# Economic Growth and Cultural Value Analysis In Six Emerging Economies

## David R. Borker[*]

*Several emerging economies, Brazil, Iran, Mexico, North Korea, Thailand, and Turkey have been identified as having a high potential for significant growth in a 2010-2050 timeframe. They are cited as runner-ups to the economies listed as being at the top of the 3G or Global Growth Generator Index. There is already a study of cultural values in the 3G countries. The current paper is the first examination of the culture and business mindset in the six runner-up economies, using Geert Hofstede survey data and concepts in international cultural values research. The methodology of this paper is to conduct a comparative analysis of the six runner-up economies. These economies are each examined on six Hofstede cultural dimensions and compared with each another, the 3G countries, and selected other economies. The goal is to form insights into specific and shared value characteristics that affect economic growth. Cultural profiles are identified that complement econometric data in evaluating sustained growth potential, on the basis of which North Korea and Iran are identified as having highest potential in spite of their extremist regimes.*

## 1. Introduction

Evaluation of sustained economic growth potential is not only a function of economic statistics, demographics or existing institutions and policies. The current and future actions of nations are affected by long standing cultural and social values that may manifest themselves in different ways given the right circumstances. The current research is driven by the assumption that information on cultural values, such as provided by Hofstede value dimensions, can serve as a useful indicator of a national economy's future development in conjunction with other more traditional factors (Hofstede 1980).

The purpose of this study is to assess the impact of the specific cultural attributes of each of the six 3G runner-up countries, Brazil, Iran, Mexico, North Korea, Thailand, and Turkey, on their potential to achieve high sustainable growth over the next forty years. The chosen method examines the cultural dimensional indices attributed to each of these countries using six cultural value dimensions developed by Geert Hofstede and compares these results with those of the twelve 3G countries, as well as, other developing and developed economies (Hofstede 1980) (Hofstede, Hofstede and Minkov 2010). This work is an expansion of a study previously conducted on the 3G countries (Borker 2013a). Both the current study on the six 3G runner-up countries and the author's previous study on the twelve 3G countries represent the first and only studies to examine these two groups using Hofstede cultural value

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[*] Dr. David R. Borker, Department of Economics, Finance and Management, Manhattanville College, New York, Email: David.Borker@mville.edu

dimension analysis. The significance of the study is that it will improve our understanding of the economic growth potential of six important countries by scrutinizing global investment groups in a new way and demonstrate the value of cultural value analysis in economic assessment.

The remainder of this paper consists of the following sections: a literature review, a statement of methodology, results and analysis, a discussion, and a conclusion.

## 2. Literature Review

### Global Growth Generators

Buiter and Rahbari (2011) published a monograph in which they proposed a group they called 3G countries which are defined as countries that have the highest economic growth prospects over the next five decades, based primarily on a weighted average of six growth drivers called the "Global Growth Generator" or "3G Index." These drivers are (1) domestic saving/investment, (2) demographic prospects, (3) health, (4) education, (5) quality of institutions and policies, and (6) trade openness. Using the 3G Index, a group was identified consisting of eleven countries, i.e., Vietnam, China, India, Indonesia, Mongolia, Philippines, Iraq, Bangladesh, Egypt, Sri Lanka, and Nigeria. Reference was also made to six economies with runner-up status, i.e., Brazil, Iran, Mexico, North Korea, Thailand and Turkey, although Iran and North Korea are identified as the best prospects of the group. Table 1 provides a summary of the Buiter and Rahbari 3G group including their 3G Index scores and three relevant economic measures. Data for the six runner-up countries, Brazil, Iran, Mexico, North Korea, Thailand, and Turkey, are presented in Table 2.

