact on the quality of independent auditing and reporting. In this context, effective internal auditing is considered not only a means of enhancing transparency but also a tool for reducing the misalignment between organizational culture and corporate governance.

The findings regarding companies with a hybrid structure in terms of approachability are as follows:

1. The findings concerning Ereğli Demir ve Çelik Fabrikaları T.A.Ş. by The Culture Factor Group have been reported as follows (https://www.theculturefactor.com/company-comparison-tool):

"A significant challenge noted by employees is "problems with internal communication due to colossal size". The mention of "torpil" (nepotism/favoritism) in reviews could also indicate a lack of transparency and fairness in certain internal processes. However, Erdemir has implemented measures to foster openness, such as an independent "SpeakHub" platform for anonymous reporting and providing contact channels for questions and notifications. They also state they provide "effective feedback" to employees and allow them to share career goals with managers via a "Digital HR system", aiming for a "creative and trust-based corporate culture that is open to new ideas".

These findings clearly demonstrate the importance the organization places on an open system culture. The company has taken steps to strengthen transparency by developing effective solutions to the issues brought to its attention. This indicates that the open system approach both enhances transparency and improves the quality of internal audit processes.

2. The findings concerning Koza Altın İşletmeleri A.Ş. by The Culture Factor Group have been reported as follows (https://www.theculturefactor.com/company-comparison-tool):

"Koza Altın İşletmeleri explicitly states its commitment to establishing relations based on open and transparent communication, both internally and externally. The company actively works to ensure employees are accurately informed of developments and to foster inter-departmental relationships. However, the public protests and environmental concerns reported in the news could suggest that external communication, particularly on sensitive environmental issues, may not always be perceived as open or transparent by affected communities."

While the company emphasizes the importance it places on an open system culture, it faces public scrutiny on sensitive environmental issues. In other words, although the company commits to transparency, there are perceptual differences among external stakeholders. This indicates that sustainability assurance practices need to be strengthened to enhance the effectiveness of environmental disclosure and reporting processes and to ensure stakeholder trust.

3. The findings concerning Türk Hava Yolları A.O. by The Culture Factor Group have been reported as follows (https://www.theculturefactor.com/company-comparison-tool):

"Türk Hava Yolları provides clear communication channels for customer feedback and states a commitment to an employee-oriented and communication-focused culture. However, some employee reviews indicate challenges with communication and feedback from upper management, suggesting that internal approachability might not always match the external commitment to openness."

This finding indicates that the company embraces an open system culture, yet retains closed system characteristics in certain areas. It is considered necessary to strengthen internal audit processes to address communication and feedback issues between senior management and employees.

4. The findings concerning Kardemir Karabük Demir Sanayi ve Ticaret A.Ş. by The Culture Factor Group have been reported as follows (https://www.theculturefactor.com/company-comparison-tool):

"Kardemir's official statements suggest an open environment, stating that "every individual's voice and contribution is valued" and that the company is "open to growth... transparent". The Human Resources Policy emphasizes "Respect for People" and establishing "healthy and lasting relationships with our employees". The company also shares its sustainability report publicly. However, an employee comment from İşteMülakat.com explicitly mentions "Referans yani torpil oğlu torpil" (nepotism/favoritism). This suggests that while official channels may be open, actual access and opportunities might be influenced by personal connections, creating a barrier for those without them and leading to a somewhat closed environment in practice for a segment of the workforce."

This finding reveals a perception of inequality in recruitment and highlights the need to enhance transparency in corporate governance. Therefore, it is considered necessary to strengthen internal audit processes and enhance the effectiveness of social sustainability audits in order to address injustices in recruitment and ensure equal opportunities.

11.4.2.6 Evaluation of Findings in the Management Philosophy Dimension

As a result of the evaluation in terms of the management philosophy dimension, an employee-oriented organizational culture (tendency) was identified in 28 companies, while a work-oriented organizational culture was observed in 2 companies. In companies that adopt an employee-oriented organizational culture, the presence of value-adding internal auditing can be noted.

The findings regarding companies with a work-oriented system culture in the management philosophy dimension are as follows:

1. It has been determined that Astor Enerji A.Ş. has a work-oriented organizational culture. The findings identified by The Culture Factor Group have been reported as follows (https://www.theculturefactor.com/company-comparison-tool):

> "While ASTOR ENERJI's official HR policy states a commitment to "employee-oriented" practices, including inclusivity, equal opportunity, transparency, career development, fair compensation, and employee well-being, direct employee complaints paint a very different picture. Complaints such as "Disrespect And Slander in the Work Environment," a manager creating a "hell-like" atmosphere, and "Underpaying Days Worked And Only 1 Day of Insurance" are strong indicators of a work-oriented philosophy where employee welfare is neglected or actively undermined in favor of tasks or other priorities. The discrepancy between stated policy and reported experience suggests that the employee-oriented philosophy is not consistently implemented or upheld throughout the organization."

These findings indicate that, while the company officially adopts an employee-oriented organizational culture in its statements, in practice it predominantly exhibits work-oriented behavior patterns. Considering the company's official statements, it is possible to speak of the presence of value-creating internal audit practices in its operations. However, when the criticisms directed at the organization are considered, it appears that compliance auditing is insufficient regarding the implementation of HR policies and the assurance of employee well-being. In other words, the company has HR policies in place, but the criticisms indicate that these policies are not being adequately followed.

2. The findings concerning Türk Hava Yolları A.O. by The Culture Factor Group have been reported as follows (https://www.theculturefactor.com/company-comparison-tool):

> "TURK HAVA YOLLARI explicitly states a commitment to employee satisfaction and happiness, offering a comprehensive benefits package that includes health insurance, meal cards, day care support, marriage and birth support, discounts, flight tickets, accommodation opportunities, and various types of leave. The company supports employee development and career progression and has been recognized as one of Turkey's happiest workplaces. Despite this strong employee-oriented stance, the demanding nature of the aviation industry, particularly for cabin crew, often entails long and challenging working hours, which can be work-oriented. Some employee feedback also mentions short leave durations."

These findings indicate that, although the organization adopts an employee-oriented approach, a work-oriented attitude may occasionally be exhibited due to the nature

of the work. Considering employee feedback, it can be said that short leave periods may have a negative impact on work-life balance. Therefore, it is necessary to review and improve work-life balance practices within the organization, in other words, to conduct sustainability audits in order to ensure social sustainability.

11.5 Conclusion

The cultural dimensions of BIST 30 companies were analyzed within the framework of Waisfisz's multi-focus model, and their impact on audit practices was evaluated. The findings indicate that cultural differences can directly affect audit processes and may create diversity in audit practices. It has been observed that, particularly in cases where differences occur at the dimension level, inconsistencies exist between official statements and actual practices. The potential effects of this situation on audit practices and their quality have been discussed. The results obtained reveal that auditing is shaped not only by legal regulations and standards but also by organizational culture.

In future studies, it may be possible to identify the cultural dimensions that stand out in audit processes by analyzing the cultural dimensions of auditing firms operating in Türkiye and authorized by the Public Oversight, Accounting and Auditing Standards Authority (POA) within the framework of Waisfisz's multi-focus model. This approach will provide both theoretical and practical insights into how audit practices in auditing firms are influenced by cultural context.

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Chapter 12
The Effect of Cultural Dimensions on Independent Audit Reports: A Study on BIST30 Companies in TÜRKİYE

Arman Aziz Karagül and Seval Selimoğlu

Abstract The increasing capital mobility and the increase in the number of multinational companies along with globalization have made it necessary for financial reporting and independent auditing processes to become an international norm. However, the fact that auditing activities are conducted based on universal leitmotifs leads to various conflicts in practice due to cultural differences. It has been revealed in many empirical studies that these conflicts are especially evident in the ethical stance, independence, transparency, risk tolerance and decision-making processes of independent auditors and that these values directly affect the way auditing standards are implemented. In this research, which uses a qualitative document analysis method, the publicly available independent audit reports of publicly held companies in Türkiye were systematically examined within the framework of Geert Hofstede's cultural dimensions and Sidney Gray's accounting values and aimed to determine power distance, uncertainty avoidance, collectivism and other cultural dimensions in audit language, procedures and explanations. Studies in the literature that examine these two theoretical frameworks together in terms of auditing culture are quite limited. Therefore, this research aims to contribute to the cross-cultural accounting literature by showing how implicit cultural norms shape audit reports and to provide valuable insights for multinational firms, regulators, and academics seeking to understand culturally embedded audit behavior in emerging markets.

Keywords Audit culture · Hofstede and Gray · Cultural dimensions · Accounting values · Türkiye

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*,
Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_12

12.1 Introduction

Independent audit reports are one of the most important information tools that publicly disclose the financial reliability of companies. However, the language, scope, and formal structure of these reports are shaped not only by auditing standards but also by the cultural context in which they are produced. Throughout the audit process, the auditor's judgment, based on the auditor's work environment, the evidence they obtain or fail to obtain, their opinion of the company's internal control system, and similar indicators, also bears the imprint of the cultural background of the country, the company, and the auditor.

Culture, as one of the building blocks of social systems, is crucial for people to continue living within society; it also explains how people think, how they live, how they produce, and what they produce, which distinguishes societies from one another. Countries with different cultural structures have different legal systems, capital structures, the content of tax laws, and levels of economic development (Atağan 2022, p. 115).

Culture isn't just a phenomenon specific to societies. Culture can be specific to a society, and sometimes it's even a profession. Accounting, while a science with its own unique rules, assumptions, and techniques, is also a social field because its practitioners are human. Therefore, accounting has two aspects. The first is the mechanical aspect of accounting; the other is the social aspect. The mechanical aspect encompasses the techniques of the accounting process. This aspect of accounting is implemented similarly in many countries around the world. However, the social aspect of accounting is the aspect that is influenced by the social and cultural values of the society in which the accountant lives (Atağan 2022, p. 115). Since culture has an invisible effect on people's way of thinking and behavior, differences in social values and philosophy of life are also reflected in the unique culture, accounting values and concepts of other countries (Tie and Zhao 2016, p. 100).

Increasing capital mobility and the increase in the number of multinational corporations due to globalization have necessitated the establishment of international norms for financial reporting and independent auditing processes. However, the ways countries use and implement international accounting and auditing standards can vary due to national cultures (Suryanto et al. 2019, p. 27).

Hofstede's cultural studies are considered the most comprehensive studies on national culture (Noll 2014, p. 170). In these studies, he revealed that one of the most dominant factors affecting individuals' decision-making is the cultural structure (Suryanto et al. 2019, p. 27). Even when considering the issue from an accounting perspective, he stated that the reason for accounting inconsistencies between countries is due to cultural issues rather than technical problems (Noll 2014, p. 170).

Gray developed a framework of accounting subculture at the country level based on Hofstede's cultural dimensions (Chen et al. 2016, pp. 274–275). Gray explains the impact of culture on a country's accounting system in two ways. First, it indirectly influences the accounting system and accounting standards through social values and

various social systems, and second, culture directly influences the national accounting system and accounting practices because social values influence accounting culture and accounting values (Tie and Zhao 2016, p. 100).

Based on Hofstede's cultural dimensions and Gray's accounting values, this research systematically examined the publicly available independent audit reports of companies listed in the BIST30 index and aimed to determine power distance, uncertainty avoidance, collectivism and other cultural dimensions in audit language, procedures and disclosures.

12.2 Relationship Between Culture and Accounting and Independent Auditing

Culture is a very strong factor underlying human behavior and social values, and therefore the impact of culture on accounting practices cannot be ignored (Koleśnik 2013, p. 33). Hofstede defines culture as "the collective programming of the mind that distinguishes members of one human group from members of other groups" and, in this respect, states that culture is a collectively adopted system of values (Hofstede 1980, p. 24). Hofstede argues that just as a computer operating system contains a set of rules that provide reference points and constraints, culture contains a set of social values that guide institutional forms and practices. Culture in any country contains the most fundamental values an individual can hold and influences how individuals want their society to be structured and how they interact with the infrastructure of society (Nobes and Parker 2010:29–30). Accounting can be seen as one of these substructures. Accounting is shaped by the environment in which it is applied. Just as nations have different histories, values, and political systems, the development of accounting systems also takes shape differently. In this respect, the invisible influence of culture on human behavior and way of thinking manifests itself in accounting thinking and practices (Tie and Zhao 2016, p. 100). This situation is explained by the accounting cultures of countries. Accounting culture represents a dynamic process that influences the formation of accounting professionals and businesses. Accordingly, the general accounting processes implemented by businesses, management and cost accounting practices, and the importance professionals place on ethical principles are influential in the formation of accounting culture (Atağan 2022, p. 117). Practices shaped by accounting culture lay the groundwork for auditing processes to be shaped within the framework of social values. Therefore, researchers are investigating the relationship between accounting and cultural differences to explain differences in management behavior, reporting and auditing practices, earnings management, social and environmental reporting, and tax avoidance practices (Khlif 2016, pp. 545–547).

Due to information asymmetry and differing perspectives on the business, stakeholders want to have accurate and true information about the business' activities.

