

Can guidelines for Intellectual Capital management and reporting be considered without addressing cultural differences?

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Abstract:

The aim of the present article is to put culture on the agenda when discussing and working with IC reporting and IC management. Differences between Spain and Sweden in the Meritum work are discussed in relation to (1) The interest and experience of IC among firms; and (2) The way the firms develop IC management and IC reporting. We propose that culture might affect the assumptions of knowledge as well as the creation and the adoption of new knowledge. Thereby culture may determine the emergence of IC management and reporting. However, there are no national cultural differences with respect to the development of IC management and reporting.

Key words: Culture, Intellectual Capital, Knowledge, Management, Measurement, Disclosure

Word count: 5,839

Introduction

The explicit or implicit aim of many of the intellectual capital (IC) projects around the world is to investigate if it is possible to develop international voluntary guidelines for the management and reporting of intangibles or IC. Some of the projects have a very clear objective to propose guidelines. Examples of the latter are the Meritum & E*Know-net guidelines (Meritum, 2002) and the Danish guidelines (Danish Agency for Trade and Industry, 2001).

The basic idea is that these guidelines should have the capacity to be used within many different cultures, e.g.; (1) Different countries; (2) Firms of different sizes in different lines of business; and (3) Different stakeholders like capital market actors, firm management and politicians.

Considering the great variety of cultural target groups it appears to be adequate to discuss whether or not it is possible to develop a common guideline as envisaged. Hofstede (1980,

in Gooderham & Nordhaug) proposes very frankly that the very idea of applying management systems across borders is doomed to fail because of cultural differences. Johanson (2003) and Holland & Johanson (2003) address different barriers on the capital market with respect to considering IC information. One such barrier is the mentality of different groups of actors. Mentality as well as culture is by definition normally not subject to a rapid change.

The present article aims at encouraging this discussion based on the results and experience of the above-mentioned Meritum project. Meritum was the joint effort of 9 research groups coming from 6 European countries (France, Spain, Norway, Denmark, Finland and Sweden). The Meritum work, which was performed between the years 1998 and 2001 was organised in four different activities; (1) Definitions and classification of concepts e.g., intangibles and intellectual capital (IC); (2) Investigations of how management control of intangibles was performed at the firm level; (3) Capital market implications of the poor information from firms on intangibles; and (4) Development of guidelines for the reporting and management of intangibles.

The guideline was subject to a Delphi test at the end of the project. The objective was to check if the information contained in the Guidelines was complete, useful, feasible and clear. 47 experts from the six participating countries, representing a variety of institutions, were involved in the Delphi. The categories of experts considered were: business firms, accounting standard-setting bodies, entrepreneur association, policy-makers, financial analysts, trade unions, and professional accounting and auditing companies. The Delphi analysis took place in three rounds between November 2000 and March 2001. Each of these rounds was based on a different questionnaire (Meritum, 2000). The Round 1 questionnaire was divided into 5 sections addressing the conceptual framework of the Guidelines, the management of intangibles, the IC report, the general opinion of the Guidelines and future scenarios related to the development of a generally accepted Guideline. Round 2 focused on the closed questions of Round 1, providing the experts with the average scores and the dispersion answers to each question. Finally, Round 3 focused on the opened questions included in Round 1 as well as comments received during Round 1 and 2 (Meritum, 2002).

The research was based on the idea that firms are facing a major transformation in the value creation process, (intangibles or more specifically knowledge is increasingly becoming the major driver of firm's long term business success. These changes pose a great challenge to firms because the intangible resources are not easily identified, not measured, and not reported internally or externally. Another basic assumption was that there is a need to develop a common framework, which involves definitions and classifications of intangibles and a guideline for measuring, managing, and reporting of intangibles. Researchers involved in the project shared the same concern; to understand how the management and control of intangibles was taking place at firm level, and to produce a set of Guidelines for Managing and Reporting on Intangibles.