**Table 1: Global Growth Generators (3G) countries 2010-2050**

| 3G Group | 3G Index | 2010 GDP/ Capita | Percent of US GDP | Capital Average Growth Rate |
|---|---|---|---|---|
| Viet Nam | 0.86 | $3,108 | 7% | 6.4% |
| China | 0.81 | $7,430 | 16% | 5.0% |
| India | 0.71 | $3,298 | 7% | 6.4% |
| Indonesia | 0.70 | $4,363 | 10% | 5.6% |
| Mongolia | 0.63 | $3,764 | 8% | 6.3% |
| Philippines | 0.60 | $3,684 | 8% | 5.5% |
| Iraq | 0.58 | $3,538 | 8% | 6.1% |
| Bangladesh | 0.39 | $1,735 | 4% | 6.3% |
| Egypt | 0.37 | $5,878 | 13% | 5.0% |
| Sri Lanka | 0.33 | $4,988 | 11% | 5.1% |
| Nigeria | 0.25 | $2,335 | 5% | 6.9% |

Source: (Buiter and Rahbari 2011)

### Culture and Business

Research on the topic of culture and its relationship to business and accounting has existed since the 1980s. In 1980, Geert Hofstede published his book *Culture's Consequences: International Differences in Work Related Values*, based on data

from individual questionnaires distributed to 116,000 IBM managers and employees in 72 countries (Hofstede, 1980). Both the Hofstede original four dimensions, and his subsequent work, which included two more dimensions (Hofstede & Bond, 1988; Hofstede, 2001; Hofstede & Minkov, 2010), have been the subject of much research and debate (Sonderaard 1994; Hofstede 1994; Spector 2001; Baskerville 2003; Huang 2007).

Descriptions of the Hofstede six cultural dimensions are summarized from Hofstede's writings below:

Individualism versus Collectivism (IDV) – The degree of interdependence that a society maintains among its members has to do with whether people´s self-image is defined in terms of "I" or "We".  In individualist societies, members only look after themselves and their direct family. In collectivist societies, members belong to 'in groups' that cares for them in exchange for loyalty. (Hofstede 2001)

Power Distance (PDI) - Power distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. (Hofstede 2001)

Masculinity versus Femininity (MAS) - A high score, i.e., masculine, on this dimension indicates that the society is driven by competition, achievement and success, with success being defined by the winner/best in field. A low score on this dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one in which quality of life is the sign of success. (Hofstede 2001)

Uncertainty Avoidance (UAI) - This dimension deals with the way a society considers the fact that the future can never be known, i.e., should we try to control the future or just let it happen?  The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the UAI score (Hofstede 2001)

Long-term versus Short-term Orientation (LTO) - The long-term orientation dimension can be interpreted as dealing with society's search for virtue, i.e., the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view. (Hofstede, Hofstede and Minkov 2010)

Indulgence versus Restraint (IVR) - The indulgence versus restraint dimension consists of two poles. Indulgence stands for a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun, and the opposite pole. Restraint reflects a conviction that such gratification needs to be curbed and regulated by strict norms (Hofstede, Hofstede and Minkov 2010)

**Hofstede and the 3G economies**

A recent research study examined Hofstede cultural dimensions relative to the 3G economies.  It deals with the relationship between cultural values and Buiter and

Rahbari growth drivers as indicators of sustained high growth potential (Borker, 2013a). Several cultural value profiles based on subgroupings within the 3G countries that share a similar distribution of Hofstede dimensional characteristics are identified. For instance, the four countries with the highest 3G Index scores, Vietnam, China, India and Indonesia, all share a pattern of low UAI, high LTO and low IVR, suggesting favorable growth values for a poor developing economy and sufficient comfort with risk to foster entrepreneurship (Borker 2013a).

Hofstede cultural value dimensions offer scores for a consistent set of uniform cultural characteristics for countries throughout the world that offer various useful applications. The current article represents the only research to date that examines the 3G Group runner-up countries in terms of Hofstede cultural value dimensions. Similarly, the author's article sited above is the only research that examines the 3G countries exclusively in terms of Hofstede dimensions.

## 3. Methodology

An underlying hypothesis of this study is that a country's cultural values can have an impact on economic development. More specifically, it is assumed that Hofstede cultural value characteristics of the six 3G runner-up countries may provide insights into their potential for economic growth vis-à-vis the twelve 3G countries. Consequently, this study examines three economic variables for the six runner-up economies and analyzes the Hofstede six cultural value dimension scores of these countries. This data are then compared with previously published data for the twelve 3G economies in order to identify individual country and shared group cultural profiles and gain insights into the growth potential of the runner-ups.