They may even believe that limited access to information about the business' activities prevents them from making the best decisions. For example, they may believe that the information produced by the company is biased to a certain extent. Therefore, all decisions made by managers can negatively impact stakeholders' wealth, which can be considered within the scope of agency costs. Similarly, decisions and expenses made by stakeholders regarding the company to protect themselves against wealth loss can also be considered agency costs. Based on this theory, it can be argued that auditing can serve as a monitoring mechanism between stakeholders and the company. Furthermore, auditing serves as a mechanism to establish trust between the parties by providing impartial verification of the company's activities and the information it provides (Diallo 2020, p. 347). The influence of cultural values on trust, transparency, and the perception of authority can also determine the intensity of the need for auditing within the framework of agency theory.

Auditing can generally be defined as the examination of a business's accounts and other activities by an external entity, using established practices such as checking accounts and records to measure the movement of money, the allocation of resources, and performance. However, the effects of auditing are much broader and extend beyond financial systems or financial institutions. The significance of auditing as an idea is that it is a way of thinking that reflects certain values and images of control. At the same time, auditing techniques carry a certain form of legitimacy and moral power: the "cultural stamp of accountability" (Cutcher and Dale 2022, p. 768). At this point, a relationship between culture and auditing emerges. According to Gray (1988), accounting is directly related to cultural values, and accounting systems in different countries develop in line with these values. Therefore, the objectivity of an audit, the language and scope of a report, should not be considered independently of cultural codes. Based on this, it would not be wrong to say that audit reports reflect not only financial reality but also the cultural structure of society being audited. Auditing culture can be considered an extension of accounting culture, as both concepts are based on the principles of accountability and accuracy, shaped by the value systems of society.

According to Hofstede, auditing aims to identify potential risks, improve quality, and ensure compliance with relevant laws and regulations by regularly monitoring and evaluating an organization's activities, policies, and procedures. However, a strong audit culture can also have negative effects when used to justify excessive bureaucracy or micromanagement. Innovation and creativity are hindered when employees prioritize maintaining statutory control over trying new ideas. A robust audit culture is essential for improved governance, but a balance must be struck with the need for creative problem-solving. Therefore, at this point, auditing culture benefits corporate governance by promoting accountability and openness in financial reporting; identifies signs of fraud and mismanagement and provides recommendations on how to correct them; helps businesses avoid legal problems and other negative consequences by ensuring they comply with all required rules and regulations; and promotes ethical behavior within the organization by ensuring the development of clear norms and standards regarding financial statements and business activities. In other words, it can be defined as the set of values, practices and processes that

affect the execution of internal and external audits of enterprises (Shatila et al. 2024, pp. 96–97).

Culture influences preferences, interpretations, perceptions, and judgments. Therefore, the impact of culture on interpretations and judgments can extend to the understanding of texts and rules. Ultimately, although auditing is a technical activity, interpretations and judgments reached during auditing can be influenced by cultural factors (da Silva et al. 2024, p. 2).

12.2.1 Hofstede's Cultural Dimensions and Gray's Accounting Values

The ways in which culture influences a country's accounting practices have been discussed in previous sections. In Hofstede's initial study, the results revealed that countries were grouped rather than individuals' attitudes, and these were clustered into four groups (Hofstede 1980). Examining four distinct areas—coping with anthropologically problematic inequality, coping with uncertainty, one's relationship with one's immediate target group, and the emotional impact of being born male or female—the research results revealed Hofstede's dimensions of national culture: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus restraint. The research was expanded and replicated in different countries and regions from the 1990s to the 2010s (Hofstede and Minkov 2010, p. 493).

12.2.1.1 Hofstede's Cultural Dimensions

The cultural dimensions identified by Hofstede's studies are important because they can, to some extent, demonstrate the cultural influences underlying human behavior. Both the individual's primary culture (the culture of the country) and the characteristics of the subculture to which they belong influence their behavior. From the perspective of accounting and auditing, cultural dimensions will influence accounting and auditing. Because the auditor is also influenced by their culture, that they are part of it, the audit report prepared will likely bear the traces of culture.

The power distance dimension refers to the degree to which members of a society accept that power in institutions and organizations is distributed unequally (Hofstede and Bond 1984, p. 419). This dimension of Hofstede emphasizes the equality or inequality of people. A high degree of power distance indicates the inequality of power and wealth within the relevant country. It is observed that managers in such countries are characterized as the main decision-makers in their businesses (Khlif 2016, p. 547). In these societies, where power differences, inequality, and the belief that powerful people have certain privileges are common, and where hierarchy is

high, powerful individuals resort to fraud more easily and easily because corporate ethics and corporate governance values are weakened. In cultures with low power distance, it is easier to reach those in power. In organizations where this culture prevails, employees are consulted and included in important decisions (Atağan 2022, p. 120). Examples of the power distance dimension in institutions can be given as examples such as employees directing different ideas to their superiors instead of expressing their own ideas, the manager accepting the request of an employee whom he considers to be autocratic/patriarchal, and employees accepting an autocratic organizational structure shaped by clear rules and directives (Eulerich, and Ratzinger-Sakel 2017, p. 5). When Hofstede's power distance dimension is considered in terms of auditing, it is observed that in societies with high power distance, auditors are more respectful of authority and tend to avoid conflict with management. Conversely, in cultures with low power distance, auditors can be more assertive and exhibit harsher attitudes towards management (Hung 2023, p. 1133). In societies with high power distance, authority and hierarchy are more accepted. This can affect the audit process by influencing auditors' interactions with management and other stakeholders. In high power distance cultures, auditors may be less likely to question or challenge management decisions and may be more respectful in their interactions. Furthermore, because there may be a greater reliance on the authority of those in power rather than formal procedures and structures in high power distance cultures, internal controls may be more likely to be weak. High power distance cultures can lead to lower-quality audits due to a lack of transparency and accountability. Companies in these cultures may prioritize hierarchical structures and authority over transparency and openness, which may lead to a lower willingness to disclose information to auditors. Additionally, high power distance cultures are less willing to challenge authority or question management, which may lead auditors to accept management claims without proper verification (Wageeh and Ahmed 2024, pp. 309–310).

Uncertainty avoidance is defined as the extent to which people feel threatened by uncertain situations and create beliefs and institutions to try to avoid them (Hofstede and Bond 1984, p. 419). A high degree of uncertainty avoidance indicates that individuals cannot tolerate high uncertainty environments and prefer more laws and regulations to reduce uncertainty (Khlif 2016, p. 548). Uncertainty generally creates fear in society, and this situation manifests itself in the tendency to control and regulate social life through laws and rules (Atağan 2022, p. 121). Managers in a high uncertainty avoidance environment avoid taking risks and are concerned about costs (Khlif 2016, p. 548). Employees' clear focus on the company's rules and regulations, and the employee's desire to work in the same function for a long period of time can be shown as examples of the reflection of uncertainty avoidance in companies (Eulerich and Ratzinger-Sakel 2017, p. 5). When considering the dimension of uncertainty avoidance in terms of auditing, it is observed that in societies with a high uncertainty avoidance culture, auditors are risk-averse, adhere strictly to rules and procedures, and exhibit rather conservative auditing practices. In low uncertainty avoidance cultures, auditors are observed to be more adaptable, open to uncertainty, and trust their professional judgment (Hung 2023, p. 1133). Furthermore, in cultures with high uncertainty avoidance, auditors are observed to strive more to ensure audit

quality (da Silva et al. 2024, p. 5). In high uncertainty avoidance cultures, auditors may be more likely to view all potential risks as significant and to be more conservative in their judgments of materiality. Furthermore, in high uncertainty avoidance cultures, auditors may be more likely to have complex regulatory environments, which may make it difficult for auditors to understand and comply with relevant requirements. Cultures with high uncertainty avoidance may exhibit more conservative auditing practices, as auditors may prioritize minimizing risk and uncertainty. In these cultures, auditors may be more likely to use conservative accounting estimates and approaches, leading to lower reported earnings and a more cautious approach to auditing (Wageeh and Ahmed 2024, pp. 309–311).

Hofstede and Bond define *the dimension of individualism versus collectivism* as reflecting culture's position on a bipolar continuum. Individualism, as one pole, is defined as "a situation in which people must care for themselves and their immediate families," while collectivism, as the opposite pole, is defined as "a situation in which people belong to groups or communities that must care for them in exchange for loyalty." The fundamental anthropological/societal theme with which it is associated is the individual's dependence on the group; the notions of "I" or "we"(Hofstede and Bond 1984, p. 419). To explain it more simply, it is the degree of harmony and independence of individuals in their relationship with any group, or whether they prioritize their own interests or the interests of the group in this relationship that is highlighted (Atağan 2022, p. 119). In societies where individualism is at the forefront, individuals prefer weak social networks, leading them to pursue their own interests. Conversely, in pluralistic societies, efforts to achieve group goals and ensure harmony come to the fore. Another important aspect of individualism is that it is a determinant of intrinsic motivation for individuals to perform certain behaviors (Nadarajah et al. 2023, p. 167). While the preference for challenging tasks that lead to personal success and the prioritization of personal success over group success are prominent in societies where an individualistic culture prevails, the reliance on personal success over group success and the economic profit-based relationship between employee and employer are seen as prominent behaviors in pluralistic societies (Eulerich and Ratzinger-Sakel 2017, p. 6). The dimension of individualism versus collectivism can perhaps be considered the cultural dimension that has the greatest impact on the audit process and auditors. Because individualism prioritizes personal achievement, it is possible to establish a positive relationship between individualism and firm risk (Nadarajah et al 2023, p. 167). In individualistic cultures, group members prefer open and direct communication in resolving conflicts. When an individualistic audit group makes final decisions regarding an audit risk, the individualism dimension, which encompasses values related to stimulation and intellectual autonomy, has a decisive influence. Therefore, group members develop more persuasive arguments, encouraging the group to work on more issues related to problem solving. Individualistic attitudes tend to avoid the risk of "shame" when mistakes are made, as individualism suggests that "learning is a process of learning from failure." In contrast, collectivistic cultures prefer to maintain harmony and strengthen consensus by establishing a majority. Shame is used as a mechanism for demonstrating errors. Due to fear of reputational loss and shame, auditors in collectivist cultures tend to

choose "safer approaches." Therefore, auditors tend to perceive audit risk as high and are more sensitive to negative evidence than auditors in individualist culture (Suryanto et al. 2019, p. 28). In individualist cultures, there is a greater emphasis on individual achievement and autonomy. This influences auditors' attitudes toward risk and control, thereby affecting the audit process. Auditors are more likely to prioritize the interests of individual clients over broader societal interests, leading to a greater tolerance for aggressive accounting practices. Furthermore, in individualist cultures, decentralized decision-making structures can make it difficult for auditors to gain a comprehensive understanding of the organization. Individualist cultures can lead to more aggressive audit practices because auditors prioritize their own interests over those of the company or other stakeholders. In these cultures, supervisors feel more pressure to meet performance targets and achieve personal success, causing supervisors to focus on short-term results rather than long-term sustainability. (Wageeh and Ahmed 2024, p. 310). Individualistic cultures emphasize personal goals and autonomy, potentially leading auditors to prioritize individual judgment. In collectivistic cultures, auditors prioritize consensus, group decision-making, and maintain harmonious relationships with clients and colleagues (Hung 2023, p. 1133). However, auditors in cultures with higher levels of institutional collectivism are believed to be more likely to prioritize compliance with audit objectives and standards for the benefit of the organization, potentially reducing audit quality. Furthermore, in cultures with high levels of group collectivism, which refers to the pride, loyalty, and harmony individuals exhibit within their close groups, such as family and colleagues, organizations protect the interests of individuals but demand unquestioning loyalty in return. Therefore, auditors tend to protect the interests of the group they are in when making ethical decisions, interpreting laws, standards and auditing processes (da Silva et al. 2024, p. 6).

In the dimension of masculinity and femininity, masculinity is defined as "a situation in which the dominant values in society are success, money, and possessions," while its opposite, femininity, is defined as "a situation in which the dominant values in society are caring for others and quality of life." The main anthropological/social issue it is associated with is the selection of gender roles and its effects on people's self-concept (Hofstede and Bond 1984, p. 419). A culture with a low degree of masculinity is an indicator that relationships, humility, protection of the weak, and quality of life are valued in that culture, while in societies with a high degree of masculinity, managers attach importance to operational performance; thus, it can be said that company performance provides them with personal satisfaction and social recognition (Khlif 2016, p. 547). While earning a high amount of money and being approved, and being promoted to a higher position are more prominent in masculine cultures, establishing and maintaining good relationships with direct managers and colleagues, and feeling that the desire to stay in the current position for as long as one wants is acceptable are seen in cultures with a higher degree of feminine culture (Eulerich and Ratzinger-Sakel 2017, p. 6). Masculinity and femininity can influence audit culture and, ultimately, corporate governance. Men tend to emphasize more traditional masculine norms such as assertiveness, competition, and autonomy,

while women tend to emphasize more traditional feminine norms such as cooperation and relationship building. These gender-related norms, in turn, influence how auditors approach their roles and responsibilities and influence audit culture (Shatila et al. 2024, p. 97). In masculine cultures, there is a greater emphasis on achievement and success. This can influence auditing by influencing auditors' attitudes toward materiality and evidence. In masculine cultures, auditors are more likely to prioritize achieving financial goals and meeting performance criteria over ethical considerations. Furthermore, a "win at all costs" mentality is more prevalent in masculine cultures, which can increase the risk of fraud and misrepresentation. Cultures with high levels of masculinity prioritize competition and assertiveness, which can lead to more aggressive auditing practices. Auditors in these cultures may focus on achieving their own goals and objectives rather than prioritizing the interests of the company or other stakeholders (Wageeh and Ahmed 2024, p. 310).