Cultural issues were not specifically addressed by the Meritum project but soon it became evident that despite the common objectives there were important country differences in (1) How the different "country" research groups were dealing with the research problem; (2)

The interest and experience of IC among firms; and (3) The way the firms develop IC management and IC reporting. We argue that culture might explain an important share of those differences. The present article will specifically address the last two propositions.

Our main argument is that if the ambition of different IC-projects is to develop cross-country application, the question of cultural differences has to be addressed. This has not been the case with the Meritum & E*Know-net work so far. The intention with the present article is to encourage that kind of discussion, in order to put the cultural issues in the future agenda of researchers in the management and reporting of intellectual capital.

The discussion in the article is based upon suggestions by mainly Hofstede (1980, 1985 and 1991), Gray (1988, 1995) and Gooderham & Nordhaug (2002). The cultural comparison will be limited to a comparison between Sweden and Spain.

Definitions of intangibles and intellectual capital

There is a great conceptual confusion with respect to IC and intangible resources. To start with the latter, after reviewing a large number of publications, Cañibano et al (1999) and Johanson et al (1999) concluded that there is no consensus concerning what constitutes an “intangible.” A frequently used procedure in communicating what intangibles stand for is to provide examples of intangibles and then proceed to classify these examples Johanson (2000).

Within the Meritum project, a definition on intangibles has been established (Meritum, 2002). This definition is based on Hall’s (1992) proposal that intangible resources can be considered as (1) “assets” e.g. intellectual property rights, data bases, etc., and (2) “skills”, i.e., capabilities and competencies. It is suggested that the static intangible resources (stocks) of a company can be measured at a given moment. Employee competencies, intellectual property rights, customer satisfaction, trust or agreements with suppliers are considered intangible resources.

Intangibles can also be analysed in dynamic terms (Meritum, 2002). Companies are undertaking activities to acquire or internally produce intangible resources, to sustain and improve existing ones. These activities may give rise to new intangible resources or improve the value of existing ones.

According to the Meritum Guidelines the intangible resources and activities can be classified into Human Capital, Structural Capital and Relational Capital. Human Capital, is embedded in or addressing the individual employee. It includes the knowledge, skills, experience and abilities of people as well as activities to produce or improve these resources. Structural capital is a firm’s pool of knowledge and comprises, e.g., organizational routines, procedures, systems, cultures, and databases. Some of these may be legally protected and thus become Intellectual Property Rights. Relational capital is the knowledge that is linked with the external relationships of the firm, such as customers, suppliers and partners.

However, the division of intangibles into three categories is dangerous because, as Roberts (2000) notes, the value creation is a function of the interaction between the different categories. According to Roberts, compared with industrial production, where the value creation is linear and based on separate production stages, each of which can be optimised individually, it is the connectivity between resources that matters in intellectual capital value creation.

IC is also poorly defined. Some years ago IC was proposed to be the difference between the market and the book value of a single firm (e.g., by Edvinsson & Malone). This proposal has been subject to a severe criticism. In the Meritum project (2002) IC refers to how intangible as well as other resources interact and contribute to the value creation of the firm. Because these resources or activities are looked upon as different knowledge resources IC management could be defined as the management of knowledge resources. However, many authors e.g., Lynn (1999) and Sánchez *et al* (2000) argue that IC management is different from knowledge management in that IC management involves a value-added dimension which knowledge management necessarily does not. Lynn, Sanchez et al holds that IC aspires to demonstrate the value of the knowledge resources to the organisation. Other authors e.g., Bukh & Johanson (2003) propose that IC statements are a part of companies' knowledge management strategy as well as a device for communicating knowledge management's objectives, initiatives and results. Thus, knowledge management is the linking pin between the IC statement and the theory of the firm

In the present article we will address the concepts IC management and IC reporting respectively. IC reporting refers to the internal as well as the external publication aspiring to reveal; the intangible resources; the intangible activities; how intangibles relate to the vision of the firm; and the managerial challenges with respect to intangibles.