Selection of the six 3G Runner-up countries, as well as the twelve 3G countries, was determined by Buiter and Rahbari. The 3G runner-up countries cited by them are the subjects of this study (Buiter and Rahbari 2011).

## 4. Findings and Analysis

### Economic characteristics of six runner-ups

The six runner-up economies are listed in Table 2 with their important economic statistics of 2010 GDP per capita, 2010 percent of US GDP and capital average growth rate respectively. No 3G Index scores are given for the runner-up countries since the calculation methodology for these scores is proprietary.

**Table 2: Six Runner-up Countries Economic Statistics**

|  | 2010 GDP per capita | Percent of US GDP | Capital Average Growth Rate |
|---|---|---|---|
| Brazil | $10,710 | 14% | 3.3% |
| Iran | $13,200 | 2% | 5.2% |
| Mexico | $14,400 | 7% | 2.7% |
| North Korea | $1,800 | <1% | 4.1% |
| Thailand | $9,500 | 2% | 3.8% |
| Turkey | $13,700 | 5% | 4.0% |

Source: (World Bank 2010)

## Comparison with 3G Economic Indicators

Except for North Korea, all of the six runner-up economies have relatively high per capita GNP for emerging economies, ranging from $9,500 to $14,400.  This is considerably higher than for the 3G group where China is highest with $7,430. Brazil has the highest percentage of US GNP (14%) followed by Mexico (7%).  The rest decline steeply down from there, bottoming with North Korea at less than 1%.  In contrast, the 3G group has four countries with double digit percentages: China 16%, Egypt 13%, Sri Lanka 11%, and Indonesia 10%.  The most telling difference between the runner-up and the 3G groups is capital average growth rate.  With the exception of Iran (5.2%), all of the runner-up economies have lower growth rates than the 3G group with rates ranging from 5.0% to 6.9%.  North Korea, at 4.1%, has the second highest growth rate in the runner-up group.  This supports Buiter and Rahbari's identification of Iran and North Korea as the most promising runner-up economies.  The recent rapid economic and political disintegration process currently going on in Egypt underscores the value of carefully examining the six runner-up economies as possible substitutes.

## Hofstede Cultural Dimensions Scores for Runner-ups

The Hofstede cultural dimension scores of the runner-up countries are presented in Table 3. Numbers in this matrix represent scores computed from the questionnaires collected for each value dimension by country (Hofstede, 1980). Definitions and discussion of the dimensions below are taken directly from Hofstede (Hofstede 2001) (Hofstede, Hofstede and Minkov 2010).

**Table 3:  Results for Hofstede Six Cultural Dimensions by Country**

|     | Brazil | Iran | Mexico | N.Korea | Thailand | Turkey |
|-----|--------|------|--------|---------|----------|--------|
| PDI | 69     | 38   | 49     | 60      | 64       | 88     |
| IDV | 38     | 41   | 30     | 18      | 20       | 37     |
| MAS | 49     | 43   | 69     | 39      | 34       | 45     |
| UAI | 76     | 59   | 82     | 29      | 64       | 85     |
| LTO | 65     | 14   | 24     | 75      | 56       | 46     |
| IVR | 59     | 40   | 97     | 29      | 45       | 49     |

Source: (Hofstede, Hofstede and Minkov 2010)

In this analysis, survey results for South Korea are used as a proxy for North Korea. Hofstede dimensions are assumed to be long-term national cultural characteristics that transcend political events such as the political situation in North Korea since the Korean War.

## Analysis of Results for Runner-up Countries by Dimension

A comparative analysis of the six runner-up countries scores is examined for each of the six Hofstede cultural dimensions follows.

Power/Distance (PDI) - Four of the 3G runners up have high PDI scores, ranging from 60 to 88.  This is consistent with results for other developing countries as well, where there is often a significant gap between a small and powerful elite and a poor majority.  Iran and Mexico are exceptions with scores of 38 and 49, respectively.