The dimension of long-term or short-term orientation relates to the temporal dimensions of an individual's decisions. A high degree of long-term orientation indicates that people in a society desire to establish good relationships with other stakeholders to maintain strong ties in the future (Khlif 2016, p. 548). In cultures with a high long-term orientation dimension, persistence, perseverance, and future-oriented planning are prioritized (Hung 2023, p. 1133). A society's long-term orientation indicates that it values such as patience, frugality, and hard work, whereas in cultures with a short-term orientation, work productivity is evaluated by short-term results. In these cultures, employees are driven to earn and spend quickly, social positions are unimportant, and relationships are prioritized based on the potential gains to be made (Atağan 2022, p. 122). The dimensions of long-term or short-term orientation also influence auditors. In long-term-oriented cultures, auditors focus on the long-term sustainability of the audited entity and its broader social impact, while in short-term-oriented cultures, auditors focus more on issues such as financial performance and short-term risks (Hung 2023, pp. 1133–1134). In cultures with a high long-term orientation, auditors are able to critically assess the organization's long-term outlook and are more cautious in assessing potential contingencies. Furthermore, because cultures with high long-term orientation are more likely to have complex ownership structures, it becomes difficult for auditors to understand the relationships and associated risks among different entities, which can lead to more comprehensive and sustainable audit practices. Auditors in these cultures prioritize long-term results over short-term gains and focus on ensuring the company's long-term success and sustainability (Wageeh and Ahmed 2024, p. 311).

In terms of tolerance and restraint, tolerance refers to the degree to which individuals in a society allow themselves to enjoy life's pleasures and engage in fulfilling activities such as eating, drinking, and socializing. Societies with higher tolerance cultures tend to be more tolerant and tolerant of unconventional behavior, while societies with higher restriction cultures tend to be more conservative and adhere to traditional values. Tolerance can also impact auditing practices. For example, countries with higher tolerance scores may have greater tolerance for non-compliance or unethical behavior. Auditors working in such environments may need to be more vigilant and employ more robust auditing procedures to ensure the accuracy and

reliability of financial statements. Societies with lower tolerance cultures may be more disciplined and more focused on rules and regulations. Auditors working in such environments may need to pay more attention to compliance and ensure that all relevant laws and regulations are adhered to. Overall, the cultural dimension of tolerance can influence auditing practices in various ways and should be considered when conducting audits across different countries and cultural contexts. Permissive cultures may prioritize fun and pleasure, which can lead to a lack of discipline and rigor in auditing practices. In these cultures, auditors may prioritize their own fun and pleasure over their professional responsibilities and ethical obligations, resulting in lower-quality audits (Wageeh and Ahmed 2024, p. 312).

12.2.2 Gray's Accounting Values

Hofstede's definition of culture can refer to society as a whole, nations, and even a level of organization, a profession, or a family within a subculture. While the degree of cultural integration varies across societies, most subcultures within a society share common characteristics with other subcultures (Gray 1988, p. 4). Building Hofstede's cross-cultural studies, Gray developed a theoretical framework and a set of hypotheses linking accounting attitudes and expanded upon Hofstede's framework by presenting a model that situates accounting values and systems within the societal values and norms of each country (Noll 2014, p. 171). Gray's starting point for proposing his hypotheses regarding accounting values is that shared cultural values within a country will influence shared accounting values, which in turn will influence the nature of that country's accounting system (Finch 2006, p. 6). Gray ultimately identified four main accounting values: professionalism—statutory control, uniformity—flexibility, conservatism—optimism, and secrecy—transparency (Gray 1988, p. 8). The first two dimensions of these values relate to the authority and enforcement of accounting practices at the country level, while the last two dimensions relate to the measurement and disclosure of accounting information (Finch 2006, p. 5). Gray's model completes Hofstede's theoretical approach in terms of understanding the diversity created by cultural differences in the development of accounting systems and professional practices.

The value of professionalism-statutory control has been proposed as an important accounting value dimension because of the perception that accountants worldwide adopt more or less independent attitudes and use their individual professional judgment (Gray 1988, p. 8). It reveals a preference for the use of individual judgment over legal requirements and legal audit (Noll 2014, p. 171). Gray hypothesized that the higher a country ranks on individualism and the lower it ranks on uncertainty avoidance and power distance, the higher it will rank on professionalism (Gray 1988, p. 9).

Gray identifies *the value of uniformity-flexibility* as an important accounting value dimension because attitudes toward uniformity, consistency, or comparability are recognized as fundamental characteristics of accounting principles worldwide. He

defines this value as open to different interpretations, ranging from relatively strict inter-firm and temporal uniformity to some concern for consistency over time and comparability within firms, to a relative flexibility of accounting practices to suit the circumstances of individual firms. According to Gray, the higher a country ranks in uncertainty avoidance and power distance, and the lower it ranks in individualism, the higher it is likely to rank in uniformity (Gray 1988, pp. 9–10).

The conservatism–optimism value is considered by Gray to be the oldest and probably most widespread principle of valuation in accounting. Conservatism or prudence in the measurement of assets and the reporting of profits is perceived as a fundamental attitude of accountants worldwide. Furthermore, conservatism varies by country, ranging from a highly conservative approach in continental European countries such as France and Germany to the much less conservative attitudes of accountants in the United States and the United Kingdom (Gray 1988, p. 10). Gray suggests that conservatism may be most closely linked to the uncertainty avoidance dimension. A more conservative preference for profit measures is consistent with a strong uncertainty avoidance stemming from security concerns and the need to adopt a cautious approach to coping with the uncertainty of future events. There also appears to be a link, albeit less strong, between high levels of individualism and masculinity on the one hand and weak uncertainty avoidance on the other; Based on these assessments, Gray argues that the higher a country ranks in uncertainty avoidance and the lower it ranks in individualism and masculinity, the higher its likelihood of ranking in conservatism (Gray 1988, p. 10). The values of conservatism and optimism are also important for auditors. Cultures where investors are more protected, they force auditors to be more conservative, leading auditors to express limited positive opinions, refrain from expressing opinions, or expressing negative opinions due to potential problems such as high-stakes lawsuits and reputational damage (Chen et al. 2016, p. 280).

The value of secrecy and transparency is expressed as an important dimension of accounting value originating from management as well as the accountant due to the management's influence on the amount of information disclosed to the external environment of the company (Gray 1988, p. 11). Transparency is defined as the presentation of detailed information about accounting information or financial reports to a wide audience, while secrecy is the sharing of superficial information with a few people (Atağan 2022, p. 121). The risk of misrepresentation is higher because managers of companies operating in a culture of secrecy adopt non-transparent disclosure policies and keep information sharing to a minimum, which causes auditors to express limited positive opinions, refrain from expressing opinions, or express negative opinions (Chen et al. 2016, p. 280).

Gray's research has identified relationships between accounting values and Hofstede's cultural dimensions. Table 12.1 shows the relationship between values and dimensions.

Table 12.1 Gray's accounting values and Hofstede's cultural dimensions relationships

Gray's Accounting Values	Hofstede's Cultural Dimensions			
	Power Distance	Individuality	Masculinity	Uncertainty Avoidance
Professionalism	Negative	Positive	The relationship was not foreseen	Negative
Uniformity	Positive	Negative	The relationship was not foreseen	Positive
Conservatism	The relationship was not foreseen	Negative	Negative	Positive
Security	Positive	Negative	Negative	Positive

Source (Koleśnik 2013, p. 36)

12.3 Culture and Independent Audit Reports

Cultural factors play a significant role in auditor behavior, decision-making processes, and generally the entire audit process (Hung 2023, p. 1133). Some studies have shown that the behavior of the parties in the audit process is influenced by the culture of the society in which the activity takes place. Considering that auditors are one of the parties, the audit activity may be affected by cultural differences, even if the same audit firm operates from different branches in different countries (da Silva et al. 2024, p. 2). As mentioned in the previous section, each of Hofstede's cultural dimensions plays an active role in the audit process. To reach a sound opinion about the entity, the auditor must conduct the audit work soundly. National culture can significantly influence the auditor's attitudes toward their professional responsibilities, including risk perception, sample selection, evidence interpretation, ethical considerations, and professional standards (Eshky et al. 2025, p. 2). Ultimately, the audit report prepared will likely bear the imprint of culture. Cultural dimensions can lead to differences in report content, such as the formality of the language used in reports, references to regulatory bodies, detailed explanations of procedures, and risk classification. They can also influence external factors such as audit report delays. For example, It has been found that cultural characteristics such as masculinity and long-term orientation increase the delay in audit reports, while delays are less in cultures that attach importance to cultural values such as uncertainty avoidance (Eshky et al. 2025, p. 8).

The language used in audit reports is a direct reflection of cultural values. In societies with high power distance, audit reports tend to be more formal, indirect, and respectful of authority, while in societies with low power distance, a more direct, critical, and transparent style of expression is adopted (Hofstede and Bond 1984; Hung 2023). In cultures with high power distance and collectivist tendencies, such as Türkiye, the writing of audit reports in a "softened negativity" or indirect criticism format can be interpreted as a textual reflection of cultural values. Despite the

intention of increasing the perception of credibility of the report, this can limit its level of clarity (Wageeh and Ahmed 2024).

Gray's "secrecy-transparency"dimension represents one of the most significant influences of culture on accounting and audit reporting. Transparency refers to the sharing of financial information with a wide audience, while secrecy refers to the tendency to disclose information in a limited and selective manner. In cultures with a high tendency towards uncertainty avoidance, such as Türkiye's, audit reports are generally prepared with cautious and limited disclosures, creating a balance different from the level of openness required by international reporting standards (Atağan 2022; Chen et al. 2016). While the high level of transparency seen in Anglo -Saxon countries reflects a more individualistic cultural structure, in the Turkish case, secrecy gains cultural meaning within the framework of trust and authority relations.

Independence, one of the core values of the auditing profession, is shaped by cultural norms. In high power distance cultures, auditors tend to avoid conflict with management and may adopt a more conciliatory stance in decision-making processes (Khlif 2016; Shatila et al. 2024). In collectivist cultures, independence is perceived as aligned with group values rather than individual ethical responsibility, which can lead auditors to act within a framework of "relational independence." Therefore, culture is a significant factor influencing both the application of professional ethical standards and the auditor's degree of objectivity in report production.

Cultural values can also influence audit report preparation times and delays. A study by Eshky et al. (2025) found that report delays are greater in cultures with high levels of masculinity and long-term orientation, while audit reports are completed more quickly in societies with strong uncertainty avoidance. These findings demonstrate that culture shapes not only the content of the report but also the dynamics of the audit process. A high uncertainty avoidance tendency can directly affect the timing of reports by leading auditors to act more procedurally and cautiously.

The auditor's judgment from the audit will form the basis of the report they will prepare. However, national culture has an impact on auditor judgment for three primary reasons. The first reason stems from the increasing globalization and and the need for companies to engage in international activities. The question of whether a local audit firm can perform risk identification and auditing is of practical importance. The second reason is that it is not always clear whether the content of the message sent and received are the same across different cultures. Equality of meaning is a fundamental requirement for effective communication. Messages received may be interpreted differently due to cultural differences. Third, the International Standard on Auditing (ISA 400, par. 38, 2003), on audit risk assessment, refers to group consulting. On the quality control of audit work (ISA 220, par. 14, 2003), it states that differences in professional judgment among personnel can be resolved through appropriate consultation. With globalization, some countries use international accounting and auditing standards, but the way countries use and implement standards may differ due to national culture (Suryanto et al. 2019, p. 27).

12.4 Findings and Evaluation

This research is based on the examination of publicly available independent audit reports of companies traded on the Borsa Istanbul (BIST30) in Türkiye in terms of cultural dimensions and accounting values. For this purpose, a qualitative research method was adopted to identify cultural indicators present in the language, structure, and narrative formats of audit reports. Because the qualitative method allows for the contextualization of social phenomena and text-based interpretation, it was deemed appropriate for analyzing the reflection of cultural elements in independent audit reports. The research dataset consists of publicly published independent audit reports of companies listed on the Borsa Istanbul BIST30 index as of 2024. These reports were obtained from publicly available sources. A qualitative content analysis approach was used in data analysis. Content analysis focuses on identifying recurring concepts, themes, and discourse patterns in texts and grouping them under conceptual categories. In this context, Geert et al. (2010) used in the evaluation of audit reports in terms of cultural indicators. Hofstede's cultural dimensions (power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, long-short term orientation, indulgence-restriction) and Sidney Gray's accounting values (professionalism-statutory control, uniformity-flexibility, conservatism-optimism, secrecy-transparency) were taken as theoretical references.