Culture and its impact on accounting

Culture has been defined in numerous ways. The definitions of culture states that some kind of meaning is shared among the members of a group. It is further suggested that there is some commonality in the interpretations of objects and events (Wärneryd in van Raij, 1988). Definitions often refer to collective norms, values and beliefs in an organisation. Frankly expressed culture is proposed to be the collective programming of the mind which distinguishes one group from another (Hofstede, 1980). Hofstede further proposes that symbols, heroes, rituals and values form culture.

However, when dissecting definitions more carefully huge differences in opinions become apparent. Opinions differ not only with respect to what should be included in the definitions but also with respect to what should be most emphasised e.g., cognition's, emotions, perceptions, behaviour, symbols, philosophy (Alvesson & Berg, 1988). More complex definitions address e.g., the expressive and affective dimensions in a system of shared symbols manifested in myths, ideology, values and multiple cultural artefacts (Alaire & Firistou, 1984).

Schein (1985) addresses three cultural levels; basic assumptions, values and artefacts. The artefacts are materialised expressions of values whereas the basic assumptions are subconscious beliefs. The three levels interact continuously and are shared by members of an organisation. They define, in a 'taken for granted' fashion, an organisation's view of itself and its environment (Schein, 1985, Hendry and Hope, 1994).

Many authors have reflected upon how culture effects management systems (Hofstede, 1991, Bhagat et al, 2002); management control systems (Chow et al, 1996, Harrison, 1992, 1993, Lau et al., 1995 in Williams and Seaman, 2001); accounting systems (Perera, 1989 and Gray, 1988, 1995); organizational culture (Harrison et al., 1999 in Williams and Seaman, 2001, Hofstede, 1985) and more recently IC management (Lynn, 1999).

Lynn proposes that organisational culture affect IC management. Lynn is addressing the issue of culture and IC management by comparing the IC work of four North American (CIBC, Royal Bank, Dow Chemical and IBM) and two Swedish firms (Celemi and Skandia). She proposes that national as well as organisational culture affects the way in which IC management manifests itself and to what degree it is communicated with the outside world. She maintains that it is obvious that the Swedish cases are more advanced in external reporting than the North American cases but not necessarily in IC management. Swedish culture appears to provide a more natural environment for development of IC reporting than does North American culture. Similar to what Lynn purports, others have proposed that the interest for experiments with other "new accounting" models like e.g., balanced-score card and human resource costing and accounting has been very high in Sweden during the 1990's (Johanson et al, 1999).

Corporate culture has also been suggested to have a significant impact on overall organisational performance. For example Kotter & Heskett (1992) have studied goal achievement whereas Flamholtz (2001) has focused on financial performance.

However, changing culture is a difficult task (Hendry & Hope, 1994). The culture is transmitted not only through the formal structure and systems but also through informal processes and communication networks, rituals and routines, organisational stories and myths, physical symbols, incentives, control systems, power structures and political behaviour. All these factors in the cultural web are mutually reinforcing. It is usually impossible to change one without changing them all.

Long & Fahey (2000) suggest a number of cultural characteristics to the management of knowledge. They hold that culture among others; (1) shapes assumptions about which knowledge is important; (2) mediates the relationships between individual and organisational levels of knowledge; (3) creates a context for social interaction; and (4) shapes creation and adoption of new knowledge. These cultural barriers or enablers will certainly influence the unit of analysis in the present article i.e., (1) The interest and experience of IC; and (2) The way the firms develop IC reporting and IC management.