Individualism/Collectivism (IDV) - All the six runner-up countries scored low for Individualism with scores ranging from 18 to 41. Low IDV scores are characteristic of developing economies.

Masculine/Feminine (MAS) - All six runner-up countries are characterized by feminine values, with scores ranging from 39 to 49, except Mexico. Feminine orientation means that the dominant values in society are caring for others and quality of life.

Uncertainty/Avoidance (UAI) - All countries in the group have relatively high scores for UAI, scores ranging from 59 to 85, except North Korea.  The extent, to which members of a culture feel threatened by ambiguous/unknown situations and have created beliefs and institutions that try to avoid these, is reflected in the UAI index. Societies may adopt laws and controls to avoid uncertainty. North Korea, like Vietnam, has a low score for UAI in spite of its highly controlling form of government.

Long-Term Orientation (LTO) - Half of the group has high long-term orientation, with scores ranging from 56 to 75. These countries are North Korea, Brazil and Thailand. Iran, Mexico and Turkey, have low LTO scores ranging from 14 to 46. The long-term orientation dimension reflects a pragmatic future-oriented perspective rather than a conventional historical short-term point of view. These societies emphasize traditions and saving for the future. Correlations between LTO and economic growth have been cited. Interestingly, the correlation appears to be predominantly positive for poorer countries and negative for richer developed countries. (Hofstede, et al., 2010)

Indulgence/Restraint (IVR) - As with LTO, the group is split on this dimension. Indulgence is scored high for Brazil, Mexico and Turkey. The rest score on the low Restraint portion of this dimension.  Hofstede claims there is a correlation between the combination of high LTO and low IVR (restraint) with economic growth for poor developing countries, but notes that this relationship does not hold for richer more developed countries.  From this cultural value standpoint, North Korea and, to a lesser extent, Thailand are better positioned for strong sustained economic growth, while richer relatively more developed economies, like Iran and Mexico, might manage growth with the reverse combination of LTO and IVR dimensions.

**Analysis of Dimensional Pairings for Runner-up Economies**

In this section pairings of dimensions are analyzed, one on the vertical and one on the horizontal axis, dividing the plotted data for countries into four quadrants. The dimensional pairings analyzed by Hofstede are (a) PDI versus IDV, (b) UAI versus IDV, (c) MAS versus UAI, (d) PDI versus MAS, (e) MAS versus IDV, (f) PDI versus UAI, and (g) IVR versus LTO. The runner-up countries are displayed in bold, 3G countries are underlined, and other countries are display without extra notation. These are displayed in Tables 4, 5, 6, 7, 8, 9, and 10.  The dimensional pairing displayed below for the 3G countries deserve special attention.   They can provide, at a deeper cultural level affinities both (a) among the 3G countries and (b) with other important world countries.

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## Table 4: PDI versus IDV

| Low PDI / Low IDV | High PDI / Low IDV |
|---|---|
| **Iran, Mexico**<br><br>Mongolia<br><br><br>Costa Rica, Trinidad<br>Jamaica, Argentina | **Brazil, N. Korea, Thailand,  Turkey**<br><br>Bangladesh, China, Egypt, India, Indonesia, Iraq, Nigeria, Philippines, Sri Lanka, Vietnam.<br>Russia, Japan, S. Korea, Taiwan, Pakistan, Columbia, Venezuela,  Croatia |
| Low PDI /  High IDV | High PDI / High IDV |
| United States, UK/Commonwealth, Scandinavian countries,  Baltic countries,  Netherlands,  Hungary | Czech Republic, Switzerland Fr., France, Spain |

## Table 5: UAI versus IDV

| Low UAI / Low IDV | High UAI / Low IDV |
|---|---|
| **N. Korea**<br><br>China, India, Indonesia, Philippines, Sri Lanka,  Vietnam,  Mongolia<br>Singapore, Malaysia, Hong Kong, S. Korea,  Jamaica,  most of East and West Africa | **Brazil, Iran, Mexico, Thailand, Turkey**<br>Iraq, Egypt, Bangladesh, Nigeria,<br><br>Russia, Brazil, most of South America, Japan,  Pakistan, Turkey, Argentina, Balkan countries |
| Low UAI / High IDV | High UAI / High IDV |
| United States,  UK/Commonwealth, Scandinavian and Baltic countries, Switzerland Gr. | Czech Republic, Switzerland Fr., France Spain, Hungary, Belgium, Israel, Poland |