ChatGPT, OpenAI was used to systematically analyze the texts during the analysis process. The tool examined the audit reports in line with the conceptual framework defined by the researcher and identified linguistic patterns, thematic indicators, and patterns that could be associated with cultural dimensions. At this stage, the AI served only as a preliminary analysis; the obtained data were reviewed by the researcher and linked to the theoretical framework, and the themes were finalized through human interpretation. Thus, the analysis process, while utilizing technological support, maintained the principles of research interpretation and contextual assessment, inherent in qualitative research. AI-powered analysis provided the advantage of rapidly scanning the texts for cultural indicators and identifying patterns. However, considering that tools may not always fully reflect linguistic nuances, the researcher re-read the analysis results, and the themes were verified using the triple-reading method (tool output—researcher interpretation—literature comparison).

In this respect, the study offers an up-to-date methodological contribution with artificial intelligence-supported data analysis while preserving the methodological principles of traditional qualitative content analysis.

Culture-based auditing research in the Turkish context is limited. This study is significant as it is one of the first comprehensive studies to empirically examine the cultural components of audit reports in Türkiye by integrating Hofstede and Gray's theories.

12.4.1 Findings

Hofstede's model, Türkiye is a culture with high power distance (66) and high uncertainty avoidance (85) scores, but low individualism (37) and moderate masculinity (45), long-term orientation (46), and restrictiveness (49) scores (http −1). Gray's accounting values predict that these characteristics are reflected in accounting and auditing behaviors, particularly through tendencies toward status control, conservatism, uniformity, and secrecy.

12.4.1.1 Hofstede's Cultural Dimensions

This section contains the results of Hofstede's assessment of cultural dimensions, based on the examination of independent audit reports for companies listed in the BIST30 for the year 2024. The following findings were obtained as a result of the analysis:

(a) Power Distance

Independent audit reports clearly demarcate the areas of responsibility of governing bodies and auditors. Frequent references to higher regulatory bodies such as the Capital Markets Board (SPK), the PCAOB, and the Turkish Commercial Code (TTK) suggest that reports are prepared within the frameworks of regulatory authorities. This reflects Türkiye's high power distance culture: the audit process is conducted as an oversight mechanism based on official authority rather than individual initiative.

(b) Uncertainty Avoidance

All reports provide detailed explanations of risk management, inflation accounting, impairment tests, and actuarial assumptions and calculations. These details can be interpreted as a result of a tendency to minimize uncertainty and secure the process through procedures. Auditing language is technical and standardized. This finding aligns with Türkiye's high uncertainty avoidance score.

(c) Individualism—Collectivism

The term "group" is frequently used in reports. However, rather than being a sign of cultural collectivism, this term is a technical term used due to the consolidation requirement under IFRS 10. However, the collaboration of different experts (actuaries, IT auditors, etc.) during the audit process and the sharing of responsibilities at the institutional level aligns with Türkiye's low level of individualism. This phenomenon reflects the influence of bureaucratic division of labor and hierarchical coordination rather than solidarity.

(d) Masculinity—Femininity

The majority of reports focus on performance, profitability, growth, and productivity indicators. This is a significant indicator, revealing the predominance of "masculine" values focused on competition and success. However, themes of employee rights and

corporate sustainability also appear to some extent, confirming Türkiye's moderately masculine culture.

(e) Long-Term Orientation

Pension obligations, R&D investments, and mergers and acquisitions in the reports demonstrate a strong emphasis on future-oriented planning. This suggests that, despite Türkiye's moderate long-term orientation score, the importance given to sustainability in auditing practices is increasing.

(f) Indulgence—Restriction

The report language is entirely formal, formal, and devoid of emotion. The absence of concepts such as flexibility, creativity, or employee freedom reflects the normative and disciplined nature of society. It can be argued that Türkiye's tendency toward restriction is reflected in the tone and terminology of audit reports.

12.4.1.2 Gray's Accounting Values

Hofstede's cultural dimensions are evaluated together with Gray's accounting values theory; it shows that all of these values are clearly observed.

(a) *Professionalism-Statutory control*

The value of status control appears to be dominant in Türkiye. In high-power-distance cultures, legal regulations and institutional authorities, rather than professional autonomy, are the determining factors. The frequent references to authority sources such as the CMB, PCAOB, IFRS, and IAS in the audit reports examined indicate that the audit process is constrained by the legal framework. This supports Gray's concept of status control, suggesting that audit activities in Türkiye are conducted according to the rules defined by regulatory bodies rather than individual professional judgment.

(b) Uniformity-Flexibility

The value of uniformity is observed in audit reports. The formal structure, terminology, and section order of the reviewed reports are largely similar. This homogeneity stems from both the need to comply with international standards and the cultural emphasis on order, consistency, and formalism. Uniformity increases the perception of reliability by limiting individual differences and reinforces predictability in the social order.

(c) Conservatism-Optimism

Türkiye's high uncertainty avoidance has led to a strengthening of the value of conservatism in audit reports. Companies' cautious approach to risk, the use of conservative estimates in impairment tests, the high level of provisioning, and the detailed disclosure of audit tests are indicators of this trend. While conservatism reflects a cultural tendency to avoid risk, it also reinforces the need for reliability and consistency in audit reports.

(d) Privacy-Transparency

The formal and measured language used in the report, the limitation of disclosures to necessary technical details, and the absence of personal comments or assessments by the auditor demonstrate that information sharing is conducted in a controlled manner. This is consistent with Hofstede's cultural dimension of "restriction" and supports Gray's value of secrecy. Furthermore, the increased openness, particularly in the "key audit matters" section, demonstrates that accounting culture in Türkiye is evolving, albeit slowly, toward transparency.

12.5 Conclusion

This study examines the independent audit reports of companies listed on the BIST30 index in Türkiye in terms of cultural dimensions and accounting values, revealing the effects of national culture on auditing practices. The findings from the analysis of audit reports indicate that Hofstede's cultural dimensions reflect Türkiye's scores and are consistent with the findings of Gray's hypotheses. In this context, Türkiye's high-power distance and high uncertainty avoidance levels are reflected in the language, scope, and structure of audit reports.

The references made in audit reports to regulatory authorities (CMB, PCAOB, IFRS, TCC) reveal that audit activities are guided by legal frameworks rather than professional judgment, and that a "status control" approach dominates. This finding aligns with Gray's accounting values of professionalism and status control.

Furthermore, the largely similar structure and terminology of the reports demonstrates a strong embrace of the value of uniformity, while the tendency to avoid risk reinforces the value of caution. The principle of moderation in information sharing and limited disclosure suggests that a culture of confidentiality persists, but the increased transparency in "significant audit matters" sections suggests that audit culture in Turkey is gradually shifting towards transparency.

From Hofstede's perspective on cultural dimensions, the emphasis on competition, success, and performance in Türkiye is a sign of masculinity. However, the inclusion of sustainability, employee rights, and corporate responsibility themes in reports indicates a shift towards a more culturally balanced structure. Regarding uncertainty avoidance, the detailed explanations regarding risk management and the high inflation that has affected the economy in recent years are seen as indicators of uncertainty reduction. In the long-term orientation dimension, the auditor's assessment of the company's sustainability and the inclusion of judgments that could negatively impact continuity, along with the inclusion of these in the report, along with the inclusion of topics such as R&D investments, demonstrate the development of a forward-looking sensitivity in audit reports.

As a result of independent audit reports in Türkiye, in line with Gray's accounting values, are statutory control, conservative, uniform, and contain a moderate degree of secrecy. This structure aligns with both Türkiye's cultural codes and the formal

requirements of international auditing standards. Therefore, audit reports adhere to global norms while clearly reflecting the influence of local cultural values.

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Chapter 13
The DNA of Accounting Culture: The Role of Auditor Profiles in Ethical Decision-Making Behaviors

Mehmet Günlük, Murat Özcan, Abdullah Kürşat Merter, and Nilgün Dereli

Abstract The present study employs a person-centered analytical approach to examine the influence of accounting culture values on auditors' ethical decision-making. Departing from traditional variable-centered methodologies that investigate linear relationships between individual values and ethical outcomes, this research posits that distinct configurations of accounting values coalesce to form heterogeneous profiles among auditors, which in turn exert differential effects on ethical judgment. Utilizing latent profile analysis, the present study identifies 3 auditor profiles that are theoretically meaningful and distinguished by varying degrees of professionalism, conservatism, transparency, and uniformity. The findings demonstrate that a profile characterized by diminished professional commitment, combined with elevated conservatism and secrecy orientations, exhibits significantly greater tolerance towards ethically questionable behaviors. Conversely, profiles characterized by a pronounced professional identity and transparency exhibit a significantly diminished ethical risk. These results contribute to theoretical understanding by revealing that ethical decision-making is shaped not by isolated cultural values but rather by their synergistic configurations at the individual level. The study provides significant implications for professional regulatory bodies, audit firms, and accounting education

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7_13

institutions seeking to develop evidence-based interventions that strengthen ethical standards within the auditing profession.

Keywords Accounting culture values · Ethical decision-making · Auditor profiles · Gray's accounting values model · Professionalism

13.1 Introduction

In a globalizing world, the accounting profession plays a crucial role in ensuring the reliability and transparency of financial markets. The ethical behavior of accounting professionals has been highlighted as a key issue in the wake of major financial scandals at companies such as Enron, WorldCom, and Parmalat in the early twenty-first century, and the resulting global financial crises (Arnold et al. 2007; Ponemon and Gabhart 1990). The aforementioned scandals served to erode the confidence of information users not only in the companies concerned but also in the financial system as a whole. This in turn led to a re-examination of the ethical foundations of the accounting profession. At this juncture, accounting culture values, which play a pivotal role in the ethical decision-making of accounting professionals and in the effectiveness of global financial reporting systems, have become a focal point of international accounting research.

The seminal study that systematically explicated the impact of cultural values on the development of accounting systems was conducted by Gray (1988). In his seminal study, Gray (1988) established theoretical links between Hofstede's (1980) national culture dimensions and accounting values, thereby creating a paradigm shift in accounting literature and becoming a fundamental reference point in international accounting research (Borker 2013). A seminal study in the field, Gray (1988) was among the first to propose the notion that cultural influences can impact accounting practices. Building upon Hofstede's (1980) seminal work on national cultural dimensions, Gray advanced a theoretical framework delineating four fundamental value dimensions of the accounting subculture. These dimensions, as postulated by Gray, influence the decision-making processes of accounting professionals. The value dimensions under scrutiny in this study encompass legal control versus professionalism, flexibility versus uniformity, optimism versus conservatism, and transparency versus secrecy. These value dimensions have been demonstrated to exert a direct influence on the ethical perceptions, moral judgments, decisions made when confronted with ethical dilemmas, and behavioral preferences of accounting professionals (Chanchani & Willett 2004).

The internalization of accounting values at the individual level has been shown to shape the deontological and teleological ethical assessments of professionals, as well as directing their behavioral intentions.

In the field of accounting ethics, the examination of ethical decision-making processes has historically been situated within the framework of individual cognitive development, personality traits, and situational factors (Rest 1986; Jones 1991;

Craft 2013). However, studies directly examining the effect of accounting values on ethical decision-making, as proposed by Gray (1988), have been limited in scope. Despite the extensive research conducted on the impact of Hofstede's (1980) general cultural dimensions on ethical behavior (see, for example, Cohen et al. 1996; Patel 2003), the interaction of the value dimensions developed by Gray specifically for the accounting profession remains under-researched. These dimensions include professionalism-legal control, uniformity-flexibility, conservatism-optimism, and secrecy-transparency (see Doupnik and Tsakumis 2004; Zarzeski 1996). The objective of this study is to systematically examine how the ethical judgments and behaviors of accounting professionals are shaped by accounting values. To this end, the study integrates the ethical decision-making literature through Gray's accounting value framework. In addition, it synthesizes the existing literature in this field and presents a comprehensive conceptual framework. The study also develops guiding recommendations for future research.

13.2 Gray's Accounting Subculture Values Model

Gray (1988) developed a theoretical framework that provided a pioneering explanation of the cultural influences on the international development of accounting systems. Gray's argument posits that accounting is inextricably linked to social values, with these values serving as its foundational principles. Furthermore, Gray contends that accountants' attitudes exert a pivotal influence on the evolution of accounting systems. Gray's position is that accounting constitutes a subculture within national culture.

Gray (1980) adapted Hofstede's (1980) dimensions of national culture to the accounting subculture, thereby establishing a link between social values and accounting systems. Gray's argument posits that the prevailing social values within the accounting subculture significantly influence its value structure. This, in turn, determines various facets of accounting practices, including reporting formats and disclosure standards. In this context, Gray relates the four cultural dimensions (individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity) and develops four fundamental accounting values that directly influence practices in the accounting subculture: professionalism, uniformity, conservatism, and secrecy. The provision of analytical tools for understanding how accounting systems are shaped in different cultural contexts is provided by each of these values (Gray 1988; Chanchani and Willett 2004). The following section provides a detailed exposition of the accounting values that were developed by Gray.

