A SURVEY OF CULTURE AND FINANCE

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Abstract

Over the past years an interest in Culture has increased among financial scholars. We provide a survey using financial research-articles with an explicit focus on Culture and relying on a systematic screening of 21 academic journals in Finance and beyond. While we can identify three financial topics at large, we note an overwhelming diversity of approaches in the way culture is conceptualized and operationalized, when the issue is not simply shunned. We stress a number of directions in which culture-research in Finance can be extended further, including richer conceptualizations of culture, further consideration of existing wisdom from adjacent disciplines, greater reliance on qualitative evidence and further investigation on the consequences of embededdness in Finance, each of which provides ground for surveys, and theoretical developments.

Our main contributions are threefold. We underline the importance of disciplinary inbreeding in the way culture is operationalized in financial research today; the current methodological toolkit, embedded in the neoclassical paradigm (Brennan, 1995), may be insufficient to deal effectively with culture processes. Further venues may need to adapt the mainstream methodological toolkit accordingly. Second we suggest implementing backward definitions of culture with reliance on groups' characteristics and conceptualization of culture-finance mechanisms rather than departing from "what culture is" (or should be). Last, we attract attention to complementarities and divergences with Behavioral Finance. In particular culture-research presumes varying forms of rationality; its focus on collective norms should provide an interesting angle of approach for future research, complementary to that of Behavioral Finance.

Overall, it may be no coincidence if a culture interest is rising at a time Zingales (2000) calls for a re-foundation.

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Comparative Thinking. Theory-Method intersection. Epistemology. Behavioral Finance.

JEL Classification: B4, B5, F3, G3.

EFM Classification

150 - Corporate Governance

120 - Behavioural Issues

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A Survey of Culture and Finance

> *"If one tries to transgress the borderlines of national cultures, one piece of intellectual luggage that has to be left at home is the division of labor among social sciences as it has been developed in Europe and North America in the past hundred years [...] Academic inbreeding and atomization in the West have led to extensive production of irrelevant speculations [...] Cross-cultural social sciences therefore can not but be cross-disciplinary". Hofstede (1994: ix)*

The appeal of culture-concepts in financial research is not only recent, but it is gaining a larger audience. For instance the studies by Stulz & Williamson (2003) and by Grinblatt & Keloharju (2001), relating respectively culture to investors' protection and to stockholding, are now largely acknowledged by the financial community[1]. In particular Stulz & Williamson (2003: 314) emphasize their general belief that culture is very important for the study of financial phenomena. Ramirez & Tadesse (2007: 8) note the growing importance of references to national culture indices in the financial and economic literatures at large. Some authors go further; DeJong & Semenov (2002: 2) suggest that a specific "*cultural view*" should be developed, in part to compete with the *law and finance* approach that has blossomed since La Porta, Lopez-de-Silanes, Schleifer & Vishny (1997, 1998). Breuer & Quinten (2009) suggest the establishment of "*Cultural Finance"* as an autonomous discipline. Simultaneously, "*cultural biases*" have been mentioned in Behavioral Finance as early as 1997 (Shiller, 1999: 1) and they are currently being closely considered (Statman, 2006, 2008). Yet, in Finance, neither any review, nor any consistent cultural framework has been proposed to date.

[1] Google-scholar's citation index is at 306 citations for Stulz & Williamson and 268 for Grinblatt & Keloharju. The citation index for ISI-Web of Science [EBSCO] respectively stands at 49 [37] and 76 [55] (October 1st)

In this paper, we survey culture-related research in the financial arena. To be all-inclusive, we start with papers that were brought to our attention and to be systematic we screen peer-reviewed academic journals in Finance. In a second-round screening, we use all references to extend our screening-base to relevant journals in adjacent fields and in particular in management and International Business, carefully excluding topics that are not strictly financial to maintain our focus.

Obviously we should start with a definition of Culture. However a primary observation from the survey is that articles often provide no definition of culture. When they do, there are not only large discrepancies in definitions but there is also little consistency in the way culture is understood and operationalized across the range of financial topics. The atomization of social sciences is apparent (Hofstede: here in exergue) and it makes it hard to adapt a framework from adjacent fields without extensive scholarship. In fact our survey shows that there are few systematic efforts to implement culture-related concepts or variables in financial research to date, with one exception: the literature using large cross-national culture indices, which is derived from Hofstede's seminal research and that we subsequently call the '*dimensionalist literature'* (Vinken, Soeters & Ester, 2004). A brief outline is provided in appendix 1 for those unfamiliar with this line of research concerned with National Cultures Indices.

The dimensionalist literature has indeed extensively been used by financial scholars (Breuer & Quinten, 2009) but it has hardly found its way into peer-reviewed financial journals. This framework is well established in International Business or Marketing. However, recent International Business reviews emphasize how it can be fruitfully complemented or extended and sometimes its validity is questioned (see appendix 1). Outside International Business or Marketing, such as in economics or sociology questioning the overall usefulness of this approach is more generally the rule (Mc Sweeney, 2002).

Therefore we complete our review by a synthesis and we point to a number of directions to extend culture-research in Finance. First existing wisdom organized around four competing views of culture should be further imported from adjacent disciplines, discussed and integrated into financial research. In fact, some researchers have developed extensive knowledge in economics (for instance about societal trust), in political sciences or economic sociology (for instance about religious influence on national institutions). Second, the fuzziness of culture should be taken seriously, and methods should be adapted accordingly including greater reliance on conceptual reasoning and qualitative evidence. So, while Zingales (2000) calls for a *re-foundation,* he suggests the introduction of new methodologies into Finance. Much of culture research in adjacent disciplines, and not least in sociology, fosters combined methodologies (*'converging evidence'*). Third, we argue, still following sociological wisdom, that culture-research in finance should not start with ex-ante views on culture, but rather it should focus on conceptual models on how *some* norm characterizing the action within a *specific* group to a *specific* purpose is relevant. Hence, the definition of culture should come *backward* [author's terminology] and be intimately related with a conceptual model on how the collective norms or the '*group-behavior*' influence financial decision-making or financial structures. This is to be contrasted with the usual way to proceed in Behavioral Finance when research starts from the identification of behavioral biases, such as those characterized by Kahneman & Tversky (1979). Fourth, the institutional embededdness of many financial issues should be considered further with extent reliance on findings from economics, sociology, political or management sciences. So for instance dimensionalist-research has emphasized serial-correlation of national culture indices with a broad number of economic, socio-political and financial outcomes. This seems largely ignored within the financial literature and particularly in the *law and finance* perspective (Aoki, 2001: chapter 11; Stulz & Williamson, 2003).

The organization of the survey is somewhat problematic provided the large discrepancies noted in the existing literature. Therefore we provide a preliminary methodological section summarizing our survey-process and the ensuing categorization-efforts. In particular, we briefly present how financial topics emerged and had to be categorized further to provide homogeneity for a meaningful review (section 1). We carry on with the survey, combining homogeneous culture views within broad financial topics and start with research focusing on studies relating to *international trade and investment* that view culture as familiarity across national boundaries (section 2). Next we consider recent additions to the investigation of the home bias in stockholding and how collective priors influence stock-market participation, should these priors be nationality-based or derived from other sources (section 3). Then we review all articles that implement a dimensionalist view of culture, showing how these articles generally relate to common financial themes (section 4). In the following section we decided to review two series of two articles that should have been included in sections 2 and 4 respectively. Each pair of articles deals with identical financial topics, uses comparable methods, but refers to very different culture-concepts, illustrating the complexity and disciplinary-dependant aspect of culture-research in finance (section 5). Finally, we turn to a discussion, proposing directions for further developments of culture-research within finance (section 6) and examining potential links with Behavioral Finance (section 7). Then, we conclude (section 8).

1. METHODOLOGY

1.1. Screening and Identification Process

To provide a systematic account of culture and Finance, we focus on peer-reviewed academic journals of the finance category 1 & 2, as identified by the French national committee for research (CNRS, "section 37", 2007, list in table 1)[2]. To this we add 5 journals, bringing the count to 21 financial journals. Using the EBSCO-database, we screen all titles and abstracts within these reviews, looking for the words 'culture', 'cultural', 'religion' or 'language', as

[2] We include insurance-specific journals as they are included in CNRS-section 37. They provide few additional insights and don't modify conclusions. Additions to CNRS-section 37 categories 1 & 2 are mainly category 3 include 'Banque & Marchés', 'Finance, Contrôle, Stratégie', the 'Journal of Business', the 'Journal of Applied Probability' and the 'Journal of International Money and Finance'. Note that the Journal of Business used to be categorized as a finance research journal in CNRS-section 37 (2004- category 1)

the latter two words are frequently used as proxies for culture. This provides us with a baseline of 63 articles.

This initial search ends with a large number of articles presenting no interest for our review. Definitions of culture are very broad. Specifically, four main categories of meaning can be retained, only one of them being of potential interest to us, '*societal meanings'* of the word culture (other meanings categories are '*culture as general knowledge'* or *'education'*, '*culture as art*' and culture as in '*cell culture'*). While excluding three meaning-categories, we still need to restrict our attention to come close to the range of concepts related to societal or national cultures. So, we screen manually our base of 63 articles, bringing the count down to 17 articles. The main filters are the anecdotic use of the word "culture" in the abstracts or the use of culture in connection to specific contexts, such as technical-, managerial- or corporate-cultures. Table 1 summarizes this process.

[Please insert table 1 here]

As our purpose is to be systematic as well as all-inclusive, we include a number of papers that are not yet published or not published in financial journals. We pay attention to finance scholars with an interest in culture and include for instance papers by Charreaux (2004), DeJong & Semenov (2002), Kwok & Tadesse (2006), Guiso, Sapienza & Zingales (2007) and we add other papers that were bought to our attention on an ad-hoc basis.

We systematically exploit the base of articles, noting precisely the context in which the word "culture", and related words, appear, checking references, looking up bibliographies for culture-related works. We include any additional work relevant to our survey. Through this process we identify 'trust' as another key-word and we screen again all financial journals for this word (title screening). Additionally, as finance-research-articles were identified in non-financial journals, we screen these journals too (5 journals in adjacent fields) carefully focusing on topics that can be considered as strictly financial. Overall, we identify 35 research-papers dealing directly and explicitly with culture.

Last, building on a review entitled "*Cultural Finance*") that was proposed after original drafts of this survey (Breuer & Quinten, 2009), we add 10 empirical articles to our database, bringing the count to 45 articles. We note the robustness of our procedure as 9 of the added articles are working papers using a dimensionalist approach (mostly recent and hence never cited in our base pre-additions), while the 10th article was published early in the Journal of International Business Studies[3].

[Please insert table 2 here]

1.2. Categorization process

All identified articles are presented in table 2. We categorize our base of articles in a number of ways. First, we check whether the paper is empirical, descriptive, conceptual or theoretical. We distinguish conceptual from theoretical articles as, in Finance, the latter are often coinciding with mathematical modeling. Second we note the main topic of interest for each paper, identifying 16 key topics, four of them being specific to the 4 conceptual papers[4]. Third, we look for a precise definition of culture, and whether a definition is provided at all. Additionally we count occurrences of culture-related words, we identify references to the dimensionalist literature, we note the context in which culture-words are used, and we check whether they are part of typical expressions. Fourth, we check whether the focus is cross-

[3] So outside our focal period that was restricted to articles published after 2000 for the JIBS (provided the sheer volume of work related to culture in this journal). Further details ion these additions are provided in section 4.3

[4] Let us single out four specific papers relating to four specific topics. We categorize these four papers as '*conceptual'*. Three papers are surveys and explore topics that span across the boundaries of financial research. They survey managerial incentives and agency theory (Baker & alii, 1988), culture in economics (Guiso & alii, 2007), and corporate governance (Charreaux, 2004). The fourth paper is an historical case-study on the complementarities between statutes and collective behavioral norms or cultures (Greif, 1994). Given the breadth and depth of coverage of these four papers, they contribute to cross-disciplinary research rather than to specific financial topics, and their analysis is postponed till the discussion section where we reflect on the nature of culture research in Finance, and the relation with culture-research in adjacent fields.

national, as the survey shows that culture is often mentioned in relation to nations. Last, we identify some of the main proxies used for culture.