## Table 6: MAS versus UAI

| Low MAS / Low UAI | High MAS / Low UAI |
|---|---|
| **N. Korea**<br>Indonesia,  Sri Lanka, Vietnam, Mongolia<br>Denmark, Sweden, Norway, East and West Africa,  S. Korea | China,  India,  Philippines<br><br>Hong Kong, United States, U.K./Commonwealth |
| Low MAS / High UAI | High MAS / High UAI |
| **Iran, Thailand, Turkey,  Brazil**<br>Egypt<br> Russia,  France,   Taiwan, Thailand, Israel, Portugal, Costa Rica, Balkan | **Mexico**<br>Bangladesh,  Iraq, Nigeria<br>Japan, Germany, Arab countries, Venezuela, Columbia, Hungary |

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### Table 7: PDI versus MAS

| Low PDI / Low MAS | High PDI / Low MAS |
|---|---|
| **Iran**<br>Mongolia<br>Scandinavian and Baltic countries, Israel | **Brazil, N. Korea, Thailand, Turkey**<br>Egypt, Indonesia, Sri Lanka, Vietnam<br>Russia, Singapore, Taiwan, Spain, Peru, Chile, S. Korea |
| Low PDI / High MAS | High PDI / High MAS |
| **Mexico**<br><br>United States, UK/Commonwealth, Hungary, Switzerland Gr., Germany, Argentina | Bangladesh, China, India, Iraq, Nigeria, Philippines<br>Hong Kong, Switzerland, Pakistan, French Belgium, Ecuador, Venezuela, many Arab countries |

### Table 8: MAS versus IDV

| Low MAS / Low IDV | High MAS / Low IDV |
|---|---|
| **Iran, N. Korea, Thailand, Turkey, Brazil**<br>Egypt, Indonesia, Mongolia, Sri Lanka, Vietnam<br>Russia, Brazil, Thailand, Turkey, Taiwan, Portugal | **Mexico**<br><br>Bangladesh, China, India, Iraq, Nigeria, Philippines<br>Hong Kong, Japan, Mexico, Argentina, Ecuador, Columbia, Venezuela,<br>some Arab countries |
| Low MAS / High IDV | High MAS / High IDV |
| France, Spain, Scandinavian countries, Baltic countries | United States, UK/Commonwealth, Germany, Austria, Hungary |

### Table 9: PDI versus UAI

| Low PDI / Low UAI | High PDI / Low UAI |
|---|---|
| **Brazil**<br>Mongolia<br><br>United States, UK/Commonwealth, Scandinavian and Baltic countries (except Lithuania), Hungary, Switzerland Gr., Germany | **N. Korea**<br>China, India, Indonesia, Philippines, Sri Lanka, Vietnam<br>Singapore, Malaysia, East African countries, Slovakia, S. Korea |
| Low PDI / High UAI | High PDI / High UAI |
| **Iran, Mexico**<br><br>Hungary, Switzerland Gr., Germany, Lithuania, Israel, Argentina, Costa Rica | **Thailand, Turkey**<br>Iraq, Egypt, Bangladesh, Nigeria<br>Russia, Japan, Taiwan, Morocco, Portugal, Balkan countries, Arab countries, Mexico, Columbia, Slovakia |

**Table 10: IVR versus LTO**

| High IVR / Low LTO | High IVR / High LTO |
|---|---|
| **Mexico**<br>Nigeria,  Sri Lanka<br>United States, Australia, Canada, Argentina, Chile, South Africa, Finland, Denmark, Norway, Mexico, Saudi Arabia, Greece,  Uganda | **Brazil**<br><br>U.K. , Sweden, Netherlands, Belgium, Austria, Taiwan, Singapore, France, Switzerland, Slovenia |
| Low IVR / Low LTO | Low IVR / High LTO |
| **Iran, Turkey**<br>Bangladesh, Egypt, Iraq, Philippines<br>Mali, Morocco, Rwanda, Zimbabwe, Tanzania, Portugal, Georgia, Algeria, Jordan | **N. Korea,  Thailand**<br>China, India, Indonesia, Vietnam<br>Japan, Honk Kong, S. Korea, Italy, Spain, Germany, Baltic countries, Hungary, Russia, Serbia, Azerbaijan, Kirgizia, Albania, Romania, Czech Republic |