13.2.1 Professionalism and Legal Control Antagonism

The concept of professionalism, as initially defined by Gray (1988), pertains to the tendency exhibited by accounting professionals to exercise their individual professional discernment and to uphold professional self-regulation, as opposed to the necessity of adhering to prescriptive legal stipulations and legal oversight. This value manifests itself at two fundamental levels: firstly, the level of individual professional judgment by accounting professionals; and secondly, the level of the capacity of professional regulatory bodies to govern themselves. The concept of professionalism is widely accepted within the field of accounting, as it is a fundamental component of the professional values of accountants. The role of accountants is to make professional judgments regarding the valuation and various disclosure aspects of financial information. The extent to which these judgments are made varies depending on the laws, legal requirements, and prevailing professional practices in different countries around the world (Belkaoui 1990). The institutional development of accounting professional organizations in different countries reflects the diversity in their capacity for self-regulation; in this context, professional organizations in the United States and the United Kingdom are seen to have a higher degree of autonomy and self-regulatory authority compared to those in Continental Europe and developing countries (Gray & Coenenberg 1984; Holzer 1984; Nobes and Parker 1995; Taylor and Turley 1986).

13.2.2 The Contrast Between Uniformity and Flexibility

Gray (1988) defined the value of uniformity as the tendency for companies to adopt the same accounting practices and to maintain these practices consistently over time. This approach contrasts with the understanding that companies should demonstrate flexibility according to their specific circumstances (Jones, Tree & Ward 2019). This dimension is predicated on two fundamental components. The first component is the consistency of accounting practices over time; the second is the uniform application of accounting policies and rules across companies. Nevertheless, there are substantial discrepancies between companies and countries in the application of accounting principles. For instance, in France, a uniform accounting plan has been adopted as a result of a traditional approach aimed at facilitating national planning processes. This practice contrasts with the situation in the United Kingdom and the United States, where the need for flexibility in the selection and application of accounting policies is evident (Arpan and Radebaugh 1985; Choi and Mueller 1984; Holzer 1984; Nobes and Parker 1995). It has been posited by certain authors that uniformity should be regarded as a pivotal concept underpinning accounting practices.

13.2.3 Conservatism and Optimism Contrast

The concept of conservatism was theorized by Gray (1988) as a propensity to adopt a circumspect approach to measurement in circumstances of uncertainty regarding future events. This tendency is positioned in contrast to an optimistic, adaptable, and risk-taking attitude. In this context, conservatism can be defined as prudence or careful behavior, and it is indicated that a conservative accounting professional should consider potential losses in advance but not take potential gains into account in advance. Conservatism, widely regarded as one of the most fundamental accounting concepts, has been described as "the oldest and most widespread concept in accounting valuation" (Sterling 1967). It is widely acknowledged that the concept of conservatism varies considerably across different countries worldwide. A notable shift in attitudes has been observed among accounting professionals, with those in Continental Europe exhibiting strong conservative beliefs, in contrast to the much less conservative attitudes observed in the United Kingdom and the United States. Gray has suggested that such differences are reinforced by the relative development of capital markets, differing pressures from the interests of information users, and the impact of tax laws in the relevant countries on accounting professionals (Arpan and Radebaugh 1985; Beeny 1975; Choi and Mueller 1984; Gray 1980; Sterling, 1967).

13.2.4 The Conflict Between Confidentiality and Transparency

As posited by Gray (1988), the value of confidentiality is defined as a preference for a cautious approach to information disclosure. This is considered to be a fundamental accounting characteristic, stemming from management's control over the level of information disclosed to external stakeholders. This dimension was previously associated with management by Jaggi (1975) due to companies' tendency to disclose minimal information in their financial statements. It has been asserted by certain studies that privacy varies considerably between countries, with notable distinctions observed between Continental Europe and the United States (Arpan and Radebaugh 1985; Barrett 1976; Choi and Mueller 1984). These disparities may also be accentuated by the divergent developmental processes of capital markets and the ownership structure that engenders incentives for information sharing (Watts 1977).

13.3 Ethical Decision-Making

Ethical decision-making can be defined as a complex cognitive and behavioral process. This process involves individuals recognizing moral dilemmas, evaluating alternative solutions, and engaging in ethical action (Rest 1986; Jones 1991). Ethical decision-making, as defined by Rest (1986), is the process of systematically determining the most appropriate course of action when individuals or organizations face ethical dilemmas. It refers to decision-making that is accepted by a broader segment of society as both legal and moral (Jones 1991) and the decision-making process in situations where ethical conflicts arise (Cohen et al., 2001). The following section will describe various models in the literature that explain the ethical decision-making process in the accounting profession and provide an important theoretical basis for understanding the complexity of ethical behavior.

13.3.1 Four-Component Model

Theoretical models elucidating the ethical decision-making process in accounting and auditing have been developed using literature from the fields of organizational behavior and moral philosophy. One of the most influential models in this field is Rest's (1986) Four-Component Model, which systematically explains the cognitive, affective, and behavioral processes individuals go through when faced with ethical dilemmas (Thorne 1998; Armstrong et al. 2003). Rest (1986) conceptualizes the ethical decision-making process as comprising moral sensitivity (the individual's initial recognition of the moral dimension of the situation), moral judgment (the determination of appropriate behavior through moral evaluations of alternatives), moral motivation (the intention to prioritize ethical values over other values), and moral character (the capacity to translate intention into behavior).

13.3.2 General Marketing Ethics Theory

The General Marketing Ethics Theory, developed by Hunt and Vitell (1986), is a comprehensive framework that elucidates the ethical decision-making process in a marketing context. This theory incorporates three environmental variables: culture, industry, and organization.

The aforementioned theory posits that when individuals encounter ethical dilemmas, they arrive at decisions through two distinct evaluation processes: deontological evaluations, which concern the moral rectitude of actions in themselves, and teleological evaluations, which consider the consequences of actions on relevant stakeholders. (Hunt and Vitell 1986). As posited by Hunt and Vitell (1986), the amalgamation of these two dimensions of ethical philosophy constitutes ethical judgment,

which in turn exerts a profound influence on intention and behavior. In the field of accounting, the Hunt-Vitell model is employed to elucidate the manner in which cultural values, such as professionalism and conservatism, influence the deontological and teleological assessments undertaken by accountants when confronted with ethical dilemmas. This model underscores the significance of adhering to professional principles and the evaluation of potential consequences in the ethical decision-making process of accounting professionals (Vitell and Hunt 1990).

13.3.3 Person-Situation Interactionist Model

Trevino's (1986) Person-Situation Interactionist Model is a seminal approach that emphasizes the interaction between personality traits and situational factors in the ethical decision-making process. In accordance with Kohlberg's (1984) cognitive moral development model, the person-situation interaction model posits that an individual's level of moral judgment constitutes a salient predictor of ethical behavior. However, it is argued that this alone is insufficient to fully explain such behavior, with personal factors such as ego strength and locus of control being deemed equally decisive in ethical decision-making. Situational factors (e.g., organizational culture, time pressure, reward systems) interact with the individual's stage of moral development to shape the final behavior (Trevino and Youngblood 1990; Trevino et al. 2006). The model posits that two individuals who are at the same stage in their moral development may arrive at different ethical decisions when confronted with different situational scenarios. The interactive model provides a critical theoretical foundation for understanding how accounting cultural values (organizational-level factors) interact with individual accountant characteristics. The interactive model can be used to assess personal and environmental factors together, particularly for understanding and preventing ethical violations in the accounting profession. The interactive model is supported theoretically by Ferrell and Gresham's (1985) Context-Dependent Framework, which emphasizes the multidimensional nature of ethical decisions. Empirical studies in the accounting and auditing profession demonstrate that ethical decisions made by auditors under professional skepticism, threats to independence, and organizational pressures are influenced by both individual and situational factors (Sweeney et al. 2010; Gaa et al. 2005). These findings underscore the necessity for a comprehensive approach in the design of ethics education programs and the development of professional standards.

13.3.4 Issue-Dependent Model

Jones's (1991) Issue-Dependent Model is a significant theoretical contribution that emphasizes the situational dependency of ethical decision-making. This model posits

that the characteristics of the ethical issue influence every component of the decision-making process, thereby underscoring the notion that ethical decision-making is not a discrete, standalone process but rather is influenced by the specific characteristics of the ethical issue with which it is concerned. The model has made a significant contribution to the ethical decision-making literature by introducing the concept of "moral intensity" (Jones 1991), as evidenced by the work of Rest (1986), which developed a four-stage ethical decision-making process. Moral salience is defined as the totality of characteristics possessed by a moral issue, and it has been demonstrated to directly influence every stage of an individual's ethical decision-making process (Craft 2013). Jones (1991) defined moral salience with six fundamental components: magnitude of consequences, social consensus, probability of impact, temporal proximity, proximity to affected parties, and concentration of impact. The term 'magnitude of consequences' refers to the degree of harm or benefit caused by an action (Morris and McDonald 1995). The term 'social consensus' refers to the level of agreement within society on whether a particular action is ethical or unethical (Morris and McDonald 1995). The term 'temporal proximity' refers to the time interval between the action's consequences and their emergence (Jones 1991). The term 'proximity' refers to the decision-maker's physical, psychological, or social distance from the affected parties (Jones 1991). The term 'impact concentration' refers to whether the consequences will be felt by a small number of people or a large group (Barnett 2001). The model posits that issues of high moral salience serve to heighten individuals' ethical awareness, thereby engendering more rigorous ethical reasoning (Leitsch 2004). This approach posits that an individual's ethical decision-making may vary depending on the moral salience of the situation (O'Fallon and Butterfield 2005). Jones' model has facilitated the systematic examination of situational factors, particularly in the domains of accounting and business ethics research (Valentine and Hollingworth 2012). Research conducted in the context of accounting and auditing demonstrates that moral salience plays a critical role, particularly in financial reporting decisions and fraud detection (Singhapakdi et al. 1996; May and Pauli 2002). The model has demonstrated that an exclusive focus on individual factors is inadequate in preventing ethical violations, emphasizing the necessity to consider the characteristics of ethical issues (Craft 2013). In the contemporary context, this model provides a foundational theoretical framework for the establishment of an ethical climate within organizational settings, as well as the development of ethical decision support systems (Lehnert et al. 2015).

13.4 Literature Review and Hypothesis Development

A thorough examination of extant literature indicates that accounting values exhibit multifaceted and intricate relationships with ethical decision-making. The results of the literature review on ethical decision-making are presented below:

Thorne (1998) developed two scales, prescriptive (idealistic) and deliberative (realistic), in his study to measure the ethical decision-making processes of

accounting professionals. These scales were based on Rest's (1986) four-component ethical decision-making model. Thorne's Accounting Ethical Dilemma Instrument (AEDI) utilizes authentic ethical dilemmas specific to the accounting profession to illustrate the divergence between the "ought" and the "actual" behaviors of professionals. The study's primary findings indicate that, in an ideal scenario, accounting professionals demonstrate a higher level of ethical decision-making. However, this level is observed to decrease in actual practice, a phenomenon attributable to the influence of organizational and situational factors. Subsequent studies (Thorne & Hartwick, 2001) found that auditors demonstrated higher ethical decision-making scores after prescriptive discussions and lower scores after deliberative discussions. The findings indicate that the education of accounting ethics should not be confined to the instruction of idealistic ethical principles but rather should adopt a pragmatic approach that also addresses the pressures and situational factors in the authentic work environment (Cohen et al. 1996; Thorne and Hartwick 2001).

Ponemon (1992) examined the effect of the socialization process in accounting firms on the ethical decision-making levels of accounting professionals within the framework of the "selection-socialization hypothesis." This research was based on cognitive development theory. The study's findings indicated that accounting professionals who ascended to managerial and partner roles within the firm exhibited a tendency towards less diversified ethical decision-making styles. The study demonstrated that firm managers exhibited a systematic preference for individuals whose ethical decision-making capacity exhibited a greater similarity to their own when making decisions regarding promotion. The findings demonstrate that the organizational culture and socialization process of accounting firms impede the development of individuals' higher ethical decision-making levels and that hierarchical structures result in ethical homogenization (Bernardi and Arnold 1997; Abdolmohammadi et al. 2003). Ponemon's seminal study, which forms the basis of the phenomenon known in accounting ethics literature as the "inverse hierarchy effect," has been tested and discussed by many researchers in subsequent years (Shaub 1994; Etherington and Schulting 1995).

Shafer et al. (2001) made an important contribution to understanding the role of values in the literature on auditor ethics. In an empirical study, they examined the role of personal values in the ethical decision-making processes of professional auditors. The most striking finding of their study is that auditors' personal value preferences have no significant effect on their perception of the moral intensity of ethical dilemmas. However, it was found that perceptions of moral intensity directly and significantly affect both ethical judgments and behavioral intentions.

Karacaer et al. (2009) conducted a comparative study of the effects of personal values on the ethical decision-making processes of professional auditors in Pakistan and Turkey. The findings of the study revealed that there was no statistically significant difference between the two countries in terms of average moral intensity values. However, it was found that Pakistani and Turkish auditors showed statistically significant differences in terms of terminal values and instrumental values. The findings indicate that, despite the presence of analogous perceptions of moral intensity, auditors operating within disparate cultural contexts may possess divergent value systems.

This suggests that national culture exerts a significant influence in the shaping of auditors' value preferences.

Türegün's (2018) study examined the relationships between ethical awareness, ethical decision-making, and transparency among Certified Public Accountants (CPAs). The research findings demonstrated that CPAs are primarily influenced by their level of ethical awareness when making decisions about ethical issues or the transparency of financial reports. The findings indicated a robust correlation between the concepts of ethical awareness, ethical decision-making, and transparency.