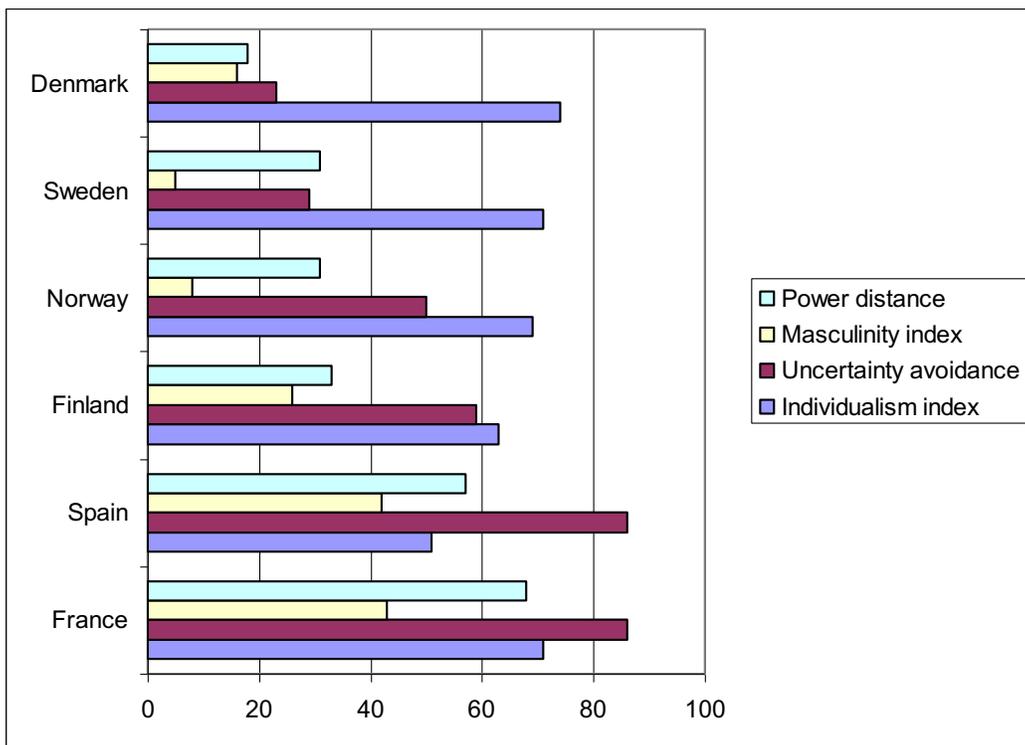
In his seminal work Hofstede (1980) proposed four cultural dimensions regarding the relations with the authority, the conception of self and the ways of dealing with conflicts.

He named the four dimensions as power distance, individualism versus collectivism, masculinity versus femininity and uncertainty avoidance.

Power distance was defined as “the extent to which the less powerful members of institutions and organisations within a country expect and accept is distributed unequally” (Hofstede, 1991). In small power distance countries, there is limited dependence of subordinates on bosses and an intense communication between both parties. On the other hand, in large power distance countries there is much tolerance for inequality which, at the workplace, is seen in large distance between bosses and subordinates.

This cultural dimension was measured using the Power Distance Index (PDI) (Hofstede, 1991, p. 26). Malaysia stands as the largest power distance country (PDI=104) while Austria shows the lowest index (PDI=11). Considering the 6 European countries of the Meritum project, the situation is as follows:

Figure 1. Hofstede cultural dimensions in the Meritum countries



Source: Based on Hofstede (1991).

The second cultural dimension is individualism as opposed to collectivism. In individualist countries, the ties between individuals are loose and everyone is expected to look after himself or herself and his immediate family only. On the contrary, in collective societies, people are integrated into strong, cohesive in-groups. Individualism in a society was measured using the “individualism index” (Hofstede, 1991, p. 51). The results for the six Meritum countries plotted in Figure 1, showed Spain as the most collective society of them all, being Denmark (rank 9) the most individualistic.

The third cultural dimension deals with the differences between masculine and feminine values and behaviours. Masculinity refers to societies in which social roles are clearly distinct e.g., men are supposed to be assertive, tough and focused on material success and women are supposed to be more modest, tender and concerned with the quality of life. Conversely, femininity refers to societies where roles overlap. The Nordic countries are the most feminine societies while France and Spain can be considered as middle term countries. Masculinity is measured using the Masculinity index (Hofstede, 1991, p. 84) which ranges from Japan (MAS=95) to Sweden (MAS=5)

Finally, the last dimension refers to the way different countries deal with uncertainty. Uncertainty avoidance is defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations (from weak to strong). In strong uncertainty avoidance countries there is a strong preference for rules and regulations as a mean to reduce risks associated with unknown situations. Using the uncertainty avoidance index developed by Hofstede, the situation in the 6 Meritum countries in Figure 1 shows, again, important differences between the continental Latin countries and the Nordic countries.