1.3. First results: the national culture puzzle

Only two clear and consistent results emerge after classifying according to issues investigated.

First, an explicit culture-interest in financial research is recent indeed (table 3).

[Please insert table 3 here]

Second, the only commonality between all these articles is the methodological focus on cross-national comparisons. All of the empirical papers in our database (but two) feature cross-national comparisons, either directly (34 papers), or based on aggregations (US vs. non-US in two cases, Asian vs. non-Asian in one case), or still based on specific nation-based regional differences within a country (Finnish vs. Swedish in a case).

[Please insert table 4 here]

This commonality in empirical focus reveals a strong common thread across the board: the investigation of cross-national differences, national culture being one of the key dimensions that can be retained and the focus of the dimensionalist literature. Besides, note that finding the true drivers for cross-national differences in financial structures are at the heart of the dispute between the *law & finance* La Porta & alii (1997, 1998) and *socio-political approaches* (Roe, 2006; Rajan & Zingales, 2003; Pagano & Volpin, 2005) to financial development and to corporate governance. Culture might relate in some way to this ongoing debate and in fact proponents of both schools have referred to cultural elements at some point (La Porta & alii, 1997) either to discard them (Djankov, Mcliesh & Shleifer, 2007) or to show that collective norms or cultural elements are supplementary to socio-political explanations

(Coffee, 2001; Roe, 2006: chapter on Sweden in particular). In any case this explains DeJong & Semenov (2002) call for a cultural approach and Breuer & Quinten (2009)'s suggestion that Cultural Finance should be established autonomously.

The importance of countries in some key financial phenomena has been known for some time. Stulz (2007: 1596) calls it the "*country puzzle*" and he exemplifies how countries have a significant empirical effect while no theory proposes a rationale for this country-effect. Hence a key issue with existing culture-research is that it tackles in combination two theoretical conundrums, the one related to the challenges of quantitatively implementing culture-research and that of the country puzzle.

As a complication, much research in human sciences and in particular in economics or sociology questions (DiMaggio, 1997: 267) or even discards (Mc Sweeney, 2002) the relevance of national cultures and the validity of national culture indices. A general point often brought forward is that structural (Zuckerman, 2004) or network influences (Djelic, 2001) can dominate culture effects. In the management literature itself, debates about the validity of this procedure have been formulated early (Adler & Graham, 1989) and are ongoing about the need to balance culture-sources (Tung, 2008), methods for culture-research (Au, 1999) or both (Earley, 2006; Leung & alii, 2005; Lenartowicz & Roth, 1999; Smith, 2006).

Last, we need to mention that a number of authors that refer to national cultures as powerful forces point at the same time toward the countervailing influence of global cultures (Inglehart, 1997; Leung & alii, 2005; Shiller, 1999).

1.4. Deriving homogeneity for a meaningful survey

Overall, two topics stand out, including significant numbers of articles: the analysis of *international investments* (debt, equity, investment, and acquisitions - 13 papers included) and of *stockholdings (or of the holding of other financial instruments* - 8 papers included). The other ten topics, that include about one article each, appear at first overwhelmingly diverse (list in table 3). However, they all bear a relation to two interrelated themes. The first pertains to the functioning of financial macro-structures (*"topic 3"* in the table), including the functioning of stock markets, their development, the quality of corporate governance across countries or the importance and role of banks in an economy. The second is cross-country comparisons of corporate finance practices in aggregate (*"topic 4"*). The latter topic include average capital structure determinants, dividend policies, cash holdings, and most of these papers are mentioned by Breuer & Quinten (2009: p. 15) as a stream in cultural finance interested in "corporate finance".

On most criteria, this base of articles is characterized by a large heterogeneity, with about half the articles coming from peer-reviewed journals in finance, about half of them provide no definition of culture at all, and just fewer than half of the papers use a dimensionalist reference from cross-cultural psychology. As a result, we need to categorize topics further down to be able to derive sufficient homogeneity for a meaningful review[5]. Table 5 presents a synthetic picture of the changes operated in the re-classification of articles and table 6 provide a sense of the homogeneity achieved after this operation.

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[5] For the sake of clarity, we include papers relating to M&As and FDIs (topic 1, section 2), that have a management angle of approach in section 4. Section 4 deals with all papers that do not belong to the first two topics, and it turns out that they are all concerned with explaining macro-financial structures through a reference to national culture indices ('dimensionalist' reference). Section 5 is concerned with two pairs of papers dealing respectively with a wide range of financial exchange measures and with the cultural antecedents to financial laws (further justification provided as appropriate). Two papers consider the drivers for life-insurance consumption, following 'financial-marketing' angle and they are shifted to the discussion section, while a third one is really trying to explain a macro-financial pattern (life-insurance development) though a dimensionalist approach (shifted to section 4)

[Please insert table 5 & 6 here]

2. TOPIC 1 - CULTURE AS CROSS-NATIONAL FAMILIARITY BREEDS INVESTMENT AND TRADE

2.1. Topics and positioning

Papers reviewed in this section are all published in financial journals. Incidentally they contribute to a research-stream in the adjacent field of trade-economics, which investigates the determinants of bilateral trade-flows through "gravity models". These models focus traditionally on relative size of trading partners and geographical proximity. They were expanded to include "*psychological geography*" among other determinants of trade flows (Portes & alii, 2005, 2001). This research addresses the importance of information for economic exchange, and it associates geographical proximity with cultural affinity through an ability to reduce the informational frictions hindering trade. However, if the empirical testing of culture-related proxies is relatively new, conceptual references to "*cultural similarity"* or to "*psychic distance"* were proposed as early as the 50's (Beckerman, 1956).

Apart from an early paper by Srivastava & Green (1986) focusing on trade per se, papers here investigate a range of financial investment flows in aggregate and across countries. Topics include *international credit* (2 papers), *foreign capital sourcing* (ie. listing in a foreign country, 1 paper), *payments on the interbank market* (1 paper), *aggregate flows of M&As* (2 papers) or *-of FDIs* (1 paper).

2.2. Culture concepts

Focusing on occurrence and treatment of culture-related concepts, only two papers have occurrences higher than 10 times and in most cases the occurrence is related to a specific expression, "*cultural distance*" in Mian (2006), "*geographic, economic, cultural, and industrial proximity"* in Sarkissian & Schill (2004). The situation is similar for papers with a lower frequency of occurrence. "*Cultural similarity*" is common to three papers, while "*cultural and, or institutional similarities*", *"geographical and cultural proximity*", "*cultural and institutional linkage*" and "*culture proximity*" can be typically found in one or another paper. These expressions convey the idea that distance between countries has many complementary sources, culture being only one of them. Moreover, as no definition of culture is ever provided, the precise mechanism by which national cultures relate to cross-country proximity and influence trade is left undefined.

2.3. Proxies and methodological issues

The proxies used confirm that proximity is considered as a generic force across the range of sources, and a number of discrepancies confirm that culture remains a fuzzy notion, while its relation to national institutions is problematic. In particular all papers use similarity in language, but for Mian (2006), who uses ethnic origin (Asian vs. non Asian). While many papers use geographical distance in combination to language assess a generic "*cultural and geographical proximity*", Srivastava and al. (1986) distinguish clearly cultural from geographic proximity. They stress that geographic distance is *complementing* cultural similarity.

Moreover, these inconsistencies extend to the question of *institutional proximity*. Sarkissian and Schill (2004) use law for *institutional proximity* and a combination of former colonial ties and language for *cultural proximity*. Subsequently, they discuss cultural and institutional proximity separately, even though they insist that "*geographic, economic, cultural, and industrial proximity"* are faces of the same familiarity issue. It is noteworthy to mention that colonial ties are generally used in the law & finance approach to provide a rationale for institutional variation (antecedent to legal origin). So while Sarkissian and Schill use legal origin as a proxy for national institutional setting, they use the variable generally provided as an antecedent to legal origin as a proxy for the variable competing with institution, culture…

In contrast to this latter paper, Gande and alii (2005) or Rosati & Secola (2006) combine culture and institutions together and analyze them in concert through common proxies.

Overall, no study makes a clear conceptual distinction between institutional and cultural sources for cross-national proximity, and it is unclear when variables are used at face value or as proxies.

2.4. Conclusion

In short culture is understood here as "*cultural proximity*" across nations and it is assimilated with a range of proximity-sources, including language, customs (religion), geographic, institutional and economic proximity. Focarelli and al. (2008) even consider economic, cultural and geographic proximity in combination; they use three proxies to assess the general proximity combined across its sources: language, distance and the importance of bilateral trade

Generally research delves on the quantitative impact of this proximity and foregoes the mechanisms linking proximity to international exchange; there is no model to explain why familiarity across countries matters to foster trade, and in particular there is no clear distinction between *institutional* and *cultural* linkages. There is no reflection on the nature of the variables, their role and the mechanism relating the ones to the others. Language is most consensual as a proxy, reflecting the beliefs that the cultural and institutional influences operate through information exchange: *"familiarity breeds investment*". Sarkissian and Schill (2004) explicitly emphasize that they did not intend to distinguish cultural from institutional linkages while they believe it to be a promising line of research. They reflect a belief within this research that "*greater psychological tolerance*" comes as a complement to information exchange, but there is no scientific pursuit of this line of analysis yet.

3. TOPIC 2 - THE DETERMINANTS OF STOCKHOLDINGS: THE HOME BIAS, NATIONAL CULTURES AND INVESTORS' SOPHISTICATION AND PRIORS

3.1. Topics and positioning

Five articles were included here and one has been shifted to the section dealing with the dimensionalist literature. Two articles stem from financial journals and one is a financial book. The fourth article is recent working papers by Guiso, Sapienza & Zingales (2007). None of the articles features a definition of culture, even though the latter provide sophisticated and detailed evidence on trust, in relation to culture. Two articles mention culture only briefly: while Grinold, Rudd & Stefek (1989) refer to 'culture' only once (in the abstract), Guiso, Haliassos & Jappelli (2001; 2003") contains a few occurrences of 'culture', often as part of the expression *"equity culture"* and always in connection to cross-national comparisons.

Generally, these papers build on a stream of research investigating the determinants of stockholding, and in particular the home-bias puzzle, namely that stockholders tend to hold less foreign stocks than they rationally should (French & Poterba, 1991; Karolyi & Stulz, 2003). Early on it was known that countries played a significant role in the decomposition of the variance of international portfolios (Grinold & alii, 1989). This stream of research has long acknowledged the importance of countries, and references to national cultures are not unusual; so for instance Karolyi and Stulz mention culture once in the body of their paper, as one of four reasons why foreign investors could be disadvantaged (along with distance, language and time-zone differences). In fact references to culture are not rare in this stream of literature, but they were anecdotic until Grinblatt & Keloharju (2001).

3.2. National culture (Finnish vs. Swedish origins) influences stockholdings, but it is mediated by investor's sophistication

Grinblatt & Keloharju (2001) is a primary source as the number of citations they receive indicates. They investigate the importance of investor's native cultures -understood here as their 'nationality of origin' (Swede vs. Finnish) for their stockholding patterns.