In their multi-factor literature review, Özkan and Hancıhasanoğlu (2012) examine the psychological and qualitative factors that influence accounting professionals' perspectives on ethical decisions. The authors also analyze the connection and interaction of these professionals with professional ethical codes. The study's findings indicated that personality traits alone are inadequate for explaining the ethical decision-making behaviors of accounting professionals. The investigation emphasized the necessity for additional variables, such as organizational, situational, and cultural factors, to be incorporated into future research to enhance our understanding of ethical decision-making behaviors.

A review of extant literature on accounting values reveals the following studies. In the following studies, De Luca et al. (2022) examined the effect of the interaction between audit quality and accounting values on earnings management. The audit quality of the companies was determined by the presence of a Big 4 firm in the audit. Accounting values were measured using Gray's (1988) framework, which is based on the dimensions of professionalism-legal control, uniformity-flexibility, conservatism-optimism, and secrecy-transparency. The assessment of earnings management was conducted utilizing Jones' modified model, which is based on discretionary accruals. The research findings indicate that the earnings management level of companies audited by the Big 4 audit firms is considerably lower. Furthermore, the interaction between audit quality and accounting values demonstrates that the positive effect of audit quality on earnings quality is more pronounced when the country's level of professionalism, flexibility, optimism, and transparency is higher. The findings of the study indicated that companies operating in countries with high levels of professionalism, flexibility, optimism, and transparency, and audited by the Big 4, tend to present their economic situation in a more realistic manner and refrain from earnings manipulation to the detriment of shareholders. The study has made a significant contribution to the debate on accounting information and audit quality by revealing that corporate factors (represented by accounting values) are indeed important for earnings and audit quality, and that audit quality does not have the same effect in all countries but rather varies depending on corporate factors.

13.4.1 Hypothesis Development

In light of the theoretical framework and empirical findings outlined above, the following hypotheses have been formulated concerning the impact of accounting

values on the ethical decision-making processes of auditors. Gray's (1988) four-dimensional model hypothesizes that the value of professionalism is expected to have a positive effect on ethical decision-making.

It is predicted that auditors who place a high value on professionalism will demonstrate greater adherence to professional standards and ethical codes, thereby identifying and resolving ethical dilemmas more effectively. The impact of uniformity values on ethical decision-making is subject to variation depending on the circumstances. While uniformity values support ethical behavior by ensuring consistency, excessive rigidity may constrain professional judgment. It is anticipated that conservatism will exert a favorable influence on ethical decision-making processes, particularly by promoting a circumspect approach in financial reporting decisions. Nevertheless, the value of confidentiality has the potential to conflict with the principles of transparency and accountability and therefore may have a negative impact on ethical decision-making. Consequently, it is hypothesized that each of the accounting values will positively influence auditors' ethical decision-making process.

13.4.2 Methodology

In this study, a person-centered analytical approach was adopted in order to examine the effect of auditors' accounting culture values on their ethical decision-making behavior. In contradistinction to conventional variable-centered analyses (e.g., regression analysis, factor analysis), person-centered approaches prioritize the identification of homogeneous subgroups (i.e., profiles or classes) through the examination of individuals' response patterns to variables. In this context, the assumption was made that the effect of accounting cultural values on ethical behavior may be heterogeneous and configurational in nature. Therefore, the Latent Profile Analysis (LPA) method was selected. LPA is a model-based clustering technique used to detect unobservable (latent) heterogeneity and divide the sample into meaningful subgroups. In this section, the methodology is outlined in detail, including the research sample, the data collection tools, the theoretical foundations of latent profile analysis, and the analysis process.

13.4.3 Research Sample and Data Collection Process

The population of the study consists of auditors working in independent audit firms operating in Turkey. Purposeful sampling was employed in the selection of the sample, with efforts made to include auditors from audit firms of varying sizes. The data collection process was conducted through the utilization of an electronic survey method, and participants were approached on a voluntary basis and in accordance with ethical principles. The survey form is divided into three primary sections. The first section collects demographic information. The second section utilizes an

accounting culture values scale. The third section presents ethical decision-making scenarios. Initially, an investigative approach was adopted, entailing the formulation of inquiries designed to ascertain the demographic characteristics of the participants. These characteristics encompassed variables such as age, gender, educational attainment, marital status, and the duration of their professional experience.

The Accounting Culture Values (ACV) scale was utilized in this study. This scale is based on Gray's (1988) theoretical framework and has been previously validated in the literature for its validity and reliability. The scale under consideration comprises a total of 16 items, reflecting four fundamental cultural dimensions that are specific to the accounting profession. These are professionalism-legal control, uniformity-flexibility, conservatism-optimism, and secrecy-transparency. The design of each item is intended to gauge the degree of agreement with specific accounting practices and values, with an evaluation process employing a five-point Likert-type rating scale (1 = Strongly Disagree, 5 = Strongly Agree). Despite the scale's original structure suggesting a four-dimensional factor structure, this study utilized item-level response patterns directly, as mandated by the LPA approach.

In order to measure ethical decision-making behaviors, the Ethical Decision-Making (EDM) scale was selected. This scale is widely used in the relevant literature and contains audit-specific ethical dilemmas. The scale under consideration contains six different ethical scenarios, and in each scenario, auditors were invited to evaluate the extent to which they found a potentially unethical behavior acceptable. Responses were once more collected using a five-point Likert-type scale (1 = Absolutely Unacceptable, 5 = Absolutely Acceptable). The attainment of elevated scores on the EDD scale is indicative of an increased tolerance for unethical behaviors on the part of the participant. This, in turn, engenders a concomitant increase in the risk of such individuals demonstrating an impaired capacity for ethical decision-making. A total of 324 auditors were reached during the data collection process, but due to incomplete or inconsistent responses, 6 survey forms could not be included in the analysis, resulting in a final sample of 318 participants.

13.4.4 Latent Profile Analysis: Theoretical Foundations and Analytical Advantages

Latent Profile Analysis (LPA) is a model-based clustering method used to detect unobservable (latent) heterogeneity based on continuously observed variables. LPA can be regarded as an extension of Latent Class Analysis (LCA) for continuous variables, and both techniques are considered to fall under the mixture modeling paradigm. The fundamental premise of mixture models is that the observed data originate from multiple sub-populations (classes or profiles), and these sub-populations possess distinct statistical parameters. LPA employs a probability-based approach to identify these sub-populations and determine the likelihood of each individual belonging to a particular population.

LPA has been demonstrated to exhibit a number of significant advantages over conventional clustering methodologies (e.g., k-means clustering, hierarchical clustering). Firstly, LPA provides probability-based membership; that is, rather than each individual being assigned to a profile in a predetermined manner, each individual belongs to each profile with a certain probability. This approach facilitates the incorporation of classification uncertainty into the modelling process, thereby allowing for a more flexible approach to be adopted. Secondly, LPA employs model fit indices to statistically ascertain the optimal number of profiles. The indices under scrutiny include the Akaike Information Criterion (AIC), the Bayesian Information Criterion (BIC), the sample size-adjusted BIC (SABIC), and the entropy value. BIC is particularly favored for model selection due to its capacity to promote simplicity in models by penalizing complexity. The entropy value is utilized to evaluate the quality of classification; values between 0 and 1, with values above 0.80 indicating perfect classification and values above 0.70 indicating acceptable classification, are indicative of this.

Thirdly, LPA has the capacity to create more sophisticated profiles by modelling covariance structures. It is acknowledged that different models have the capacity to test assumptions concerning the equality or inequality of variances and covariances across profiles. This capacity enables the selection of the model that is best suited to the data structure. Fourthly, LPA facilitates the comparison of profiles with demographic and outcome variables. Subsequent to the identification of profiles, an examination of the differences between them in terms of demographic characteristics, attitudes, or behavioral outcomes becomes possible. This feature has been demonstrated to enhance the interpretability and validity of profiles from both theoretical and practical perspectives. In conclusion, as LPA is a person-centered approach, it considers individuals' response patterns to variables in their totality. This demonstrates how combinations of variables (configurations) form meaningful profiles, in contrast to variable-centered approaches (e.g., regression analysis) that examine the effect of individual variables.

In the context of accounting culture values, the use of LPA is of particular value, as Gray's (1988) theory posits that accounting culture possesses a multidimensional and complex structure. Interactions between the dimensions of professionalism, uniformity, conservatism, and confidentiality can create different configurations, and the effects of these configurations on ethical behavior can be heterogeneous. To illustrate this point, consider the case of an auditor profile that exhibits high levels of professionalism but low confidentiality values. This profile may exhibit different ethical tendencies compared to a profile with low professionalism and high confidentiality. LPA is an ideal analytical tool for capturing such configurational effects.

13.4.5 Analysis Process and Model Selection

The latent profile analysis was conducted in five basic stages. In the initial phase, designated as data preparation, a quality control procedure was executed on the data

collected from 318 auditors. The responses obtained through 16 MKD items and 6 EKV items were examined in terms of missing data, outliers, and pattern analysis. The data was subjected to a preliminary investigation into its normality using skewness and kurtosis values. This analysis revealed that all variables were found to be within acceptable limits (skewness <2, kurtosis <7). Furthermore, an examination of the correlation matrix between MKD items confirmed the absence of multicollinearity.

In the second stage, the model comparison process was initiated. In order to ascertain the optimal number of profiles in the LPA analysis, a series of trials were conducted in which different profile numbers ranging from 1 to 6 were tested. A suite of fit indices was calculated for each model. The indices encompassed the log-likelihood value, the Akaike information criterion (AIC), the Bayesian information criterion (BIC), the sample size-adjusted BIC (SABIC), the entropy value, and the smallest profile size percentage. In the model comparison, the BIC value was minimized to serve as the fundamental criterion, with additional indices and theoretical justifications also being considered. In particular, the presence of a sufficient number of participants in each profile (minimum 5%) and the theoretical interpretability of the profiles were also among the factors considered in the model selection.

In the third stage, the optimal model selection was performed. Following a thorough comparison of the model fit indices, it was determined that the BIC value reached its minimum level in the 3-profile model. The entropy value was calculated to be 0.702, indicating that the classification quality was "good." Furthermore, even the smallest profile in the 3-profile model constituted 12.9% of the sample, thereby demonstrating that the profiles were of sufficient size and provided statistical reliability. Alternative models (e.g., 4, 5, or 6-profile models) did not offer lower BIC values and were not favored due to the very small number of participants in some profiles. Consequently, the 3-profile model was accepted as the optimal solution.

In the fourth stage, the profile identification and characterization process was carried out. Following the selection of the optimal model, the means of the responses given by the auditors in each profile to the 16 MKD items were calculated in order to ascertain the distinguishing features of the profiles. The mean values for each profile were then compared with the overall sample mean in order to identify which accounting culture values each profile demonstrated high or low levels of. Furthermore, the utilization of standardized scores (Z-scores) facilitated the visualization of discrepancies between profiles with greater clarity. At this stage, the profiles were evaluated in terms of their theoretical and practical significance in light of Gray's (1988) theoretical framework.

In the fifth and final stage, profile validation was performed. In order to ascertain the validity of the profiles, a comparison was made between them in terms of demographic variables (age, gender, education level, marital status, experience duration) and outcome variables (EKV scores). Chi-square tests were used for demographic comparisons, while one-way analysis of variance (ANOVA) was used for EKV score comparisons. Subsequent to the revelation of significant differences between profiles by ANOVA, the Tukey HSD post-hoc test was applied in order to ascertain which profiles differed. The multiple comparison test was utilized to ensure the reliable

identification of differences between profiles, whilst controlling the Type I error rate. The significance level for all statistical analyses was set at $p < 0.05$.

During the analysis process, the R programming language and the tidyLPA package were utilized to estimate the LPA models. The tidyLPA package facilitates the systematic testing of different numbers of profiles and the straightforward comparison of model fit indices. Furthermore, the ggplot2 and pheatmap packages were utilized to generate profile graphs and heatmap visualizations. The utilization of base R functions was deemed optimal for the execution of ANOVA and post-hoc tests. All analyses were performed in accordance with the principle of reproducibility, and the analysis codes were systematically documented.

13.5 Findings

The following section is dedicated to the presentation of the findings obtained from the Latent Class Analysis in great detail. Firstly, we will explain the process of determining model fit indices and the optimal number of profiles, followed by a detailed characterization of the three defined profiles. Subsequently, an investigation will be conducted into the ethical decision-making scores between profiles, alongside an examination of the differences in profiles in terms of demographic characteristics. The final stage of the research process will involve a discussion of the theoretical and practical implications of the findings.