In principle, following Hofstede's work, we might argue that Sweden and Spain hold significant differences in cultural values. Therefore, we might expect differences in the firm's and individual behaviour as the environmental conditions also differ between countries.

Hofstede's work has been subject to severe criticism. Wärneryd holds that studies comparing the culture of different nations normally suffer from a lack of well-defined cultural dimensions that could be used to explain differences (Wärneryd, 1988).

Gooderham & Nordhaug (2002) summarise some of the criticism of Hofstede's work. They hold that among others the following shortcomings have been discussed; an attitude-survey questionnaire was used as the only method; the sample of respondents came from just one firm; cultural bias existed in the performance of the investigation; and the results are outdated because of globalisation.

Gooderham & Nordhaug (2002) challenge the last item in an investigation of the 2001 Eurobusiness student survey. Gooderham & Nordhaug confirm many of Hofstede's findings but they also discover differences. Power distance and Masculinity are still significant distinguishing factors between countries whereas Uncertainty avoidance and Individualism-Collectivism do not differ. They hold that gender is a more powerful factor for predicting work-related cultural differences than nationality. Gender is significant as a distinguishing element in all dimensions except for Power distance. They conclude that their results indicate a significant convergence of values across Europe. One objection to the latter conclusion is of the same kind as the criticism towards Hofstede's work. The survey is performed with a sample of European students, which means that the culture gap between other groups of the population or with respect to other issues such as management practices might not have been subject to a reduction in Europe.

Despite Hofstede’s criticism, we shall argue in this article that cultural differences still persist in Europeⁱⁱ and that they might affect (1) the interest and experience of IC among firms and (2) the way firms manage and report on IC.

Following the work by Hofstede, different authors (e.g., Perera 1989 and Gray, 1988, 1995) have analysed the impact of national culture on accounting. They hold that cultural attributes influence accounting values, which in turn influence accounting practises. Perera as well as Gray proposes four dimensions of national accounting systems named professionalism, uniformity, conservatism and secrecy that could be linked to the cultural dimensions.

Professionalism is defined as the extent to which the accounting profession should be permitted to retain control over accounting standards as a matter for private self-regulation as opposite to the situation in which the accounting profession is subject to public regulation (Gray, 1988). It is linked with weak uncertainty avoidance, weak power distance and high individualism.

Uniformity stands for the necessity to regulate accounting practices so as to guarantee inter-firm and temporal comparability, as opposite to relative flexibility in accounting practices to suit the circumstances of individual companies (Gray, 1988). Uniformity is more frequent in countries with strong uncertainty avoidance, low individualism and large power distance, in which the acceptance of imposed norms are higher.

Conservatism refers to a relative caution in the measurement of profits or assets while **Secrecy** stands for the prudence in the disclosure of information (Gray, 1988). Both are expected to be found in strong uncertainty avoidance countries, where more conservative measures on profits are desirable and there is a tendency to restrict information disclosures. The latter is also linked to high power distance countries, as the restriction of information might help to preserve inequalities.

The linkages between accounting dimensions and cultural dimensions are summarised in the following table, where “+” means a positive relationship (ex. higher individualism, higher professionalism) and “-“ means an opposite relationship (higher power distance, lowest professionalism).

Table I. Accounting and cultural dimensions

	Professionalism	Uniformity	Conservatism	Secrecy
Power distance	-	+		+
Individualism	+	-	-	-
Masculinity			-	
Uncertainty avoidance	-	+	+	+

Source: Based on Gray (1988)

Gray links theoretically the dimensions of professionalism and uniformity with authority and reinforcement, and secrecy and conservatism with measurement and disclosure accounting practices. As Table II shows the most important differences between the Latin (Spain) and Nordic (Sweden) countries are to be found in uniformity and conservatism.