The paper by Grinblatt & Keloharju (2001) does not provide a definition of culture. They "*classify the culture of the firm based on the name and native language of the CEO"* (83 Finnish, 14 Swedish firms in their sample). Culture here overlaps with ethnicity or nationality, but unlike in the precedent section, language and culture are operationalized separately: the language of the company is that of the annual reports (most are in English and, or multiple languages), and the culture of the company is that of the CEO. For investors, culture and language overlap and are those of the majority in the hometown of the investor. So the authors provide a test of the relative importance of language, culture and distance for the nature of the stocks that investors hold in their portfolio, showing that culture matters.

Most importantly, they show that a culture-influence is moderated by distance and training: the effect disappears for large distances (for instance for companies that are nationally known, or that are registered on the capital city's stock-market) and it disappears for savvy and institutional investors. This underlines a specific aspect of Culture: not every citizen in a given country is subject to the same cultural influence, and national culture's influence on behaviors can be individually circumscribed through education, experience or other circumstances.

3.3. National cultures and countervailing cultural influences

Almost all the empirical literature in our survey focuses on cross-national comparisons, implicitly emphasizing the importance of national culture as a differentiating factor. However a number of additional and important sources for Culture must be considered, often countervailing, limiting or cancelling national cultures influence.

Relating to socio-economic classes, Guiso & alii (2001) note in introduction the scarcity of information on the pattern of stockholdings across nations, and yet the importance of international variations. They emphasize in particular that a new "*equity culture*" has arisen in the last decade, but that it has not penetrated all socio-economic classes equivalently. They provide details on important variations in the stockholdings of middle-class households as the '*equity culture'* seems to have progressed further down the socio-economic classes in the U.K. or the U.S. than in Italy, Germany or France.

In another paper, Guiso & alii (2007) focus on wealthy individuals and investigate, within socio-economic class cultural priors, that influence stockholding. They investigate different components of the trust as expressed by individuals (and defined as the perception of the risk of being cheated) and they show that both 'generalized' and 'personalized' trust are significant determinants on stock-market participation and on average portfolio. They provide specific evidence for the U.S., Netherlands and Italy as well as a cross-country comparison based on a well-known trust-related question extracted from the World-Value Survey.

Both papers emphasize the importance, even potential primacy of other culture sources in comparison to the abstract notion of national cultures, even though it seems that cross-country differences persist even after controlling for these socio-economic and other cultural elements. Moreover, culture dynamics as emphasized trough the idea of a rising 'equity culture' complicates further culture analysis at the country level. This points toward particular care when dealing with national cultures, as within country variance and specific sub-groups must be tracked down and accounted for.

3.4. Conclusion

Overall this section provides more questions than answers in relation to culture-research. A large and ancient stream of research provides evidence that countries matter for explaining stockholding patterns of both professionals and individuals. Grinblatt & Keloharju (2001) show, in a very specific context, that culture has explanatory power at the national level, for explaining these patterns, but they emphasize that this influence is moderated by a number of other variables. Hence culture-research here exemplifies rather the limits in the use of 'national cultures' as explanatory variables and it stresses the importance of contrasting *national* sources of culture with other sources such as gender, ethnicity, socio-economic background, education….

4. TOPICS 3 - NATIONAL CULTURES AS ANTECEDENTS TO FINANCIAL ISSUES (DIMENSIONALIST APPROACHES)

In this section we review articles using a dimensionalist approach (see earlier comments for a definition) in three steps, focusing on the articles we could identify that deal with macro-financial issues or that overlap with one of the two other topics dealt with earlier (sections 4.1 & 4.2). The third section considers the recent survey by Breuer & Quinten (2009) on "Cultural Finance" and comments on important additions provided by that survey.

4.1. Financial macro-structures at country-levels correlate with national culture indices

Papers in this section are grouped according to affinity by co-authorship, and incidentally by source of publication. They are considered in turn, organized around three networks of co-authorship. While all papers share a number of similarities in content, form and methods, they propose little cross-reference outside their group. This reflects *consistent*, but *separate* research efforts.

Three papers published in the 'Journal of International Business Studies' and a working paper deal with the cultural antecedents of macro-financial phenomena, including the average corporate capital structure (Chui & Lloyd & Kwok, 2002), national financial architectures (Kwok & Tadesse, 2006), national life insurance consumption (Chui & Kwok, 2008) and corporate cash holdings (Ramirez & Tadesse, 2007). In terms of operationalization of the culture concepts, the most recent paper is based on Schwartz indices, while others are based on Hofstede indices. Moreover, three papers provide conceptual frameworks to address the issue of causality between the culture, in the way it is operationalized, and the financial outcome. While Kwok & Tadesse's framework is an adaptation of Hofstede's initial framework (1980), Chui & alii's framework is a novel proposition to capture the linkages between cultural dimensions of mastery and harmony and capital structure decisions made at the executive and corporate levels. Ramirez & Tadesse provide a discussion relating the culture index they implement, uncertainty avoidance, with risk aversion under various modes of operationalization that have been observed in preceding research efforts. Importantly, all these frameworks tackle the precise nature of the mechanism flowing from culture to finance, or potentially in reverse. Kwok & Tadesse provide a conclusive test for reversed causality, using an instrumental variable approach, that is strikingly similar to the one used in the working papers featured in 5-2.

Two papers by de Jong and Semenov (2002, 2006) and a paper by De Jong (2002) have strong similarities in focus and methods to the preceding papers. As previously, the emphasis is on determinants of broad macro-financial patterns: stock market development, ownership concentration across countries and the relation between central bank independence and price stability. Culture is operationalized with reference to Hofstede's indices in all cases. As previously, conceptual frameworks are proposed to address the mechanisms from culture to the financial outcome with consideration of the causality issue.

Two papers from the Journal of Auditing and Accounting Research are in the similar vein, and use Hofstede's indices as well. They investigate institutional correlates for the quality of business information, specifically the quality of accounting standards (Kimbro, 2002) and the accuracy of market-analysts' forecasts (Clement & Rees, 2003). Their focus is on aspects relating to the quality of cross-national corporate governance mechanisms rather than on broad macro-financial patterns. Conceptually, Clement & Rees provide a specific approach to the way culture alters individual and organizational behavior in specific business contexts. It modifies the efficiency of analysts' forecasts, both at the individual level (mediating the variables known to associate with individual accuracy) and at the level of firms (modification of the brokerage firm's average accuracy). It is noteworthy that their sample features an overlap between legal origin, individualism within nations and macro-financial patterns country-wise (market- vs. bank-based system).

The second paper associates corruption indices with country-types (based on individualisms scores). In contrast to previous contentions, the authors find that the negative link usually found between individualism and corruption is mediated by the quality of monitoring and economic development. When monitoring, accounting standards and development are controlled for, the correlation between individualism and corruption is reversed, and turns positive.

Overall research efforts surveyed in this section exemplify the quantitative relevance of national culture indices drawn from the dimensionalist literature, and principally drawn from Hofstede (1980) and Schwartz (1994). These research efforts attract attention to the importance of combined methodologies and emphasize the need to propose grounded and applicable conceptual models of culture's consequence in Finance, that include not only frameworks to link culture indices, behaviors and financial outcomes but also methodological refinements including tests for causality, instrumental variable approaches or models of cultural interaction. In particular the two papers by Ramirez & Tadesse (2007) and by Kimbro (2002) emphasize how a culture connection can turn around a previously known relationships between two variables such as between multinationality and precaution cash-holdings (Ramirez & Tadesse) or corruption and individualism (Kimbro). We note that none of these papers referring to the dimensionalist view of culture was published in a financial journal.

4.2. International investments: the relevance of national culture indices

The three papers in this section belong to the first topic examined in section 2, but they are similar in focus and methods to a large number of research-articles in the management literature. One paper by Payne (2007) is exclusively "descriptive". It reviews the nature of Hofstede's research-work in the managerial field to provide finance-practitioners with a synthesis on his line of research. The two empirical papers by Outreville (2008) and by Conn, Cosh, Guest & Hughes (2005) implement a cultural distance index, referring to the dimensionalist literature for definition and operationalization. Specifically the former paper investigates the determinants of international mergers decided by UK firms while the latter do so for international mergers within the insurance industry. Both include as an exogenous variable a *cultural distance index* derived from Kogut & Singh (1988), a refinement of the initial Hofstede's national culture indices discussed in Harzing (2004) and Siegel & al (2008: appendix).

4.3. "*Cultural Finance*": confirming the strength of dimensionalist research within finance research and outside finance journals

The publication of a survey by Breuer & Quinten (2009) after the initial edition of our own survey completes it and stresses first the strength of our own survey-methodology, second the relative importance of the dimensionalist approach for some finance scholars, third the current methodological focus within this approach, fourth the strong current methodological inbreeding in financial research, an inbreeding that provides insight on why Breuer & Quinten call for the "*establishment of cultural finance as an autonomous discipline*".

Breuer & Quinten (2009) provide a list of 21 empirical research articles focusing on culture and organized around two key research-themes: *"corporate finance (capital structure,* *dividend policy, corporate governance)"* and "*portfolio and risk management"*. The bulge of their review relates to dimensionalist approaches including 16 references. Other references include 2 articles referring to other approaches and already included in this review (Stulz & Williamson, 2003 and Grinblatt & Keloharju, 2001, see sections 3 & 5) and 3 articles focusing on cross-country variance in momentum strategies and profits (Griffin, Ji & Martin, 2003), or capital structures (Stonehill & Stitzel, 1969; Sekely & Collins, 1988). It is noteworthy that the first and second articles do not mention any of the culture-words, while the latter (Sekely & Collins) does, providing a country-grouping approach. In all three cases, this confirms the conflation between the *country puzzle* and current culture-approaches in finance (mainly derived from dimensionalist approaches, ie. the use of national culture indices).

Among the 16 mentioned dimensionalist references, only one was published, but in a management journal while its focus is overlapping to management (studying M&As, see footnote 3). Six references were already included in our base and none of the 9 additional references can be traced back to our database. This provides a successful test for the methodology we followed and incidentally it confirms our assertion that until recently dimensionalist research-efforts in finance have been *consistent*, but *separate*.

Further, Breuer & Quinten (2009) survey comes timely to assess the relative strength of dimensionalist research efforts in finance. We acknowledge that unlike Vinken & alii (2004) they do not use the "*dimensionalist*" label that was proposed at the conference in Holland, however they provide significant evidence on the theoretical and empirical antecedents of this approach across disciplines and in Finance today. Further, they provide an extended outline of the importance of values within this framework. Additional research work we add to our database (noted by ° in table 2) include Anderson & alii (2007), Beugelsdijk & Frijns (2009), Breuer & Salzmann (2008), Chang & Noorbakhsh (2007), Desender & alii (2007), Chui & alii (2007), Fidrmuc & Jacob (2008), Pirouz (2004), Shao & alii (2008). The list of topics in table 6 reflects these inclusions. It adds to the range of topics considered the cross-comparison of corporate finance patterns to that of macro-financial issues (section 4.1 here). The general focus remains on understanding the cultural antecedent to general embededdness of finance within the institutional and economic frameworks of countries.

Last, we note that our earlier remarks on methodological focus, mechanisms and causality (section 4.1) apply to most of these articles as emphasized in Breuer & Quinten (2009).

