The behavior of assurance professionals
Bik, O.P.G.

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version
Publisher's PDF, also known as Version of record

Publication date:
2010

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

Copyright
Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

Take-down policy
If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): http://www.rug.nl/research/portal. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.
# Summary table of content

Summary table of content........................................................................................................... i

Detailed table of content............................................................................................................. iii

Acknowledgments ....................................................................................................................... vii

1. Introduction......................................................................................................................... 1
   1.1 Professional behavior: auditors providing a deeper understanding ......................... 2
   1.2 Cross-national cultural differences: driving subjective interpretation and personalized behavior ................................................................. 5
   1.3 The focus of this study: the impact of culture on behavior ........................................ 7
   1.4 Research questions, strategy, and objectives ............................................................. 9

   2.1 Introduction.................................................................................................................... 13
   2.2 What is professional behavior? .................................................................................. 14
   2.3 The behavior of assurance professionals................................................................. 17
   2.4 Auditors’ professional behavior .............................................................................. 27
   2.5 National culture in the context of the drivers of professional behavior ................ 44
   2.6 Summary and conclusion............................................................................................ 68

3. Cross-national Cultural Differences .............................................................................. 71
   3.1 Introduction.................................................................................................................... 71
   3.2 What are national cultures? ....................................................................................... 72
   3.3 House et al.’s cultural dimensions further illustrated .............................................. 79
   3.4 Levels, layers, and convergence of cultures............................................................. 86
   3.5 Summary and conclusion............................................................................................ 91

4. Loop One: Cross-National Cultural Difference in Auditors’ Professional Behavior – A Grounded Theory ................................................................. 93
   4.1 Introduction.................................................................................................................... 93
   4.2 Research strategy and methodology......................................................................... 95
   4.3 Analysis of data yielded from interviews, observations, and theory .................... 100
   4.4 Conclusion: a grounded theory on cross-national cultural difference in auditors’ behavior......................................................................................... 132

5. Loop Two: Culture in the Audit File – A Validation of Cross-National Cultural Differences in Auditors’ Professional Behavior ........................................ 135
   5.1 Introduction.................................................................................................................... 135
   5.2 Research strategy and methodology......................................................................... 137
   5.3 The association between culture and auditors’ behavior........................................ 148
   5.4 Summary and conclusion............................................................................................ 155
6. The Behavior of Assurance Professionals: Bound and Blinded by Culture...... 157
   6.1 Summary and conclusion: the association between culture and behavior in
       assurance .......................................................... 158
   6.2 Implications and recommendations ........................................ 163
   6.3 Limitations of this study ..................................................... 171
   6.4 Mind the gap: much is yet unknown (avenues for future research) ........... 173

Reference list ................................................................................................. 177

Appendix 1 – Conceptual Framework of Auditors’ Professional Behavior ........... 197
Appendix 2 – Illustration of interview questions posed to interviewees ............... 198
Appendix 3 – Details of the interview population ............................................. 199
Appendix 4 – Illustrative example of observational notes ..................................... 200
Appendix 5 – Details of rank ordering of questionnaire factor scores with cultural
       practices ............................................................................ 201

Samenvatting: Cultuurverschillen in het Gedrag van Accountants (Dutch summary).... 207
## Detailed table of content

Summary table of content ................................................................................................................. i

Detailed table of content ................................................................................................................. iii

Acknowledgments............................................................................................................................ vii

1. Introduction ......................................................................................................................... 1
   1.1 Professional behavior: auditors providing a deeper understanding .......................... 2
   1.2 Cross-national cultural differences: driving subjective interpretation and personalized behavior ................................................................. 5
   1.3 The focus of this study: the impact of culture on behavior ....................................... 7
   1.4 Research questions, strategy, and objectives................................................................. 9