Therefore, we might expect also to find differences in the way Swedish and Spanish firms develop their accounting systems. The extent to which this hypothesis stands true for the measurement, management and disclosure of information on intangibles will be discussed in the following section.

Table II. Accounting dimensions in the Meritum countries

	Professionalism	Uniformity	Conservatism	Secrecy
France, Spain	=	++	++	=
Nordic countries	+	=	-	=

Source: Based on Gray (1988). +: Above the average =: on average -: below average
 ++: Showing the highest levels of uniformity and conservatism

Discussion and conclusion

Considering what has been previously said, we might expect to find important differences between the way that firms in Spain and Sweden might deal with IC reporting and IC management. In the present section we shall elaborate around the following two issues: (1) The interest and experience of IC among firms and (2) The way the firms develop IC reporting and IC management.

As shown in the previous section, the Spanish and the Swedish partners in the Meritum project score differently in all of the four cultural dimensions: power distance, uncertainty avoidance, individualism and masculinity. **Our first proposal is that cultural differences might influence the experience and interest in IC among firms.** Culture might affect whether or not firms recognise themselves as IC or knowledge intensive firms. (Industrial structural differences such as the frequency of knowledge intensive firms have not been addressed in the present article. The latter might also affect our statement.)

Following Hofstede (1980, 1985 and 1991) in low power distance countries (Sweden) communication is an asset. Information flows naturally in the firm. On the contrary, in large power distance countries (Spain) information is related to power, and the general belief is that the more information you share, the less powerful you are. Therefore, if power is to be assured, information flows must be limited. The latter reinforces one way (either top-down or bottom-up) communication channels between superiors and subordinates. Open and widely spread communication is hampered. A proposal would be that the interest and experience with IC is greater in Sweden than in Spain.

Uncertainty avoidance is linked to rules, stability, risk aversion, uniformity and conservatism (Gray 1988 and 1995). It is argued that the stronger uncertainty avoidance is (Spain) the higher the fear for risk will be. That is, strong uncertainty avoidance hampers the emergence of new ideas and even more the implementation of innovations. The implementation of a new way of management (IC management) might be seen as one of these new organisational innovations, and, therefore, will be more common in low uncertainty avoidance countries (Sweden). The latter countries are expected to have a greater willingness to take risks.

In feminine societies (Sweden) more emphasis is given to the environment, the working conditions and the co-operation with other workers, while in more masculine countries (Spain) there is a stronger focus on measurable results, image and, somehow, short term achievements. In feminine cultures it is supposed to be a greater focus on management implications than in masculine.

In summary, we might expect that firms in Sweden are more interested in experimenting new ideas, in implementing new forms of managing and reporting. As a consequence, we might find more interest in these issues in Sweden than in Spain. As a matter of fact such a difference is also apparent in the Meritum work.

When starting the work with the management control study there was an obvious and immediate difference between Spain and Sweden. Researchers from Spain argued that there was hardly any experience with respect to IC reporting and management among Spanish firms. From Swedish researchers the opposite was proposed. Sweden has comparably more experience with respect to IC reporting and management amongst numerous firms. Many of the most cited firm examples (e.g., Skandia and Celemi) and authors (e.g., Edvinsson and Sveiby) originate from Sweden. From Spain it was argued that the work has to start with discussions concerning the importance of IC for the value creation of the firm. The difference between Spain and Sweden is understandable in terms of Hofstede's proposals. Revealing the importance of IC is an experimental issue and a risky project (uncertainty avoidance, uniformity and conservatism). Furthermore it means there is a higher level of disclosure of information (power distance, uniformity) as well as co-operation with respect to (feminine) sharing knowledge about the importance of intangibles.

In countries like Sweden, with low uncertainty avoidance, power distance, femininity, uniformity and conservatism, the "nurturing" conditions for the emergence of IC reporting and management are in place: sharing knowledge is more natural, co-operation is also more usual, and there is no fear to try new things such as IC. On the contrary, in Spain there is not such a "natural environment" for the emergence of IC reporting and management; firms have to be educated on the importance of co-operation, of knowledge sharing, both internally and among firms.