5. FEATURING SIMILAR EFFORTS WITH DIVERGENT CULTURE VIEWS: DIMENSIONALIST VS. OTHER REFINED VIEWS

The preceding sections establish that there is broad diversity and a lack of consistency across efforts to implement culture-research within Finance. This section will illustrate further the contrast between economic vs. managerial roots of culture-research within finance as it features two pairs of articles conducted on identical topics by scholars from various backgrounds on two financial topics earlier considered in sections 2 (financial aspects of international trade) and section 4 (antecedents of macro-financial structures).

5.1. Culture as an antecedent to legal statutes

Licht, Goldsmidt & Schwartz (2005) and Stulz & Williamson (2003) investigate the antecedents of investors' rights, as initially codified (La Porta & alii, 1997, 1998), criticized (Spamann, 2006) and accordingly refined (Djankov & alii, 2007; Djankov, La Porta, Lopez-de-Silanes & Shleifer, 2008).

Investor's rights, along with legal origin, have been extensively used in the *law and finance* approach to investigate a number of financial issues spanning from the quality of corporate governance, to the development of financial markets, and beyond (La Porta, Lopez-de-Silanes, Pop-Eleches & Schleifer, 2004). This stream of research considers investor's rights as exogenous and provides policy recommendations in consequence. In this context the two papers reviewed in this section intend to demonstrate that investor's rights are correlated with very enduring and stable socio-cultural characteristics, which casts doubt on the ability to change law on the book with effective consequences without paralleling culture change. Methodologically, this implies that the questions of potential reverse causality and endogeneity are explicitly addressed.

Both papers provide extensive definitions of culture, detailed review about aspects of culture that are relevant to their purpose, and they correlate successfully culture proxies with investors' rights, mainly creditors right for Stulz & Williamson (2003), both rights for Licht & alii (2005). While the formers use two variables for culture, religion and language, they note that the first variable has to be taken at face value and they provide extensive scholarly references drawn from the fields of economics, economic sociology, legal, economic and religious history. In contrast, they note that the second variable they use, language, proxies for 'world-views' or world-system and they , oppose world-view from English- and Spanish-speaking countries, the former standing for the '*Anglo-Saxon'* world-view.. Licht & alii (2005) on the other hand test the whole range of national indices drawn from both Hofstede and Schwartz, arguing that '*national culture profiles',* as captured by the combinations of the culture-index scores bear a relation to the legal systems, including legal styles, acceptance of litigation, enforcement, etc.

5.2. Investigating culture's consequence on International Investment and trade: unpacking the nature of the mechanism

Two recent working papers intend to unpack the source and nature of cultural similarity that fosters "*economic exchange"* (Guiso & alii, 2007) and "*international investment*" (Siegel & alii, 2006). Together, they investigate a wide range of capital flows between nations, including "*international trade*", "*debt flows*", "*equity exchanges*", "*international portfolio investment*", "*mergers and acquisitions*" and "*foreign direct investment*". They strongly differ form other papers studied in section 2 in a number of ways. First, they intend to unpack the source of relatedness between nations, separating out geographical, institutional or cultural sources. Second, they extend the range of topics they tackle at once, investigating three endogenous variables each. Third, they provide detailed, sophisticated and critical definitions of culture. Fourth, they propose new methodological guidance for the treatment of culture-related concepts in Finance, in particular with respect to causality and the use of instrumental variables. To that extend they both provide a methodological leap forward.

Their respective approach of culture is differing. Guiso & al. use a precise and short definition of culture that is structured and operationalized around three key aspects: "*priors*", "*social constraints"* and "*preferences*"[6]. They characterize culture as the stable aspect of individual frames of reference (stable priors, and preferences) and context (stable social constraints). They operationalize it through interpersonal trust, which they do not define but rather categorize as "*personalized*", "*mutual*", or "*generalized*" trust, much in line with other papers mentioned earlier. They provide an extensive discussion on how trust relates to individual culture as opposed to rational expectations (trust derived from repeated and successful

[6] As such they are in line with the economic literature, and in particular with North (1990) who considers culture as a key dimension of economic phenomena, but substantiates it as the '*antecedent'* of the informal constraints observed to constraint economic action. They relate to Williamson (2000) as well. He actually defines culture from its inherent stability ("*order of millennia*"). Subsequently, he excludes 'culture' or 'embeddedness' from institutional and economic analyzing.

interpersonal exchange). As such the bulge part of their culture-related discussion and methodological refinements relates to the different components of trust, cultural and rational ones. In contrast, Siegel & al. refer to a synthetic index developed in the field of cross-cultural psychology and known as '*egalitarianism'*. They don't provide a definition of culture, but instead, they define the component they use, egalitarianism, and provide a number of references on the strength and robustness of this decomposition of culture drawn from cross-cultural psychology.

Both papers spend most of the discussion not on a definition of culture, but on the relation of their operationalized variables (respectively trust and egalitarianism) and the ways it relates to individual behaviors, processes of interaction, and the financial outcome. Both provide extensive references and discussions rather than simple definitions. Guiso & al. provide a detailed assessment of the relative cultural and relational components of trust and they propose a two-step procedure to untangle the various components of trust. In a related paper, Siegel & alii (2008) investigate further the determinants of only one of the three kind of international investments flows, FDIs. In this latter paper, they provide extended references to why egalitarianism relates to individual and collective decisions in terms of foreign investment. They include two case studies as part of the conceptual evidence on how culture matters for investment.

Methodologically, both papers provide a new approach, combining conceptual and qualitative elements to the more usual quantitative proceedings. They both propose an instrumental variable approach to test robustness and assess causality between culture and capital flows. Culture, respectively trust and egalitarianism, is successfully instrumentalized through the same three instruments in the two papers: the number of years countries were at war across centuries, ethnic fractionalization within the country and commonality in dominant religion, sources are either identical or similar. It is striking that these authors should have similar results with this instrumental variable approach while they use different culture-concepts.

6. DISCUSSION - SYNTHESIZING ACROSS THE HETEROGENEITY OF REFERENCES TO FIND A WAY FORWARD

6.1. Beyond the heterogeneity of culture references: three main approaches to date?

Many references have been provided on the dimensionalist conceptualization of culture and its critiques. Some of the recent financial papers reviewed in this survey provide alternatives that are grounded in ancient and recent academic scholarship and in particular in economics, economic sociology, political sciences, as opposed to the managerial anchoring of the dimensionalists.

Culture is defined as the main national religion in Stulz & Williamson (2003) with antecedents in economic sociology (Weber, 1930 [1904]) and anchoring in economics (Lal, 1999). Guiso & alii (2007) or Sapienza, Toldra & Zingales (2007) focus on trust, and while they don't delve on culture per se, they provide extensive and sophisticated operationalization of trust with antecedents in political sciences (Banfield, 1958; Putnam, 1993) and anchoring in economics (Arrow, 1972).

While the literature presented here seem to oppose these conceptions of culture, the precise nature of the relation between these various concepts remains an open debate that span largely across human sciences, and beyond sole financial scholarship. For instance Stulz & Williamson (2003) provide a discussion on how Protestantism relates to decentralization and individualism, with a suggested relation to societal trust. Further they show how the religious spirit and the related norms interact with national institutions to foster the development of cross-national differentiation. With relations to the potential reverse connection, both Guiso & alii (2007) and Sapienza & alii (2007) remind us on how religious people have differential trusts level.

Relating to national culture indices, we noted earlier the interesting coincidence between Guiso & alii (2007) and Siegel & alii (2006) results. While they refer in sociological terms to antagonistic views of culture (constraining vs. enabling views), they successfully instrumentalize their cultural proxy, respectively trust and egalitarianism, through the same three instrumental variables and with the same success. Could social trust and egalitarianism be in some way structurally related? Similarly Ramirez & Tadesse (2007) relate Hofstede's uncertainty avoidance to a number of cultural priors that are common in economics of finance and that could bear a relation to *generalized trust*.

In sum the potential congruence or overlap between these approaches remain to be explored further. Additionally the relation to dimensionalist approaches should be meditated, particularly so as almost no dimensionalist research-effort has found its way into financial journals yet. The International Business Literature provides some balanced analysis relating to the relative merits and weaknesses of this values-based approach (Earley, 2006).

6.2. Grouping countries and preliminary methodological remarks

A convenient solution to overcome the national culture puzzle is to group countries according to profiles. In management, researchers who have criticized "*cultural distance*" approaches propose regional groupings (Shenkar, 2001, Ronen & Shenkar, 1985). Of course, a question arises on the way to group countries and whether the grouping will be consistent across time and across the nature of the financial issue being considered.

Hall & Soskice (2001) go further and study “*varieties of capitalism*”. They propose an index based on a dichotomy between contractual vs. relational economies, a distinction that echoes historical evidence provided by Greif (1994). Greif analyzes the co-emergence of cultures, organizations, trade routes and the endogenous development of law among the Genovese and Maghribi traders in the 10th to 13th centuries. A key result is that the Maghribi traders, belonging to a more collectivist culture, extensively rely on reputation and intra-group trade to limit opportunism. On the other hand, Genovese traders, from a more individualistic background, need a legal framework to control for opportunism, and hence law is developed actively to support trade and limit opportunism.

Debates in the field of corporate governance illustrate the consequences of institutional embeddedness at national levels. A general distinction can be made in the financial literature between approaches that consider differences in governance structures rather as a matter of a degree in efficiency. These approaches are exemplified by the *law and finance approach* (La Porta & alii, 2004). Other approaches see differences in kind, implying different systems with different sets of relationships between financial variables and their institutional correlates in aggregate (Shleifer & Vishny, 1997, Charreaux 2004). This difference in kind is sometimes attributed to a banks vs. market orientation (Mayer, 1990; Levine, 2002; Demirgüç-Kunt & Maksimovic, 1998), which correlates with Hofstede culture indices (Kwok & Tadesse, 2006). In the socio-political tradition, comparability across systems is limited (Romano, 1993) and equilibrium situations are primarily driven by exogenous historical shocks (Rajan & Zingales, 2003). Overall, this brings us toward proponents of *comparative thinking* methods.

In adjacent disciplines, comparative studies are common, and are a primary way to contrast varieties of capitalism. They generally rely on longitudinal studies and *thick descriptions* (Redding, 2005; Guillén, 1994 for instance). Guillén & Suarez (2005) provide a synthesis of five varying traditions of institutional analysis in international management. One relates to the *dimensionalist* and three relate to the *socio-political* and '*law and finance'* traditions in financial research. The fifth approach pertains to *comparative authority and business systems*. It favors a kind of method that is rarely featured in financial journals.

In any case, this points to methodological limits in the current financial toolkit drawn from an historically close association with the neo-classical paradigm (Brennan, 1995)

6.3. Culture(s): culture as a process, from a definition toward a conceptualization

In one of the empirical papers in the database, Burnett & Palmer (1984) investigate a number of "behavioral biases" that condition the development of life-insurance markets country-wise; they consider "*traditional work ethic, fatalism, socialization preference, religion salience, and assertiveness*" as individual drivers for life-insurance consumption and market development. The notions of '*assertiveness'* or '*religion salience'* attract particular attention and they are indications that cultures really matters in specific contexts and in the way they are 'put to use' by various groups or individuals ('culture as a process'). The reification of culture across broad social groups and in particular nations has drawbacks, as mentioned earlier and recently echoed by a call to balance inter- and intra-national culture variance (Tung, 2008). Another drawback is what Klep (2001: 21) characterize as a *labeling exercise*. Specificity in definition is required and it implies precision in definition through appropriate methods and an understanding about specific behavioral elements that are relevant, how they derive from a specific culture(s), how they relate individually *and* in aggregate to the investigated outcome. So we suggest that culture definitions should be derived backward from the examination of financial issues and the role of groups in their emergence or functioning.