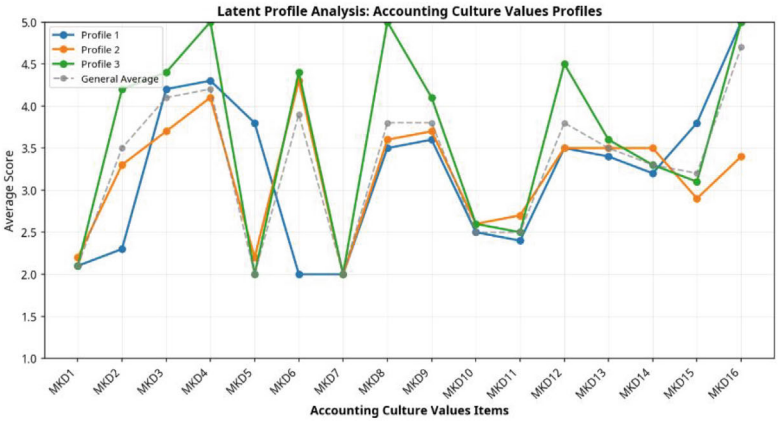
13.5.1 Model Fit Indices and Determination of the Optimal Number of Profiles

The initial stage in latent class analysis is the determination of the number of profiles that most accurately represent the sample. To this end, models with different numbers of profiles, ranging from 1 to 6, were tested, and a series of fit indices were calculated for each model. As illustrated in Table 13.1, a comparison of the comparative fit indices of models with differing numbers of profiles is presented.

Upon rigorous examination of the model fit indices presented in Table 13.1, it is evident that the three-profile model is the optimal solution. As anticipated, the log-likelihood value increases in proportion to the number of profiles; nevertheless, this alone is not a sufficient criterion because more complex models invariably yield superior log-likelihood values. Consequently, information criteria that penalize model complexity are more reliable indicators. While the AIC value generally decreases with an increase in the number of profiles, the BIC value attains its minimum level (11259.76) in the three-profile model and subsequently rises again in the four-profile

Table 13.1 Fit indices of models with different number of profiles

Number of Profiles	Log-Likelihood	AIC	BIC	SABIC	Entropy	Smallest Profile (%)
1	−5847.65	11727.30	11790.56	11734.51	–	100.0%
2	−5580.01	11223.99	11350.51	11238.75	0.727	12.9%
3	−5487.04	11069.98	11259.76	11092.29	0.702	12.9%
4	−5428.62	10985.09	11238.13	11014.95	0.698	8.8%
5	−5385.17	10930.13	11246.43	10967.54	0.693	5.7%
6	−5350.69	10893.12	11272.68	10938.08	0.688	4.4%



Graphic 13.1 Latent profile analysis: mean scores of accounting culture values across three auditor profiles. *Note* Graphic 13.1 is a line graph showing the average scores for each profile in the 16 MKD items. The blue line represents Profile 1 (Balanced Professionals), the orange line represents Profile 2 (Low Professionalism Group), and the green line represents Profile 3 (High Professionalism Group)

model. This finding suggests that the three-profile model provides the most parsimonious explanation for the observed data structure. A similar pattern is exhibited by the SABIC value.

The entropy value is of particular significance in this regard, as it functions as an indicator of the quality of classification. The entropy value was calculated as 0.702 in the three-profile model. This value exceeds the 0.70 threshold value that has been determined in the extant literature to be acceptable for the purpose of classification quality. Despite the higher entropy value (0.727) exhibited by the two-profile model, the three-profile model was favored on the basis of the optimization of the BIC value. Another significant criterion is the smallest profile size. In the three-profile model, the smallest profile constitutes 12.9% of the sample, which is considered sufficient for statistical reliability. It was observed that the smallest profile percentage decreased to 8.8%, 5.7%, and 4.4% in the four-, five-, and six-profile models, respectively. The

issue of statistical reliability and generalizability is rendered more complex by these small profile sizes.

Consequently, following a thorough evaluation of model fit indices and theoretical justifications, the three-profile model was identified as the optimal solution. This model provides a solution that best explains the data structure, has high classification quality, has balanced profile sizes, and is theoretically interpretable. The ensuing sections provide a detailed characterization of these three profiles.

13.5.2 Profile Membership Distribution and Descriptive Statistics

Following the determination of the optimal model, a subsequent examination of the descriptive statistics of each profile was conducted in terms of size and ethical decision-making scores. Table 13.2 presents the membership distribution and average EQS scores of the three profiles.

As demonstrathis statistic in Table 13.2, the overwhelming majority of the sample (56.3%) was classified as Profile 1. This profile consists of a total of 179 auditors and is referred to as "Balanced Professionals." Profile 2 consists of 41 auditors, representing 12.9% of the sample, and is defined as the "Low Professionalism Group." Profile 3 consists of 98 auditors, covering 30.8% of the sample, and is termed the "High Professionalism Group." This distribution indicates that auditors possess a heterogeneous structure in terms of accounting culture values, thereby demonstrating the existence of diverse cultural configurations.

When examined in terms of ethical decision-making scores, notable differences are observed between the profiles. Profile 2 (Low Professionalism Group) demonstrated the highest mean EKV score of 1.935 (SD = 0.918). It has been demonstrated that high scores on the EKV scale are indicative of a greater degree of tolerance among auditors towards unethical behavior. This, in turn, engenders a profile that is deemed to be more ethically risky. The standard deviation of this profile is also higher than that of the other profiles (0.918), indicating greater heterogeneity in ethical attitudes within the group. It is evident that Profile 1 (Balanced Professionals) and Profile 3 (High Professionalism Group) are closely aligned, exhibiting low EKV scores of 1.517 and 1.509, respectively. Auditors in these two profiles appear to exhibit reduced tolerance for unethical behavior and are considered to pose a lower ethical risk.

Table 13.2 Profile membership distribution and ethical decision-making scores

Profile	n	Percentage (%)	EKV Average (SS)
Profile 1: Balanced professionals	179	56.3	1.517 (0.565)
Profile 2: Low professionalism group	41	12.9	1.935 (0.918)
Profile 3: High professionalism group	98	30.8	1.509 (0.775)

These preliminary findings concerning profile sizes and ECV scores indicate that the impact of accounting culture values on ethical decision-making is heterogeneous and that specific cultural configurations (particularly Profile 2) are ethically more hazardous. The subsequent section will provide a comprehensive examination of the characterization of these profiles in relation to accounting culture values.

13.5.3 Evaluation of Profiles in Terms of Accounting Culture Values

In order to comprehend the variances amongst the profiles with respect to accounting culture values, an exhaustive examination of the mean scores of the profiles on the 16 MKD items was conducted. As illustrated in Graphic 13.1, the accounting culture value profiles of the three profiles are presented in the form of a line graph. The graph presents the mean scores of the profiles on each MKD item, thus clearly highlighting the differences between them.

Profile 1: Balanced Professionals Auditors in this profile (n = 179, 56.3%) demonstrate scores that approximate the overall sample average for the majority of accounting culture values. The profile attains the maximum score (5.0) on item MKD16 (behaving in accordance with professional ethical principles). This finding suggests that auditors in Profile 1 exhibit a strong commitment to professional ethical values. Conversely, they demonstrate a deficiency in items pertaining to confidentiality and rigidity, as evidenced by their low scores on MKD7 (minimum detail), MKD10 (not changing policies), and MKD11 (confidentiality of management information). This observation suggests that auditors in this profile have adopted a flexible and balanced understanding of accounting culture, with a lessening of fixation on excessive confidentiality or rigid rules. When evaluated from the theoretical framework proposed by Gray (1988), Profile 1 is characterized by moderate degrees of professionalism, low levels of confidentiality, and a balanced combination of conservatism and optimism. This balance facilitates auditors in this profile in adhering to professional standards whilst simultaneously demonstrating flexible approaches based on situational factors.

Profile 2: Low Professionalism Group. Auditors in this profile (n = 41, 12.9%) demonstrate distinct and noteworthy disparities when compared to the other two profiles. The most salient finding is that this profile attains a remarkably low score (3.39) on item MKD16 (behaving in accordance with professional ethical principles). This value is indicative of a marked difference when compared to the 5.0 score of the other two profiles, suggesting that auditors in this profile exhibit a substandard adherence to professional ethical values. Furthermore, auditors in this profile demonstrate high scores on items such as MKD1 (Conservatism), MKD5 (Historical Cost), and MKD10 (Policy Rigidity). This finding suggests that this group employs a conservative and rigid accounting approach. Conversely, high scores on items MKD7 (minimum detail) and MKD11 (privacy) indicate a high tendency towards

privacy among auditors with this profile. In Gray's (1988) theoretical framework, the juxtaposition of low professionalism and high confidentiality is conceptualized as an ethically risky profile. This configuration has the potential to compel auditors to adhere to rigid rules rather than exercise their professional judgment freely, while also discouraging the sharing of information. This situation may result in less autonomous and less transparent decision-making in ethical dilemmas.

The third profile is that of the High Professionalism Group. Auditors in this profile (n = 98, 30.8%) are distinguished by their strong professional identity and ethical commitment. Auditors in this profile demonstrate a similar pattern of performance to profile 1, with the maximum score (5.0) on MKD16 (Acting in accordance with professional ethical principles) being attained by the majority. However, the distinguishing feature of Profile 3 is that it has high scores on MKD2 (Exercise professional judgment), MKD4 (Professional independence), MKD6 (Current cost accounting), MKD8 (Flexibility in financial reporting), MKD9 (Transparency), MKD12 (Compliance with the uniform chart of accounts), MKD13 (Compliance with international standards), and MKD15 (Consistent accounting policies). The findings indicate that auditors with this profile value the use of their professional judgment, maintain their professional independence, embrace transparency, and demonstrate a strong commitment to international standards. Conversely, the subjects demonstrated low scores on the MKD7 (minimum detail) and MKD11 (confidentiality) metrics, indicating a propensity towards low confidentiality and high transparency. As posited by Gray (1988) in his theoretical framework, Profile 3 is distinguished by its high degree of professionalism, low level of confidentiality, and strong adherence to established standards. This profile is regarded as the archetypal professional auditor, exhibiting minimal ethical concerns.

A heatmap analysis demonstrating the standardized scores (Z-scores) of the profiles in terms of accounting culture values serves to highlight the differences between the profiles with greater clarity. Figure 13.1. illustrates the standardized scores of the MKD items in each profile with the use of color coding.

The subsequent heatmap analysis provides a clear illustration of the most distinctive features of Profile 2. As indicated by its notably low score ($Z = -1.15$, dark green) on item MKD16 (Adherence to ethical principles), this profile is most clearly distinguished from the others. Furthermore, elevated scores ($Z > 1.0$, red) in MKD1, MKD5, and MKD10 (Conservatism and Rigidity) are indicative of a profile characterized by low professionalism, high conservatism, and low transparency. The heatmap for Profile 3 demonstrates elevated scores ($Z > 1.0$, red) in items MKD2, MKD4, MKD6, MKD8, MKD9, MKD12, MKD13, and MKD15. These findings indicate that Profile 3 represents the group with by far the highest values for professionalism and uniformity. Conversely, Profile 1 demonstrates Z-scores that approximate zero (yellow-orange colors) in the majority of items, signifying that its profile is proximate to the mean.

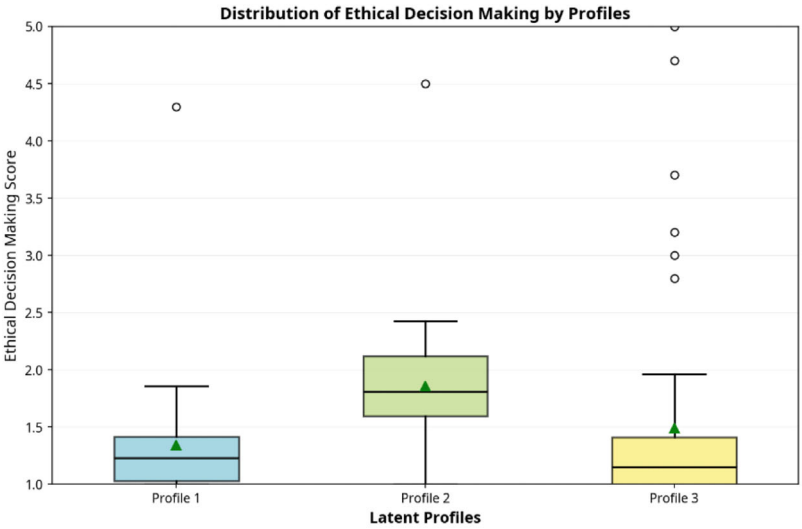


Fig. 13.1 Profile heatmap: standardized mean differences in accounting culture values across latent profiles. *Note* Fig. 13.1. is a heatmap showing the standardized scores of MKD items in each profile. Red colors represent values above the average, while green colors represent values below the average. Darker colors indicate stronger deviations

13.5.4 Differences in Ethical Decision-Making across Profiles

Following the characterization of the profiles in terms of accounting culture values, it is important to statistically test how these profiles differ in terms of ethical decision-making behavior. To this end, a one-way analysis of variance (ANOVA) was applied to compare the mean EKV scores across the three profiles. The results of the analysis of variance (ANOVA) demonstrated statistically significant differences in EDC scores between profiles [$F(2, 315) = 6.714$, $p = 0.001$]. This finding indicates that profiles of accounting culture values have a substantial impact on ethical decision-making behaviors.

In instances where a substantial discrepancy is identified in the results of an ANOVA, post-hoc comparison tests are imperative to ascertain the specific profiles between which the discrepancy exists. The Tukey HSD test was applied for this purpose. The Tukey HSD test is a statistical method that is employed to control the type-I error rate while simultaneously performing all possible pairwise profile comparisons. As illustrated in Table 13.3, the results of the Tukey HSD test are presented.