The second proposal is that cultural differences might also affect the way Swedish and Spanish firms develop IC reporting and IC management. We should expect differences with regard to uniformity and conservatism. Spanish firms should be clearly in favour of a more uniform and regulated framework (compulsory guidelines), detailed instructions on how to implement the IC management and disclosure system to ensure comparability and caution in the measurement of IC. Swedish firms, on the other hand, might argue for a more flexible framework and more freedom in the measurement and management of IC.

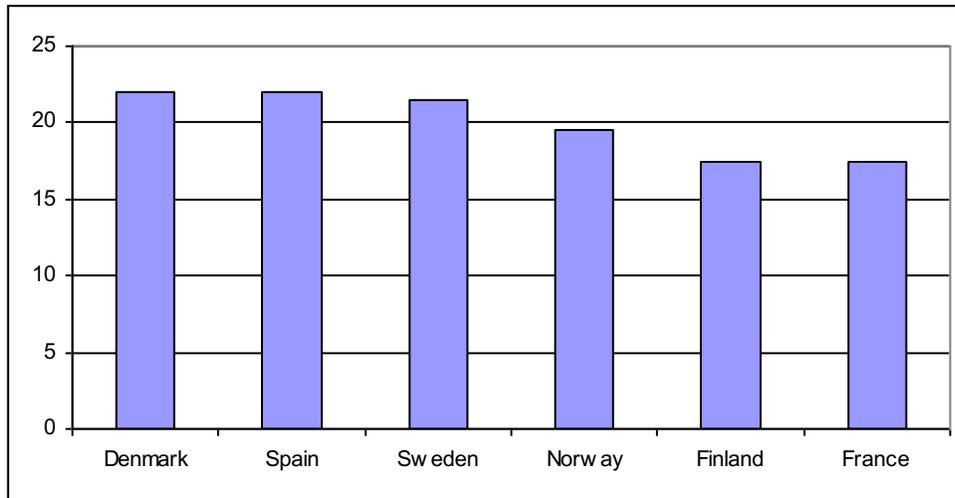
To check this proposal both the results of the management control study and the Delphi analysis of the Meritum Guidelines were used. The Delphi analysis was briefly described in the beginning of the article.

In our search for differences in IC reporting and management potentially linked to cultural values we selected from the 3 Rounds those questions related to the objectives of the Guidelines, the management and disclosure of information on intangibles, and the measurement of intangibles. The average scores per country were compared and a cluster analysis was conducted. The purpose of the cluster analysis was to explore to what extent we could find country clusters using the responses to the questionnaire.

The results showed no relevant differences between Spain and Sweden in the way firms develop their IC management system. Next some examples are plotted.

We expected the objectives of the Guidelines and, more precisely the need to have a unique framework, a common list of indicators that can be comparable between firms and over time to be linked to uniformity. Therefore we expected higher values in the Nordic countries. As shown in Figure 2 there is not a clear distinction between Nordic countries and Latin countries as expected.