Further, a key requirement is the homogeneity of the group with respect to the type of culture that is measured and the way it interacts with the financial issue being investigated. In particular this point is repeatedly stressed in the literature that criticizes the use of Hofstede indices. Similarly some researchers suggest focusing on the intra-group variance as much as on their mean to derive meaningful measures of cultures (Au, 1999).

Accordingly we suggest shifting attention away from the range of *substantive* definitions that are possible to considering culture as a *process* uniting a group of men and women in some precise way around some specific substantive characteristics to be defined[7].

6.4. Culture in context: institutions, embeddedness

The embedded nature of some financial phenomena looms in much of the identified research pieces in the survey. In fact, much knowledge has been collected on institutions in economics, sociology, political sciences, management and financial analysis could draw on this knowledge to bring its own research agenda further.

For instance authors within the dimensionalist literature have extensively investigated the importance of serial correlations at the country level across a range of domains. There is evidence of serial correlation of national culture indices with varieties of capitalism (Schwartz, 2007), with the rule of law, corruption or democratic accountability (Licht & alii, 2007), with economic, demographic and political structures (Schwartz, 2004).

The debates, around the law and finance approach, on the precise nature of the mechanism driving the observed serial correlation between legal variables and a range of financial issues appear in a new light when contrasted with existing wisdom derived from adjacent

[7] DiMaggio (1994: 28)'s advice is that "*to establish a cultural effect, one must meet two conditions. First, one must demonstrate that individuals or collective actors with some specific kind of culture behave differently than others without it [...] Second, one must demonstrate that such differences do more than mediate structural or material influences [...]*"

disciplines. So, a number of authors attract attention on collective, normative or behavioral elements relating to law. North (1990) reminds us that enforcement is of primary importance. Greif (1994) shows how historically legal systems emerge as a complement to trading systems rooted in specific social cultures. Aoki (2001: chapter 11) shows how the law on the book is mediated by collective systems of belief and ensuing behaviors. Stulz & Williamson (2003: 314) quote Merryman (1985: 2): ''*the legal tradition relates the legal system to the culture of which it is a partial expression''*.

We suggest to separate the analysis of financial issues depending on the underlying embeddedness-mechanism at work, for instance whether the financial outcomes being investigated depends on demand & offer on a specific market, on contracting mechanisms, on path-dependency, on complex mechanisms involving lobbying and legislating or still whether it is the result of a longer maturation process within a nation. Depending on these elements, the nature of the cultural framework at work and the way it interacts with the institutional context will differ, the nature of conceptual evidence relating to culture will change and the required methodologies will be different.

6.5. Culture and finance: preliminary methodological notes

What are the methodological consequences? This cast further doubt on the possibility of developing culture-research in finance without conceptualizing on the type of culture that is referred too, the ways it is referred to, the relative homogeneity of use within a group. This emphasizes the salience of the discussion provided by Guiso & alii (2006, 2007) about the trade-offs to be made in definition, empirical relevance and methodological design for culture-research in Finance and Economics. This implies an extension of the type of methods used in financial research, involving in particular qualitative approaches (case studies, "*thick* *descriptions*"), conceptual analyzes ("*grounded theory*", conceptual analyzing, contrasting modeling or theoretical properties to real-world mechanisms) or still the inclusion of non-continuity as a mode of approach (for instance Guiso & alii, 2007:10 note that "*game theory has 'produced its own backlash' in terms of logical consistency and deductive rationality*"; we are thinking about other methods as well, as the *'limited diversity approach'* of Ragin, 2000…)

We noted earlier the potential importance of longitudinal methods or thick descriptions for some of the cultural approaches in finance. Aoki (2001) insists on the importance of conducting synchronic and diachronic analysis in parallel: in other terms to complete longitudinal one-country studies with cross-country and panel data. If nations provide a recipient for prolonged institutional maturation with multiple equilibriums resulting from historical paths of development, then comparisons must be made across kinds of systems and this difference in kind implies investigating both the dynamic structure of change within countries per se and in comparison.

Further, we suggested that culture concepts should be operationalized backward from the issue at stake, with a careful examination of the underlying mechanisms at work. So some articles reviewed here focus on specific aspects related to cultures, which are precisely defined. These aspects encompass *trust* (Guiso & alii, 2007), *egalitarianism* (Siegel & alii, 2008), *religious beliefs* (Hilary & Hui, 2007), *mastery/harmony* (Chui & alii, 2002). Most importantly, these articles relate precise and operational definitions to specific conceptual models outlying the mechanisms linking individual decisions, individual behaviors, collective behaviors and the financial outcomes in aggregate.

Culture-research in finance is dwarfed with methodological problems. These problems are often technically transparent, such as the omitted variable bias, causality issues, heteroskedasticity, over-specification… Yet they are empirically and conceptually overwhelming in the context of embeddedness. Results by Ramirez & Tadesse (2007) or by Kimbro (2002) come as an illustration of the importance of delineating the conceptual mechanisms as well as the relation between variables and proxies. On the other hand, the focus needs to be somewhat shifted from the *choice* of institutional proxies at large, to the *evaluation* of their empirical significance.

7. EXTENSION: BEHAVIOURAL FINANCE AND CULTURAL BIASES

While reviews on Behavioral Finance by Baker, Ruback & Wurgler (2005) or by Shefrin (1999) do not consider Culture, nor mention any culture-related words, Shiller (1999) or Greenfich (2005) link culture and behavioral biases. Additionally, Charreaux (2005, 2002) suggests an overlap between the two lines of research.

7.1. Rationality, lack of rationality and sources for logic in action

As derived from the reviews just mentioned, Behavioral finance is mainly concerned with explaining irrational behaviors in financial decision-making. Shefrin mentions that a key element in definition relates to "*the errors made*" by managers, errors derived from "*cognitive imperfections or emotional influences*". Baker & alii note that "*this research replaces the traditional rationality assumptions with potentially more realistic behavioral assumptions*". Both definitions emphasize lack of rationality as a departure-point for Behavioral Finance studies.

In contrast culture research does not imply irrationality. Seminal works exemplify strong logics in action. Durkheim (1968 [1912]) insists on systems of integrated beliefs, while Weber

(1978 [1922]) underline the co-existence of varying forms of rationality, deductive, inductive, teleological- and value-rationality. In the third review on Behavioral Finance, Shiller defines the purpose of Behavioral Finance as "*understanding anomalies in financial markets*", shifting focus away from errors in individual behavior to anomalies in aggregate patterns (offer and demand, collective behaviors). Shiller notes further that "*one difficulty [with cultural biases is] that of disentangling the 'rational' reasons for the imitation of others from the purely psychological ones"*.

This emphasizes two key differences, a first one pertaining to the potential logic in action at the individual level. So while Behavioral Finance is concerned with a lack of rationality, culture-studies emphasize different and potentially conflicting sources for logical individual behavior. In particular, value-rationality as derived from Weber is central to many researchers with an interest in culture. Indeed, the primacy of values is utilized to derive indices of national culture in the dimensionalist literature (Vinken & alii, 2004) or in political sciences (Inglehart, 1997). Emotion-research in organizational behavior and motivation-research in sociology and social psychology build on similar grounds (McClelland 1953). Breuer and Quinten (2009: 2-8)'s proposal to establish Cultural Finance as an autonomous discipline clearly builds on this ancient and strong tradition (see figure 1 and table 1 in particular).

7.2. Individual consistency or inconsistency and behavior

Additionally, "*cognitive imperfections"* are generally considered relatively stable across time and personalities, implying that under identical clinical conditions in experiences, the same imperfections will be reliably observed (Kahneman & Tversky, 1979). There is consistency in the behavioral biases across persons and time, and this individual consistency lead to inconsistency in social outcomes, and errors observed on markets.

In contrast, Culture is what is referred to, to differentiate varying human behaviors across groups under similar conditions. So culture is what characterizes the deviation in general behaviors within a given group compared to other groups. A key difference is the nature of the scientific methods retained, clinical and experimental designs being common in psychology, while most of culture studies focus on experiences *in vivo*, or observations (anthropological methods, grounded theory). Moreover, sources of cultural homogeneity within existing societies and nations can be age (generational gap), religion, gender, social status, ethnicity, etc. Each of these groups can support a variance in cognitive schemes and behaviors, implying inconsistency in cognitive schemata across persons, potentially time, in contrast to the reliability of psychological biases initially detailed by Tversky & Kahneman….

7.3. Mental schemes in individual vs. collective behaviors

Another key difference between behavioral finance and culture studies is the focus of interest. Behavioral finance centers on individual's *psyche* while culture research focuses on groups; DiMaggio (1997) emphasize that culture is "*supra-individual".* In the dimensionalist literature, an explicit distinction between individual and cultural levels of analysis is made (Schwartz, 1994). Schwartz (1999) provides different sets of measures for individual and collective values.

While the relation between "cognitive errors" and "behavioral biases" is relatively direct at the individual level, the relation from culture to individual and collective behaviors is more complex. For instance DiMaggio (1997) emphasize a distinction between common and collective beliefs: culture can be understood *"as an aggregate of individual beliefs or preferences, or as shared representations of individual beliefs"* (p. 272). In Organizational Behavior, the Globe project departs from a distinction between the individual perception of the groups' beliefs as the *modal values* vs. the *modal beliefs*: the world can be viewed *'as it is'* or *'as how it should be'* (House & alii 1999 p. 14). Shiller (1999) mentions Culture in two ways, both as an element of national differentiation (explaining different cross-national financial structures), and as a "global culture", an element of world-wide homogenization. Doing so, he stresses the importance of culture change, the fluidity of culture-dynamics and the differentiation between the observation of behaviors and their cultural determinants.

Chiefly, culture-research and behavioral finance present different angles of approach and they entail strong complementarities. Building on their respective contribution to propose an integrative framework is promising. However, a number of key differences in focus, methods and assumptions must be considered which is beyond the scope of the present survey.

8. CONCLUSION

Provided a growing interest for culture in Finance and the absence of a survey, we collected papers and conducted a systematic screening of titles and abstracts in 21 financial journals. Building on this knowledge base, we searched for additional references in texts and bibliographies, and used them to expand our screening to adjacent disciplines, selecting papers with a financial focus. Broadly, we can identify a large number of issues relating culture and Finance, with two specific topics including a significant number of papers, '*international investment'* and '*stockholdings'*. Other papers deal with a range of topics relating mainly to financial macro-structures, governance patterns or financial laws.

Overall the dual relation to both fields of management and economics is inescapable and there is strikingly little overlap in the ways culture is dealt with across sides. When definitions are provided, they are mostly drawn from the dimensionalist literature and they mirror research efforts in Management with similarities in definitions, variables and quantitative proceedings.

These references characterize the group of papers on '*macro-structures' as well as* a few papers in other sub-topics; they have barely found their way yet into financial journals. A subsequent review by Breuer & Quinten (March 2009) confirms these insights, and the call to establish "*cultural finance"* as an autonomous discipline may reflect the lack of paucity of orthodox financial approaches to this line of analysis. This confirms the strong atomization and disciplinary inbreeding.

Other culture-references in our database are mostly originating in financial journals. They generally overlap with either international trade economics or financial economics, or still with the exploration of the '*country puzzle'* in financial research. Papers here provide mostly no definition of culture, and while some proxies are routinely used, in particular language, geographic distance or nationality, their relation to culture itself as a research variable is left undefined. There is little consistency in the way variables are measured, which variables act as proxies, the way institutions interrelate with culture and other key characteristics within countries. The general perception is that countries do matter for financial analysis and that institutional, cultural, geographic and economic realities contribute strongly.