2. Auditors’ Professional Behavior – A Conceptual Framework ......................................... 13
   2.1 Introduction...................................................................................................................... 13
   2.2 What is professional behavior?...................................................................................... 14
   2.3 The behavior of assurance professionals ..................................................................... 17
      2.3.1 The assurance profession 17
      2.3.2 The codified values of the assurance profession 23
   2.4 Auditors’ professional behavior .................................................................................... 27
      2.4.1 Judgment and decision-making 28
      2.4.2 Skeptical judgments and decisions 30
      2.4.3 Knowledge sharing and consultation behavior 31
      2.4.4 Working in fluid teams 32
      2.4.5 Communication and negotiation behavior 34
      2.4.6 Documentation and justification 36
      2.4.7 Dysfunctional behaviors 38
      2.4.8 Audit pricing and practice development 40
   2.5 National culture in the context of the drivers of professional behavior .................. 44
      2.5.1 What drives professional behavior? A conceptual framework 44
      2.5.2 Psychological and cognitive drivers and limitations 47
      2.5.3 National cultural variables 55
      2.5.4 Professional contextual variables 56
      2.5.5 Organizational contextual variables 60
      2.5.6 External interaction and environment 65
   2.6 Summary and conclusion ............................................................................................... 68
3. Cross-national Cultural Differences................................................................. 71
   3.1 Introduction................................................................................................. 71
   3.2 What are national cultures? ........................................................................ 72
      3.2.1 In search of a definition of (national) culture ........................................ 72
      3.2.2 Hofstede’s dimensions of cultural variability (1980, 2001) .................... 74
      3.2.3 Schwartz’s cultural value types (1992, 1999) ........................................ 75
      3.2.4 Trompenaars’ cultural diversity in business (1997) ............................... 76
      3.2.5 House et al.’s Project GLOBE (2004) .................................................... 77
   3.3 House et al.’s cultural dimensions further illustrated ................................. 79
   3.4 Levels, layers, and convergence of cultures .............................................. 86
      3.4.1 Levels of national cultures (values, beliefs, and behaviors) ..................... 86
      3.4.2 Layers of culture (individual, organizational, and occupational) .......... 87
      3.4.3 Globalization and convergence of cultures ............................................ 90
   3.5 Summary and conclusion ......................................................................... 91

4. Loop One: Cross-National Cultural Difference in Auditors’ Professional Behavior – A Grounded Theory................................................................. 93
   4.1 Introduction................................................................................................. 93
   4.2 Research strategy and methodology ......................................................... 95
      4.2.1 Grounded theory .................................................................................. 95
      4.2.2 Sample, data collection, and analysis .................................................... 97
      4.2.3 Five cross-national cultural dimensions (House et al. 2004) ................. 99
   4.3 Analysis of data yielded from interviews, observations, and theory ........... 100
      4.3.1 Judgment and decision-making ............................................................ 101
      4.3.2 Skeptical judgments and decisions ....................................................... 111
      4.3.3 Knowledge sharing and consultation behavior ..................................... 117
      4.3.4 Working in fluid teams (engagement partner involvement) ................. 120
      4.3.5 Communication and negotiation behavior ............................................ 123
      4.3.6 Documentation and justification .......................................................... 127
      4.3.7 Dysfunctional behaviors ...................................................................... 129
      4.3.8 Audit pricing and practice development ................................................. 130
   4.4 Conclusion: a grounded theory on cross-national cultural difference in auditors’ behavior ................................................................. 132

5. Loop Two: Culture in the Audit File – A Validation of Cross-National Cultural Differences in Auditors’ Professional Behavior ........................................ 135
   5.1 Introduction................................................................................................. 135
   5.2 Research strategy and methodology ......................................................... 137
      5.2.1 The dependent variable: auditors’ professional behavior ....................... 137
      5.2.2 Factor analysis on the dependent variable .............................................. 138
      5.2.3 Multi-level assessment of the dependent variable .................................. 145
      5.2.4 The independent variable: cross-national cultural differences ................. 147
5.3 The association between culture and auditors’ behavior ........................................148
  5.3.1 Rank order correlation analysis 148
  5.3.2 The overall effect of cross-national cultural differences 149
  5.3.3 Knowledge sharing 150
  5.3.4 Documentation and justification 152
  5.3.5 Risk awareness and response 153
  5.3.6 Professional skepticism 153
  5.3.7 Engagement partner involvement 154
5.4 Summary and conclusion .............................................................................................155

6. The Behavior of Assurance Professionals: Bound and Blinded by Culture........ 157
  6.1 Summary and conclusion: the association between culture and behavior in ........ assurance .................................................................158
  6.2 Implications and recommendations ........................................................................163
    6.2.1 To the assurance profession 163
    6.2.2 Broader reflections on the future of assurance – a window of opportunity 167
    6.2.3 To management and business in general 169
  6.3 Limitations of this study............................................................................................171
  6.4 Mind the gap: much is yet unknown (avenues for future research)...........173

Reference list.................................................................................................................................. 177

Appendix 1 – Conceptual Framework of Auditors’ Professional Behavior ............... 197
Appendix 2 – Illustration of interview questions posed to interviewees ................. 198
Appendix 3 – Details of the interview population ......................................................... 199
Appendix 4 – Illustrative example of observational notes ........................................ 200
Appendix 5 – Details of rank ordering of questionnaire factor scores with cultural practices ............................................................................................................................ 201

Samenvatting: Cultuurverschillen in het Gedrag van Accountants (Dutch summary) .... 207