Figure 2. Uniformity in the IC report and the Guidelines

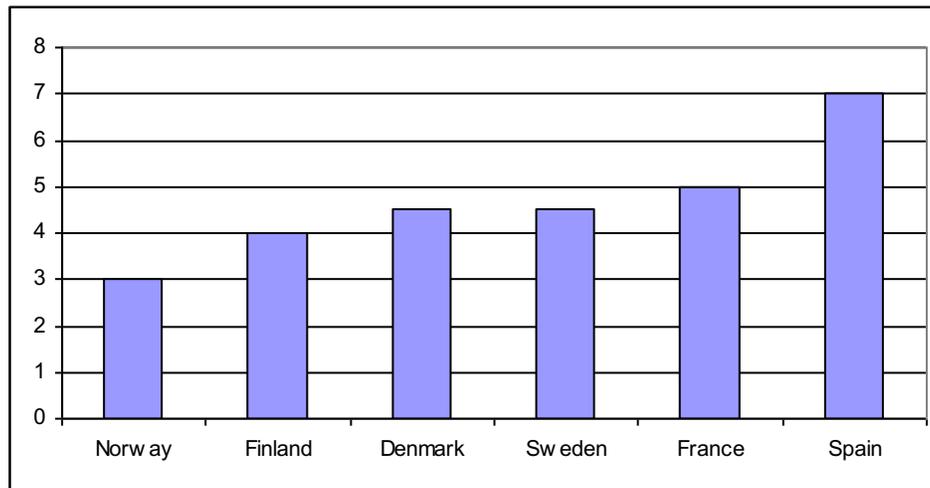


Source: Question 16, Round 1: The Guidelines should attempt to 1) Offer a unique framework; 2) Offer a completely list of indicators; 3) Provide a framework for homogeneous IC reports. Each question was scored between 0 and 10, being 1 “not important” and 10 “essential”. Scores were then summed up (being 10 maximum score and agreement)

In relation to the measurement of intangibles we expected those countries scoring higher in conservatism to stress more the need to have financial (traditional) indicators for the intangible resources and activities of the firm and also a need to be auditable. As shown in Figure 3, the results were the opposite to what was expected.

Our suggestion is that once a firm recognises and identifies itself as a knowledge-intensive firm, the way they measure, manage or report on intangibles does not differ from one country to another. One example is the Spanish case-firm Bankinter, which holds that they, among others, benchmark IC not with firms in the same industry in Spain, but with firms all over the world who share a similar culture (IC culture). Another indication on the same proposal is that when comparing answers regarding the guidelines from Delphi rounds there were no clear differences between respondents with IC reporting and management experience in Spain and Sweden. For example, both countries score equal when asked about the need for voluntary guidelines (7 out of 10ⁱⁱⁱ), that is, both consider that the Guidelines should be voluntary. They also show almost the same average when asked about the need to settle a common list of indicators to guarantee uniformity (5 and 4,5 for Spain and Sweden respectively, in a 1-10 scale).

Figure 3. Relevance of financial indicators



Source: Question 20 Round 3. “The experts suggested that the idea that *financial indicators are always desirable* should be suppressed from the Guidelines” Please indicate your agreement with the suggested change. 10 stands for “I completely agree with the change” and 0 stands for “I completely disagree”.

That is, when it comes to management practices, there is no observed difference in the way organisations measure, manage or report on intellectual capital. This may confirm the suggestions from the study by Gooderham & Nordhaug (2002) who actually found, not that the culture gap is reducing in Europe but, rather, that the culture gap in management practices is reducing in Europe.

Conclusion

As was proposed earlier in the present article, different cultural characteristics related to assumptions of knowledge, context for social interaction and creation & adoption of new knowledge (Long & Fahey, 2000) influence the development of IC guidelines on reporting and management. With this article we have tried to argue that cultural differences still matter in Europe at least in relation to IC. Our experience and findings in the Meritum project point out important differences regarding the interest and experience of IC reporting and management among firms but not with respect to the way knowledge intensive firms develop IC reporting and IC management. IC reporting and management is not just about indicators and measuring it is more about increasing the transparency of the firm to encourage the understanding of the value creation and about recognising knowledge as the basic firm capability. We propose that culture affects the assumptions of knowledge as well as the creation and the adoption of new knowledge. Thereby culture might determine the emergence of IC reporting and management. However, there are no national cultural differences with respect to the development of IC reporting and management.

The aim of this article is to raise awareness on the relevance of culture when discussing the introduction of a Guideline for managing and reporting on intangibles. The way of comparing the Meritum work conducted in Spain and Sweden can, following further

research, allow for interesting policy conclusions. One of these is clearly that policies in countries such as Spain, should focus on how to promote the IC thinking i.e., increasing the transparency of the firms to encourage the understanding of the value creation and stimulating firms to recognise knowledge as the basic firm capability.

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ⁱⁱ For a recent evidence of the persistence of cultural differences in Europe see European Commission (2002) *The state of the internal market in services*, COM (2002) 441, pages 44-45.

ⁱⁱⁱ Being 1 total disagreement and 10 total agreement