Overall the survey shows that providing a definition of culture has been mostly avoided when it was not derived from a dimensionalist reference. Yet there seem to be a long-lived interest for culture explanations within many subjects in finance, sometimes with an intuitive appeal of cultural explanations dating back to the 50's or earlier. Beyond the dual relation to both adjacent disciplines of economics and management, little *'indigenous'* thinking has been done on culture studies in Finance. Stulz & Williamson's paper (2003) is one of the few papers published in financial journal to provide detailed and conceptual discussions about culture and its relevance for Finance, with extensive academic reference to related disciplines. Yet, surprisingly, they stress that they intend to advance the idea that "c*ulture matters for*

Finance", rather than investigate "*why it does" (ibid, p. 4)*. Other such enterprises can be identified on a case by case basis, including a recent working paper by Guiso & alii (2007) that provide extensive discussion on why trust overlaps with culture and how it is related to investing in stocks. Some other promising efforts are stemming from the Behavioral Finance field (Statman, 2006) and further writing at the fringe of the discipline, in economics (Guiso & alii, 2007; Aoki, 2001), or in sociological and economic history (Greif, 1994) attests of breadth of specific approaches to culture. Overall this confirms recent theoretical perspectives on culture research in international business and organizational theory (and in particular Baskerville, 2003; Earley, 2006 or Leung & alii, 2005). At the same time this illustrates Hofstede's assurance that "*cross-cultural social sciences therefore can not but be cross-disciplinary*".

Directions for future research are in line with those in the international business research, a field that is more advanced for culture-research as it has drawn from a plurality of paradigms for decades. First, they relate to the potential of further importing and confronting existing wisdom from adjacent disciplines as outlined earlier. Second, the fuzziness of culture should be taken seriously, and methods should be adapted accordingly including greater reliance on conceptual reasoning, qualitative methods and converging evidence. Third, we argue that culture-research in finance should not start with ex-ante views on culture, but rather it should focus on conceptual models on how *some* norm characterizing the action within a *specific* group to a *specific* financial purpose or situation is relevant. Hence, the definition of culture should come "*backward" [terminology proposed by the author]* and be intimately related with conceptual models on how the norms influence financial decision-making or financial structures. This is in line with conceptualizations focused on *layers of culture* (Leung & alii, 2005) and compatible with a wider range of positions from those departing from national culture indices, to those considering finance or economics as a cultural systems (DiMaggio, 1994: 46 for an outline). However, this brings the burden of defining culture and culture's relevance to each research-piece, this requires qualitative and conceptual approaches (Earley, 2006), and this attracts attention on intra-group variance of norms (Au, 1999; Lenartowicz & Roth, 1999; Tung, 2008), should the group be based on nations, professions or individual characteristics (gender, age, education, etc.). This suggestion to favor 'backward definition' is of course not exclusive to dimensionalist approaches as is clear in either Earley (2006) or Leung & alii (2005).

This focus on norms, on the groups from which they are derived, and the mechanisms that are set into motion, provides an interesting angle of approach for finance and further theory building is needed. For instance we suggest that a typology could specify how financial subjects can be related to specific methodological needs culture-wise. It is to be noted that culture-approaches are not entirely consistent with existing principles that have prevailed in Behavioral Finance and exploring the relationship further is promising. It attracts attention on the potential for discontinuity in management or economics (norms can brutally vanish, this entails jumps in modeling). Further when free-riders gradually win over norms these norms can progressively become empty shells and lose their organizing power as *'systems of shared beliefs'* (Aoki, 2001; Greif, 1994). We would like to close on a famous citation by MacKay emphasizing at the same time the logic and constitutive role of informal norms (culture) and the potential contradiction with individual psyche and rationality: *"Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one." (Mackay, 1852: viii).*

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TABLE 1

Journal	Specificity	Articles icluded	Number of 'hits'	Not an article*	Total before screening	"Screened out"	Anecdotic mention of culture	General cultural approach**	Management studies	Culture as art	Specific technical cultures***	Managerial culture	Organizational & corporate cultures
Finance-journals													
Journal of Banking and Finance	Finance	**3**	5		5	2	*1*	*1*	*0*	*0*	*0*	*0*	*0*
Journal of finance	Finance	**3**	4		4	1	*0*	*0*	*0*	*0*	*1*	*0*	*0*
Journal of Risk and Insurance	Finance	**3**	8	3	5	2	*1*	*0*	*0*	*0*	*1*	*0*	*0*
Journal of financial economics	Finance	**2**	2		2	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
financial management	Finance	**1**	20	1	19	18	*2*	*0*	*4*	*0*	*4*	*4*	*4*
Journal of Business Finance and Accounting	Finance	**1**	4	3	1	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Journal of Portfolio Management	Finance	**1**	7		7	6	*3*	*1*	*0*	*1*	*1*	*0*	*0*
Review of financial studies	Finance	**1**	1		1	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Banque & Marché	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Contrôle Finance Stratégie	Finance		7		7	7	*2*	*0*	*2*	*0*	*1*	*0*	*2*
European Finance Review°	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Finance	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Geneva risk and insurance review	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Journal of corporate finance	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Journal of Financial and Quantitative Analysis	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Journal of Financial intermediation	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Journal of Risk and Uncertainty	Finance		2		2	2	*2*	*0*	*0*	*0*	*0*	*0*	*0*
Mathematical Finance	Finance		0		0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Journal of Business	Previously in Finance	**1**	12	4	8	7	*4*	*0*	*2*	*1*	*0*	*0*	*0*
Journal of International Money and Finance	Macro-economics	**1**	1		1	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
TOTAL / Finance		17	74	11	63	46	15	3	8	2	8	4	6
Other journals													
Journal of economic perspectives	General	**1**	12		12	11	*3*	*5*	*0*	*2*	*1*	*0*	*0*
Journal of political economy	General	**1**	12		12	11	*2*	*8*	*0*	*1*	*0*	*0*	*0*
International Review of Law and Economics	Law & economics	**1**	4		4	3	*0*	*1*	*0*	*0*	*1*	*0*	*1*
Journal of Accounting, Auditing & Finance	Accounting	**2**	5	1	4	2	*1*	*0*	*0*	*0*	*0*	*0*	*1*
Journal of International Business Studies	International Business	**3**	146°°										
TOTAL / Related		8	33	1	32	27	6	14	0	3	2	0	2
Additions													
IJBGE		**1**											
Working papers & seminars		**9**											
TOTAL		35	107	12	95	73	21	17	8	5	10	4	8

Methodological note: search executed as of August 1st. 2008 on titles and abstracts (EBSCO) for the words culture, cultural, religion & language

° now 'Review of Finance'

°°Selecting financial topics rather than excludinf non-financial ones.

* book review, court decisions, discussion on an article...

** no direct relevance for finance: societal studies, biology, anthropology, history...

*** including technological, financial, economic, government, union cultures as well as credit-culture, payment-culture, safety-culture & 'Southern-culture' (US

TABLE 2

Author	Year	Journal	Topic [sub-topic]	Topic	Sub-topic	section	Recategorization	Approach	Source of publication	Definition	Occurrences	Cross-national	dimensionalist reference
Anderson & alii°	2007	WP	Intl. diversification by Investors	3		4		empirical	Wrkg. Paper	yes	53	yes	yes
Baker, Jensen & Murphy	1988	JF	Review - incentives and the agency theory	NA				conceptual	Related disc.	no	5	no	no
Beugelsdijk & Frijns°	2008	WP	Stock-holding [home bias]	2		4	*	empirical	Wrkg. Paper	yes	98	yes	yes
Breuer & Salzmann°	2009	WP	Governance systems	3		4		empirical	Wrkg. Paper	yes	139	yes	yes
Browne & Kim	1993	JRI	Life-insurance holding	2	2		°	empirical	Financial	no	10	yes	no
Burnett & Palmer	1984	JRI	Life-insurance holding	2	2		°	empirical	Financial	no	6	yes	no
Castro, Desender & Escamilla°	2007	WP	Earnings Management [in agg.]	4		4		empirical	Wrkg. Paper	yes	113	yes	yes
Chang & Noorbakhsh°	2008	WP	Cash Holding [in agg.]	4		4		empirical	Wrkg. Paper	no°°	60	yes	yes
Charreaux	2004	WP	Review - Corporate Governance	NA				conceptual	Wrkg. Paper	yes	20	rel.	no
Chui & Kwok	2008	JIBS	Life-insurance holding [in agg.]	2	2	4	*	empirical	Related disc.	yes	91	yes	yes
Chui, Lloyd & Kwok	2002	JIBS	Capital Structure [in agg.]	4		4		empirical	Related disc.	yes	68	yes	yes
Chui, Titman & Wei°	2008	WP	Momentum profits [in agg.]	3		4		empirical	Wrkg. Paper	no°°	76	yes	yes
Clement & Rees	2003	JAAF	Market analysis	4		4		empirical	Related disc.	yes	51	yes	yes
Conn & alii	2005	JBFA	Intl. investment [M&As]	1	2	4	*	empirical	Financial	yes	24	yes	yes
DeJong	2002	WP	Inflation and independence	3		4		empirical	Wrkg. Paper	yes	76	yes	yes
DeJong & Semenov	2002	WP	Stock-Market Development	3		4		empirical	Wrkg. Paper	yes	76	yes	yes
DeJong & Semenov	2006	IJBGE	Ownership patterns	3		4		empirical	Related disc.	yes	41	yes	yes
Fidrmuc & Jacob°	2008	WP	Dividend policies [in agg.]	4		4		empirical	Wrkg. Paper	yes	116	yes	yes
Focarelli & Pozzolo	2008	JBF	Intl. investment [M&As]	1	1	2		empirical	Financial	no	6	yes	no
Gande & Parsley	2003	JFE	Intl. investment [Intl. credit]	1	1	2		empirical	Financial	no	6	yes	no
Gleason & alii	2005	JBF	Intl. investment [M&As]	1	1	2		empirical	Financial	no	10	rel.	no
Goldberg & alii	2005	JIMF	Intl. investment [FDIs]	1	1	2		empirical	Financial	no	1	rel.	no
Greif	1994	JPE	Endogeneity of law & culture	NA				conceptual	Related disc.	yes	145	no	no
Grinblatt & Keloharju	2001	JF	Stock-holding	2	1	3		empirical	Financial	no	29	rel.	no
Grinold & alii	1989	JPM	Stock-holding	2	1	3		empirical	Financial	no	1	yes	no
Guiso, Halliasos & Jappelli	2000	Book	Stock-holding	2	1	3		descriptive	Financial	no	3	yes	no
Guiso, Sapienza & Zingales	2004	WP	Intl. investment [Economic exchange]	1	in pair	5	**	empirical	Wrkg. Paper	yes	55	yes	no
Guiso, Sapienza & Zingales	2007	JEP	Review - Culture and economics	NA				conceptual	Related disc.	yes	87	rel.	no
Guiso, Sapienza & Zingales	2008	WP	Stock-holding	2	1	3		empirical	Wrkg. Paper	no	2°°°	no	no
Hilary & Hui	2007	WP	Investment	NA				empirical	Wrkg. Paper	no	17	no	no
Kimbro	2002	JAAF	Accounting standards	3		4		empirical	Related disc.	yes	26	yes	yes
Kwok & Tadesse	2006	JIBS	Financial architecture	3		4		empirical	Related disc.	yes	79	yes	yes
Licht, Goldsmidt & Schwartz	2004	IRLE	Investors' protection	3	in pair	5	**	empirical	Related disc.	yes	174	yes	yes
Mian	2006	JF	Intl. investment [Intl. credit]	1	1	2		empirical	Financial	no	27	rel.	no
Outreville	2008	JRI	Intl. investment [FDIs]	1	2	4	*	empirical	Financial	yes	27	yes	yes
Payne	2007	FM	Intl. investment [FDIs]	1	2	4	*	descriptive	Financial	yes	40	rel.	yes
Pirouz°	2004	WP	Stock market volatility	3		4		empirical	Wrkg. Paper	no°°	73	yes	yes
Ramirez & Tadesse	2007	WP	Cash holdings	4		4		empirical	Wrkg. Paper	yes	96	yes	yes
Rosati & Secola	2006	JBF	Intl. investment [interbank marke	1	1	2		empirical	Financial	no	6	yes	no
Sarkissian & Schill	2004	RFS	Intl. investment [Capital sourcing]	1	1	2		empirical	Financial	no	11	yes	no
Sekely & Collins°	1988	JIBS	Capital Structure [in agg.]	4		4		empirical	Related disc.	yes	51	yes	no
Shao, Kwok & Guedhami°	2008	WP	Dividend policies [in agg.]	4		4		empirical	Wrkg. Paper	yes	55	yes	yes
Siegel Licht & Schwartz	2006	WP	Intl. investment [Intl. investment]	1	in pair	5	**	empirical	Wrkg. Paper	yes	112	yes	yes
Srivastava & Green	1986	JB	Intl. investment [Trade]	1	1	2		empirical	Financial	no	21	yes	no
Stulz & Williamson	2003	JFE	Investors' protection	3	in pair	5	**	empirical	Financial	yes	75	yes	no