The Tukey HSD test results presented in Table 13.3 provide a detailed picture of the differences between profiles. Firstly, a statistically highly significant difference was

Table 13.3 Post-hoc comparisons of ethical decision-making scores across profiles

Comparison	Average Difference (Δ)	p-value
Profile 1 vs profile 2	−0.418	0.0002***
Profile 1 vs profile 3	0.008	0.9191
Profile 2 vs profile 3	0.426	0.0059**

Note ** $p < 0.01$; *** $p < 0.001$

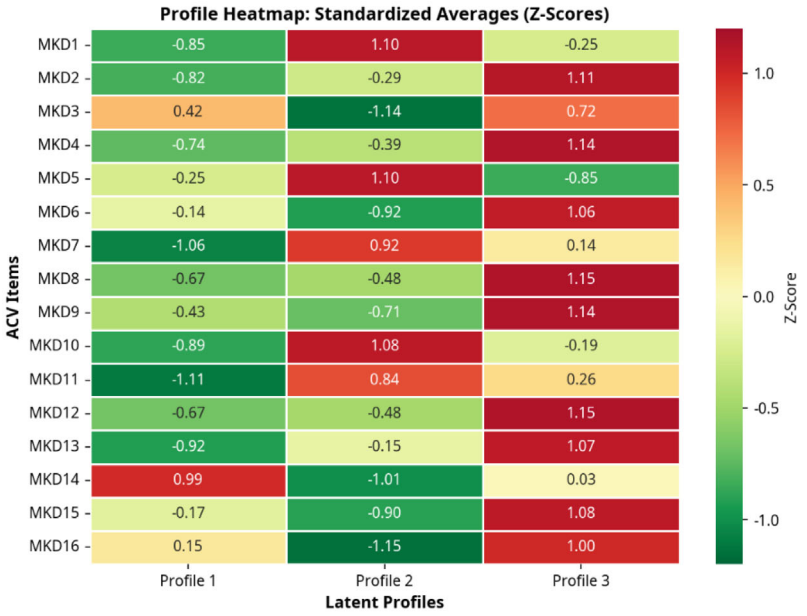
identified between Profile 1 (Balanced Professionals) and Profile 2 (Low Professionalism Group) ($\Delta = -0.418$, $p = 0.0002$). The negative mean difference indicates that Profile 1's EKV score is 0.418 points lower than Profile 2's. In other words, auditors in Profile 2 exhibit a significantly higher tolerance for unethical behavior in comparison to auditors in Profile 1. Secondly, no statistically significant difference was found between Profile 1 and Profile 3 (High Professionalism Group) ($\Delta = 0.008$, $p = 0.9191$). This finding suggests that both profiles demonstrate a comparable level of ethical risk. Thirdly, a statistically significant difference was identified between Profile 2 and Profile 3 ($\Delta = 0.426$, $p = 0.0059$). It is evident from the data that there is a significant disparity in the Enterprise Key Performance Indicator (EKV) scores between Profiles 2 and 3. The former exhibits a higher score of 0.426, indicating a higher tolerance level for unethical behavior among its members. This suggests that auditors within Profile 2 demonstrate a greater degree of tolerance for such behavior in comparison to their counterparts in Profile 3.

A box plot graph was created to visualize the distribution of EQV scores across profiles. As illustrated in Graphic 13.2, the distribution of EQV scores, median values, interquartile ranges, and outliers for the three profiles is presented.

The box plot graph demonstrates that Profile 2 differs from other profiles not only in terms of average but also in terms of distribution. The box (interquartile range) for Profile 2 is wider, indicating that auditors in this profile are more heterogeneous in terms of ethical attitudes. Furthermore, a greater number of outliers are observed in Profile 2, indicating that some auditors exhibit particularly high ethical risk. The boxes for Profile 1 and Profile 3 are strikingly similar and narrower, indicating that the auditors in these profiles demonstrate a greater degree of homogeneity with regard to ethical attitudes and exhibit a comparatively low ethical risk. Upon examination of the median values, it is evident that the median of Profile 2 is significantly higher than those of the other two profiles. This finding serves to validate the hypothesis that the average differences are also valid on a median basis.

13.5.5 Comparison of Profiles in Terms of Demographic Characteristics

It is imperative to comprehend the disparities in demographic characteristics between the profiles, as this is pivotal in identifying the potential factors that may influence their formation. To achieve this objective, a comparative analysis was conducted



Graphic 13.2 Distribution of ethical decision-making scores across auditor profiles. *Note* Graphic 13.2. is a box plot graph showing the distribution of EKV scores for each profile. The line inside the box represents the median, the lower and upper edges of the box represent the first and third quartiles, the whiskers represent the minimum and maximum values, and the dots represent outliers

among the three profiles using chi-square tests across five demographic variables (gender, age, education level, marital status, and length of experience). The results of these comparisons are presented in Table 13.4.

The chi-square test results presented in Table 13.4 show that there is a statistically significant difference between the profiles only in terms of the age variable ($\chi^2 = 19.79$, $p = 0.011$). No significant differences were found between the profiles in terms of gender, education level, marital status, and length of experience. These

Table 13.4 Demographic differences between profiles

Demographic Variable	χ^2	p-value
Gender	0.29	0.867
Age	19.79	0.011**
Education level	3.47	0.482
Marital status	1.76	0.415
Experience duration	7.20	0.706

Note ** $p < 0.01$

findings suggest that age may play a role in forming accounting culture values, but other demographic factors are not directly determinative.

A detailed examination of the age variable reveals differences in distribution between profiles. Profile 1 (Balanced Professionals) consists of a balanced mix of younger auditors (under 30: 27.9%) and middle-aged auditors. Profile 2 (Low Professionalism Group) stands out as the youngest profile, with the proportion of auditors under 30 reaching 31.7%. Furthermore, the proportion of auditors aged 51–60 (24.4%) is higher in this profile than in the other profiles. This finding suggests that both very young and experienced but perhaps demotivated auditors may be included in this profile. Profile 3 (High Professionalism Group) is characterized as the most mature profile, with auditors aged 41–50 accounting for 27.6% and those aged 51–60 accounting for 28.6%. These findings reveal that age, and therefore experience, may play a role in shaping accounting culture values but is not the sole determinant.

The fact that variables such as gender, education level, marital status, and length of experience do not show significant differences between profiles suggests that accounting culture values may be shaped independently of these demographic factors. This indicates that individual characteristics, organizational factors, and professional socialization processes may be more important in the formation of accounting culture. Future research is recommended to examine other potential factors that influence profile formation (e.g., firm size, certification status, educational background, mentoring relationships).

13.6 Discussion

The present study sought to ascertain whether it is possible to categorize auditors into different profiles based on accounting culture values. Furthermore, it investigated whether these profiles engender a meaningful difference in ethical decision-making behavior. The three distinct auditor profiles obtained through Latent Profile Analysis (LPA)—"Balanced Professionals," "Low Professionalism Group," and "High Professionalism Group"—reveal the heterogeneous structure within the accounting profession and the complexity of ethical decision-making mechanisms. The findings offer significant theoretical and practical implications.

13.6.1 Theoretical Contributions

The primary theoretical contribution of this study is that it employs a person-centered methodology (LPA) to assess Gray's (1988) accounting values framework, thus surpassing variable-centered approaches (e.g., regression or correlation). Whilst extant literature has focused on the linear relationship between accounting values (e.g., professionalism or conservatism) and ethical decision-making, this study has demonstrated that it is not specific values alone, but rather the configurations or

profiles they form together, that are more meaningful. The findings provide empirical evidence that auditors do not constitute a homogeneous group but rather consist of subgroups that internalize accounting values in different ways. This approach inaugurates a novel conceptual and methodological trajectory in the domain of accounting ethics research, thereby facilitating a more profound comprehension of the intricate and multifaceted mechanisms that underpin ethical conduct.

Secondly, the study makes a significant contribution to the existing literature by clearly defining an ethically risky profile termed the "Low Professionalism Group." This profile, characterized by a paucity of professional ethical commitment coupled with a high degree of conservatism and secrecy tendencies, elucidates the psychological dynamics underpinning tolerance for unethical behavior. This finding aligns with Trevino's (1986) "bad apples" concept, which is incorporated within his person-situation interactive model. This finding demonstrates that ethical violations stem not only from situational factors but also from individuals' sets of values, which interact with each other. The finding that the combination of low professionalism and high confidentiality increases ethical risk is a critical interaction that should be considered in future theoretical models.

This research reveals that the process of professional socialization occurs at different levels among auditors. The adoption of idealized values such as adherence to international standards, use of professional judgment, and transparency by the "High Professionalism Group" suggests that this group has successfully completed professional socialization. Conversely, the existence of the "Low Professionalism Group" indicates that certain auditors have not fully internalized the fundamental ethical norms of the profession, despite their professional education and experience. This situation lends support to the selection-socialization hypothesis, as discussed by researchers such as Ponemon (1992), and highlights the necessity for accounting ethics theories to pay greater attention to the heterogeneous results of individual differences in entering the profession and the socialization processes experienced within it.

13.6.2 Practical Implications

The findings of this study offer significant practical implications for the auditing of professional organizations (for example, TÜRMOB) and regulatory bodies. The fact that auditors have different ethical profiles suggests that "one-size-fits-all" ethics training programs may be inadequate. It is imperative to devise targeted intervention programs directed at the "Low Professionalism Group," which constitutes the most ethically perilous group. These programs should emphasize the importance of professional judgment, the dangers of excessive rule-following and secrecy, and the values that form the basis of professional identity, rather than merely memorizing ethical rules. Professional organizations are capable of identifying auditors who may pose a risk by developing diagnostic tools (e.g., surveys or case studies) with the

purpose of detecting such profiles. Furthermore, they are able to organize mandatory and intensive ethics training for these individuals.

Secondly, the findings provide valuable insights for audit firms' human resources management processes. In the context of recruitment processes, it is imperative that candidates are evaluated not only on their technical knowledge and skills but also on their alignment with the prevailing accounting culture and its associated values. Characteristics such as low ethical commitment and high secrecy, which are prominent in the "Low Professionalism Group," can be interrogated in job interviews and case studies. It is possible for firms to identify current auditors with these profiles and assign them to specific mentoring programs. For instance, the allocation of a mentor from the "High Professionalism Group" to a junior auditor from the "Low Professionalism Group" has been demonstrated to facilitate the effective transfer of professional values, thereby establishing a positive role model.

Ultimately, the findings of the research provide a series of recommendations for educational institutions that offer programs in accounting and auditing. It is imperative that accounting curricula not only encompass the teaching of technical standards and legal regulations but also aspire to cultivate a robust professional and ethical identity in students. It is imperative that classes encompass a greater number of real-life scenarios (ethical dilemmas) in which conflicts arise between strictly applying rules and ethical principles. Active learning methods that develop students' professional judgment, critical thinking skills, and understanding of transparency should be employed. This approach serves to mitigate the probability of subsequent auditors being designated as part of the "Low Professionalism Group," thereby enhancing the overall ethical standards of the profession.

13.6.3 Limitations and Future Research

This study has been subject to certain limitations, which nevertheless pave the way for new avenues to be explored in future research. Firstly, it is important to note that the present research is based on a cross-sectional data set. Consequently, it is not feasible to draw conclusions about how the profiles developed or changed over time. It is suggested that subsequent longitudinal studies should examine the hypothesis that auditors transition between these profiles at different stages of their careers (e.g., from trainee to partner) or whether their profiles remain stable. The execution of such research would facilitate a more profound comprehension of the dynamics underpinning professional socialization.

Secondly, the study utilized self-reported survey data. It is important to note that the responses given by participants on the ethical decision-making scale may not necessarily reflect their actual behavior but rather may be influenced by socially desirable answers. It is recommended that future research utilize experimental designs or case-based simulations in order to measure actual behavior. Moreover, the present study was conducted exclusively on auditors in Turkey. In order to enhance the generalizability of the findings, it is recommended that similar studies be conducted

in different national cultures (e.g., Anglo-Saxon and Continental European countries). This would allow for the determination of whether accounting culture value profiles are universal or vary according to cultural context. Finally, it is possible to examine factors other than demographic variables that influence the formation of profiles in greater detail. Such factors may include the size of the firm worked for, the auditor's title, and the type of education received.

13.7 Conclusion

The present study has revealed that, as a result of conducting a latent profile analysis, there is a strong correlation between the ethical decision-making behaviors of auditors and the accounting culture value configurations to which they are exposed. The research divided auditors into three meaningful subgroups: The following classifications are employed: "Balanced Professionals," "Low Professionalism Group," and "High Professionalism Group." The findings demonstrate that the "Low Professionalism Group," characterized by low professionalism, high conservatism, and elevated secrecy values, exhibits a substantially elevated tolerance for unethical behavior and consequently poses a heightened ethical risk to the profession. This finding underscores the notion that ethical behavior is not solely determined by individual values but is instead shaped by the multifaceted profiles of values that emerge at the individual level. The findings provide important practical insights for auditing professional organizations, auditing firms, and educational institutions in developing more targeted and effective strategies to strengthen ethical standards.

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Ö. Sarısoy and G. Kurt (eds.), *Contexts and Practices in Accounting Culture, Volume II*, Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application,
https://doi.org/10.1007/978-981-92-5559-7

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