In Tables 7, 9 and 10, paired combinations are found for one or more runner-ups that have no counterparts among the 3G group, i.e., Mexico for Low PDI / Low UAI, Mexico and Iran for Low PDI / High UAI, and Brazil for High IVR / High LTO. Also, in Table 4, Mexico and Iran matched only 3G Mongolia for Low PDI / Low IDV, and, in Table 7, Iran matched only Mongolia for Low PDI / Low MAS. This indicates that Mexico, Iran and Brazil introduce dimensions and dimensional combinations not seen in the 3G group, excluding Mongolia. All three countries have low PDI, in contrast to the 3G group. Further, Brazil has the combination High IVR / High LTO, also in contrast to the 3G group. The other runner-up countries manifest value pairing shared by some members of the 3G group.

**Hofstede Cultural Value Profiles for Runner-up Economies**

None of the runner-up economies have identical dimensional profiles. Comparing them to the profiles of the 3G group, however, we find that North Korea shares its profile with the top four 3G Index performers Vietnam, China, India and Indonesia. Thailand shares most characteristics of this group, including favorable poor country growth combination of High LTO and Low IVR, except for its High UAI. Turkey shares the profile of 3G Iraq, Bangladesh and Egypt. Iran also fits this group, except for its Low PDI, not found in any of the 3G. This may suggest the possibility that the population will ultimately not tolerate the current clerical dictatorship and establish a stable democratic regime more favorable to sustained growth. The two remaining runner-up countries, Mexico and Brazil have unique profiles. Mexico, except for its Low IDV, is identical with the profile of the United States. Although its per capita GDP is highest of all the 3G and runner-ups, wealth is poorly distributed and there is a question of whether it has the appropriate cultural values for sustained growth. Brazil is set off from the runner-ups and 3Gs by its unique combination of High LTO and High IVR. It shares this pattern with some impressive developed economies including the U.K., Sweden, Singapore, France and Switzerland. Again, the question can be raised whether these characteristics are appropriate for a country in which the distribution of wealth leaves the majority in poverty.

## 5. Conclusion

The results of the preliminary Hofstede dimensional analysis presented here offers cultural information about the 3G runner-up countries relevant to the evaluation of their sustainable growth prospects.   For example, North Korea and Thailand have LTO and IVR scores consistent with strong sustained growth for poor emerging economies, and Brazil and Mexico have scores more consistent with richer, more developed growth economies, and Iran's low PDI score may suggest freer more stable future.

The examination of the 3G runner-up countries' cultural attributes based on Hofstede dimensional scores appears to support Buiter and Rahbari's identification of North Korea and Iran as their two first picks among this group.   Both countries are handicapped by repressive regimes, one by ultraorthodox communist bosses and the other by extremist religious clerics. Nevertheless, at the national cultural level, each country has a high potential for sustained economic growth if leadership obstacles can are removed.

This paper represents the first examination of the six 3G runner-up countries using Hofstede cultural dimensional data and establishes that such a study can provide useful insights into the countries' economic potentials.   Investigation of a broader array of emerging and developing economies would offer further insights and a larger body of data for further analysis.   Inclusion of other sources of cultural value study data, such as the European Value Studies Group, would provide an opportunity to confirm results achieved using the Hofstede data and, at the same time, identify additional cultural attributes that can provide new insights into the connection between cultural value and economic growth potential (European Value Studies Group 2006). Other comparative data could be integrated into the analysis, including measures of perceived corruption by country (Transparency International 2013) and other relevant cultural and social factors. Future research integrating all of the above measures could serve to create a more robust methodology for utilizing cultural attributes to evaluate an economy's sustained economic growth potential.

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