° additions provided by Breuer & Quinten (2009)'s review *Cultural Finance*. They provide an addition of 21 empirical papers, 8 of which were already included in our database. 10 papers appear here marked with an (°) and 3 papers have not been retained either because thay had no occurence o related words (Griffin, Ji & Martin, 2003; Stonehill & Stitzel, 1969) or because they should not be included following our inclusion-rules outlined ear (Weber, Shenkar & Raveh, 1996)

°° *precise definitions are provided at more specific levels, such as for individualism, collectivism, etc.*

°°° *2 counts of culture only, this excludes counts on trust. Definition of 'culture' not provided (trust considered instead)*

TABLE 3a - Date of publication for the 45 articles contained in the database

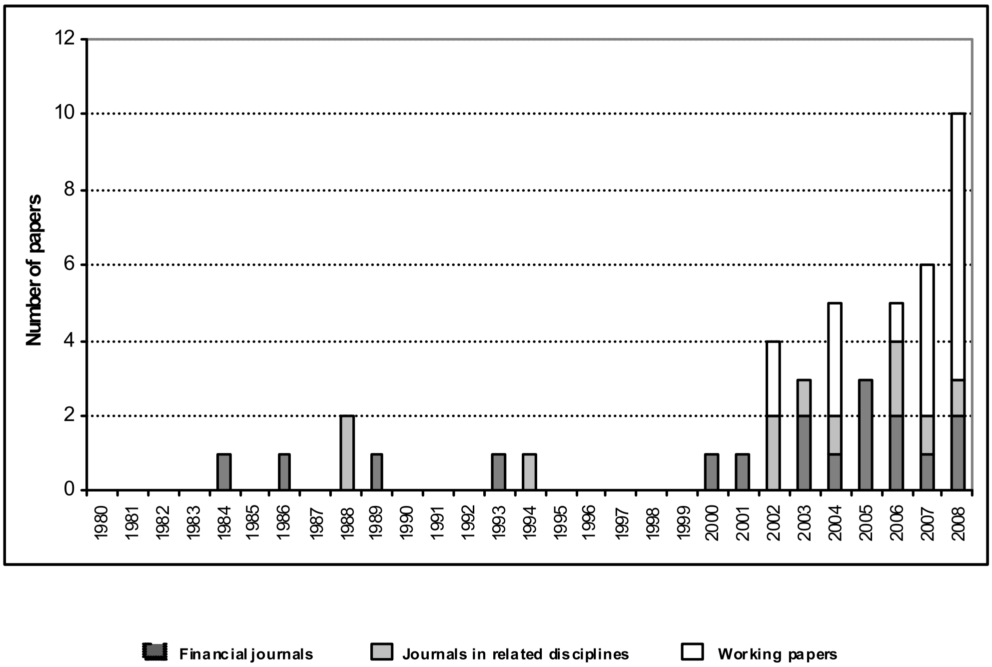
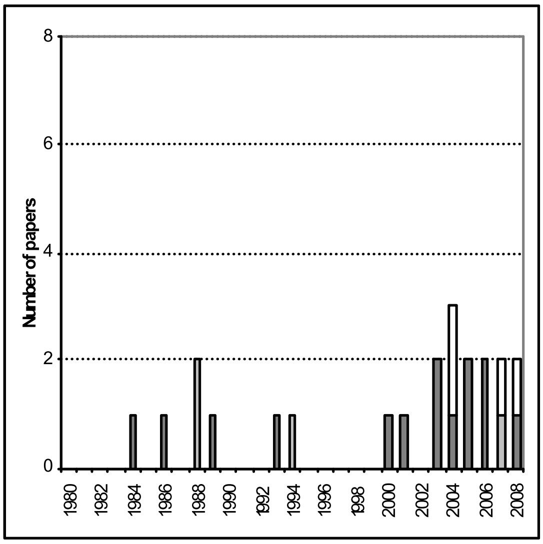


TABLE 3b – Publication dates for papers …

…without a dimensionalist approach



…with a dimensionalist approach

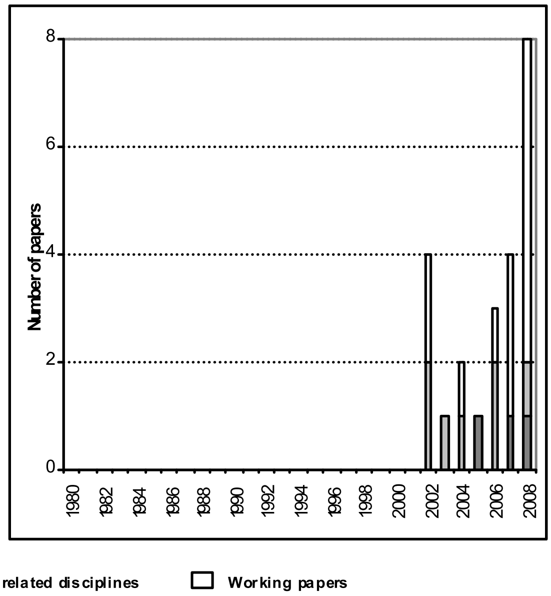
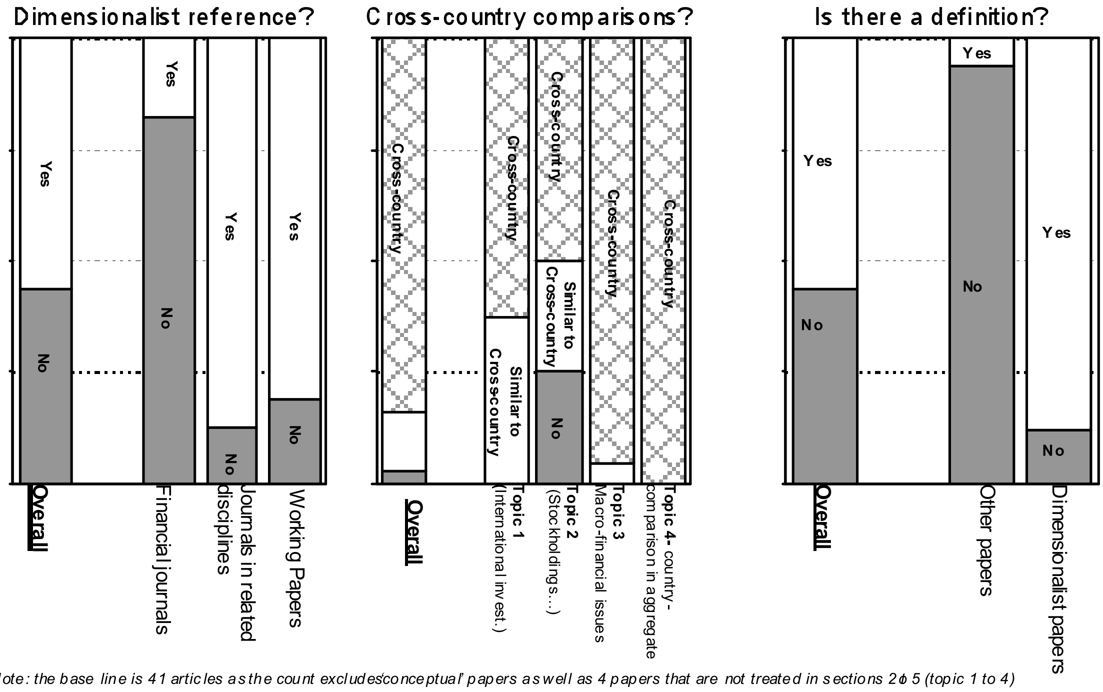


Table 4: little homogeneity, but for the methodological focus

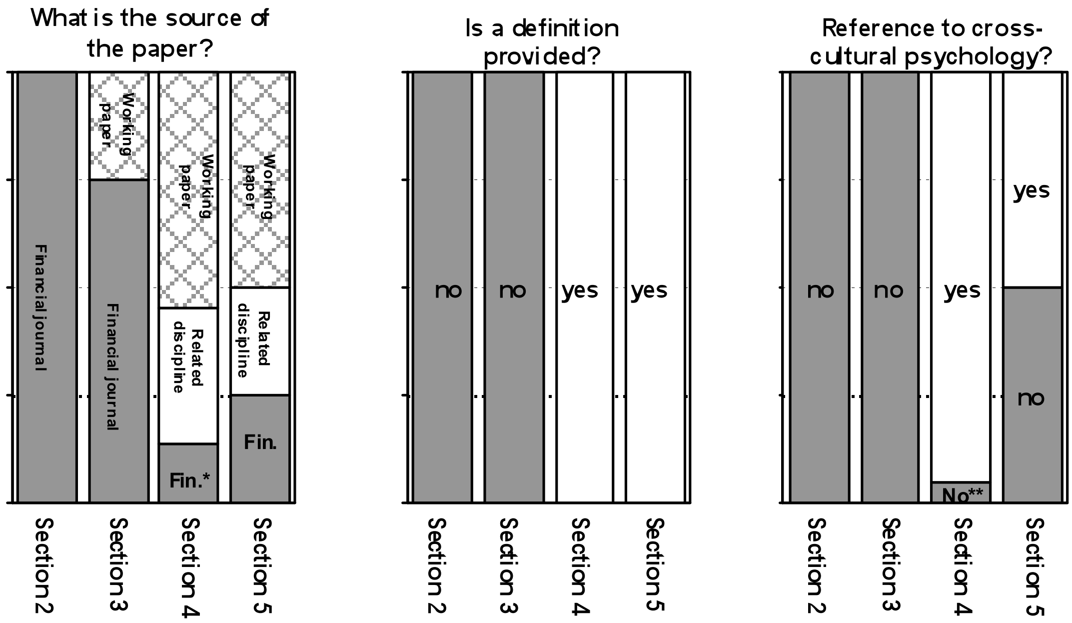
There is some homogeneity on methodological focus, but there is a tension between dimensionalists and non-dimensionalist approaches
The dimensionalist approach has hardly found its way into financial journals



Note: the base line is 41 articles as the count excludes 'conceptual' papers as well as 4 papers that are not treated in sections 2 to 5 (topic 1 to 4)

Table 5: homogeneity resulting from the reclassification process

Section 5 purposefully features two pairs of articles on identical subjects with extended culture references (two related working papers and two related journal articles)



***This include 3 articles focusing on M&As and FDIs**, a common theme to financial and strategy research**
****This includes one paper from 1988 (JIBS) that features country groupings very similar to that of Hofstede or Schwartz, a method common to the dimensionalists and other approaches**

APPENDIX 1: DIMENSIONALIST LITERATURE: A BRIEF OUTLINE

This label is proposed by Vinken & alii (2004) to characterize large-scale surveys intending to develop 'national culture indices' and it originates in Hofstede (1980, 1991, 1997, 2003.). Triandis (2004) provides an account on how Hofstede's intellectual heritage influenced psychologists at the turn of the 90's and gave ground to the rise of a new discipline known today as *'cross-cultural psychology'*. The 'dimensionalist' view involves the use of synthetic indices derived from national surveys on individual and, or collective values. Smith & Schwartz (1997) insist on the importance of the distinction between these levels and Hofstede (1994) insists that the scores to be used are not individual scores, but national averages across all national individuals. The introduction along with sections 1.3, 4 and 6.4 of this paper provide some specifics on debates pertaining to the use of these indices, their relation to economic, political and other societal variables as well as further references to critiques.

A large number of surveys and meta-studies of this literature exists (recently Kirkman, 2006).

A specific operationalization aggregates the cultural differences across indices into a single score for *'cultural distance'* across pairs of nations (i.e. summing up squared differences across the 4 culture indices as initially proposed by Kogut & Singh, 1988; criticized in Shenkar, 2001; a recent review is provided in Siegel & alii, 2008: appendix).

It is unclear if Vinken & alii would include the Globe project within the 'dimensionalist' label, and we suppose they would not, due to the controversy between R. House and G Hofstede. However, we use this label for convenience when talking about all these efforts to describe national cultures synthetically through structural indices, and we mean to include all large-scale surveys based on expressed values.

Payne (2007)'s article included in our database describes in detail Hofstede's indices: individualism/collectivism, power-distance, uncertainty avoidance and masculinity / feminity. Breuer & Quinten (2009), among others, provide in addition details on Schwartz's indices the second mostly used index across this database.

Recent International Business reviews emphasize how it can be fruitfully complemented or extended (Au, 1999; Earley, 2006; Lenartowicz & Roth, 1999; Leung & alii, 2005; Smith, 2006; Tung, 2008). Its validity is sometimes questioned in than field (Adler, 1989; d'Iribarne, 1997; Baskerville, 2003) and beyond (Mc Sweeney, 2002 and ensuing exchange with Hofstede in the same journal later in 2002).

APPENDIX 2: ILLUSTRATING DIVERSITY IN CULTURE DEFINITIONS.

Drawing inference from the sample of definitions provided below and drawn from articles cited in this study, culture is associated with the following list of concepts: *aesthetics, assumptions, beliefs, belief systems, categorizations, codes of conducts, cognition, concepts, convention, customs, discourse, doctrine, ethos, expressive symbols, facts, identities, ideologies, institutions, knowledge, language, material culture, meanings, models, motivational goals (values), norms, pattern of sampling information from the environment, practices, prejudices, priors, recipes, representations, rituals, role definitions, rules, schemata, self-definitions, shared attitudes, signs, suppositions, standard operating procedures, social institutions, strategies, style , symbols, tools, tradition , unstated assumptions, values, shared values.*

Only values, norms or beliefs seem to carry generality through their frequency of occurrence.

International Management

Hofstede, 1980	Culture	"*Collective programming of the mind [...] distinguishing the members of one human group from another*" (p. 21)
Hofstede, 2001	Culture	"*Social mind*"
Hofstede, 2004	Culture	"*Culture is to society what memory is to individuals. It includes what has worked in the history of the society -tools concepts, ideologies, norms, values, prejudices, standard operating procedures, unstated assumptions, pattern of sampling information from the environment- that most members of the society teach to the next generation. This teaching is done by example or explicitly...*"
House & alii, 1999	Culture	*"We define culture as shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age and generation*"

Organizational theory

Scott, 95	Institutional carriers	"*Scott distinguishes among three main institutional carriers, namely cultures, social structures and routines*" (in Guillen, 2004)

Cross-cultural psychology

Licht, Goldschmidt & Schwartz, 2007	Culture	"*Definitions of culture abound, but the common denominator of all the definitions is that culture represents shared values and beliefs* "
Schwartz, 1999	Cultural vs. individual values	"*The explicit and implicit value emphases that characterize a culture are imparted to societal members through everyday exposure to customs, laws, norms, scripts and cultural values (Bourdieu, 1972; Markus & Kitayama, 1994)*"
Schwartz, 2004	Culture: values	"*The rich complex of meanings, beliefs, practices, symbols, norms, and values prevalent among people in a society. The prevailing value emphases in a society may be the most central feature of culture… These value emphases express shared conceptions of what is good and desirable in the culture, the culture ideals*"
Schwartz, 2004	Culture: values vs. other sources	*"Note that I refer only to value dimensions. In the introduction I argued that these are particularly significant dimensions for comparing cultures because they affect so many different aspects of life. But other dimensions of cultural difference, such as the tightness or looseness of normative*

		systems, holistic vs. analytic styles of thought, degree of emotional expressiveness, and time perspective, are also important" p. 71
Siegel, Licht & Schwartz, 2006	Culture	*"Social players interact with partners assumed to share the same priors (beliefs) and to be guided by similar sets of motivational goals (values)"*
Triandis, 1996	cultural syndromes	*"The patterns of shared attitudes, categorizations, self-definitions, norms, role definitions, and values…"*

Sociology

DiMaggio, 1994	Culture processes	*"Shared cognition, values, norms and expressive symbols"* *"Representations of culture as a toolkit or repertoire […rather than] the latent-variable view of culture as coherent, integrated, and ambiguous*"
Jepperson & Swindler, 1994	culture's dimensions	Culture's dimensions ordered from "*least conscious to more expressive*" [identical paragraphs in original]: *"Codes, rules, schemata, models* *Identities, practices, recipes, strategies, norms, values* *Convention, custom, tradition* *Symbols, signs, rituals* *Knowledge, discourse, representations, doctrine, ideology* *Ethos, style"*
Jepperson & Swindler, 1994	Institutionalization of culture	"S*ome cultural elements are more institutionalized than others, i.e.. more linked to other cultural elements, more embodied in standardized routines and formal organizations, more taken for granted as fixtures of the environment [...these forms of culture that are] congealed in forms that require less by way of maintenance, ritual reinforcement and symbolic interaction than the softer realms we usually think of as culture"*

Political sciences

Inglehart (1997)	Culture	*"A culture is a system of attitudes, values, and knowledge that is widely shared within a society and is transmitted from generation to generation. While human nature is biologically innate and universal, culture is learned and varies from one society to another. […] By culture, we refer to the subjective aspect of a society's institutions: the beliefs, values, knowledge, and skills that have been internalized by the people of a given society, complementing their external systems of coercion and exchange. This is a narrower definition of culture than is generally used in anthropology, because our purpose here is empirical analysis*" p.15
Inglehart (1997)	Culture stability	*"The more central and early learned aspects of culture are resistant to change, both because it requires a massive effort to change central elements of an adult's cognitive organization, and because abandoning one's most central beliefs produces uncertainty and anxiety. In the face of enduring shifts in socioeconomic conditions, even central parts of culture may be transformed, but they are more likely to change through intergenerational population replacement than by the conversion of already socialized adults*" p. 15

Economics

Aoki, 2001	Institutions	*"Self-sustaining system of shared beliefs… In order for beliefs to be shared by the agents in a self-sustaining manner and regarded by them as relevant to the consequences of their choices, they must have substantive bases"*
Aoki, 2001	Culture	*"The basic nature of social capital in the social exchange domain may remain relatively robust over time, which roughly corresponds to what is normally referred to as a cultural pattern…"*
Greif, 1994	Institutions	"*Institutions -the non-technological constraints on human interactions- are composed of two interrelated elements: cultural beliefs (how individuals expect other to act in various contingencies) and organizations (the endogenous human constructs that alter the rules of the game)"* (in Aoki, 2001)
North, 1990	Culture	Institutions have three dimensions: they consist of informal constraints, of formal constraints and of the enforcement of these constraints. Culture is the antecedent of informal constraint: "*Where do informal constraints come from? They come from socially transmitted information and are part of the heritage that we call*

		culture". Culture provides "customs*, traditions and codes of conducts*". Culture is of major importance for economic phenomena: "*the formal rules make up a small (although very important) part of the sum of constraints that shape choices; a moment's reflection should suggest to us the pervasiveness of informal constraints"*
Williamson, 2000	Embedded-ness	There are *"four levels of social analysis [...] the top level is the social embededdness level. This is where the norms, customs, mores, traditions, etc. are located. Religion plays a large role at this level. Although Level 1 analysis is undertaken by some economic historians and other social scientists... level 1 is taken as given by most institutional economists... The concept of embededdness, both at the level of society and in the context of ongoing network relations, has been advanced to help explicate these issues (Granovetter, 1985). The vast literature on culture (Paul DiMaggio, 1994) is also pertinent. Neil Smelser and Richard Swedberg discuss these and related issues in their introduction to the Handbook of Economic Sociology, where they observe that different kind of embededdness -cognitive, cultural, structural and political- should be distinguished, and conclude that the concept of embeddedness remains in need of greater theoretical specification*" p. 596

Finance

Guiso, Sapienza & Zingales 2006	Culture	Providing a "*narrow definition of culture":* *"those customary beliefs, values, and social constraints that ethnic, religious and social groups transmit fairly unchanged from generation to generation"* [with reference to the Webster dictionary]
Breuer & Quinten, 2009	Culture, values	*"Culture may be understood as a complex entity of cognitions, shared by the members of a social group. The focal point of the cognitions is (core) values, which are assumed to steer individual behavior"*
Desender, Castro & Escamilla de Leon, 2007	Culture	*"Culture refers to the complex of meanings, symbols, and assumptions about what is good or bad, legitimate or illegitimate that underlies the prevailing practices and norms in a society (Bourdieu, 1977). Value emphases are the essence of culture seen this way. They are the implicitly or explicitly shared, abstract ideas about what is good, right, and desirable in a society (Williams, 1970). They justify and guide the ways that social institutions (e.g., the family, education, economic, political, religious systems) function, their goals and modes of operation. Social actors (e.g., organizational leaders, policy-makers, firm managers) draw on these cultural value emphases to select actions, evaluate people and events, and explain or justify their actions and evaluations"*
Schiller, 1997	culture	*The concept of culture central to sociology and cultural anthropology ever since the work of Taylor (1871), Durkheim (1893) and Weber (1947) is related to the selective attention that the human mind exhibits. There is a social cognition, reinforced by conversation ritual and symbols that is unique to each interconnected group of people; to each nation, tribe, or social group .... the array of facts, suppositions, symbols, categories of thought that represent a culture have subtle and far-reaching affect on human behavior"*
Sekely & Collins, 1988	Culture	*"While there is a great deal of discussion and debate over exactly what constitutes culture, most definitions include the following elements: social institutions, belief systems, aesthetics, language, and material culture. It is this last element, which includes a society's economic structure and technological capabilities that probably is most closely related to the capital structure tendencies of a society. Specific areas most likely to influence capital structure include the different legal and tax systems, which give rise to differences in property rights across cultures. However, the potential impact on capital structure is not limited to the material portion of culture. There are a number of other' aspects of a society's culture which also could impact on the financial structure of a firm"*