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Research findings reported in this thesis illustrate that actual behavior of people cannot simply be controlled by (more) rules and structures. Instead, it turns out that the consistent and effective application of rules (i.e., people behaving consistently with the expected behaviors reflected through those rules) is heavily dependent on the personal and subjective interpretation by the professionals applying those rules. As shown in this thesis, such interpretation is driven considerably by cross-national cultural differences. By showing that cross-national cultural differences influence the professional behavior of auditors across borders, this thesis illustrates how the local environment and culture drive professional behavior and lead to differences in the interpretation and application of rules and standards.

On a broader level I would like to conclude with a call for better recognition of behavioral drivers in the work of professionals and gatekeepers. There is the need for a paradigm shift: from the *homo economicus* to the recognition of the emotional dimensions and the “*animal spirits*” – the recognition of the hidden values and beliefs, and human psychological and cognitive drivers and limitations in organizational management. In other words, this thesis is a call for more behaviorally-informed measures of management and control. This is not only relevant in relation to governance, risk management, and compliance. It is all the more important for strategy execution and brand management, because it is through the behavior of its people that a company’s core values are reflected in its organizational performance and trust. We need to incorporate more realistic visions of human behavior in management tools and have to acknowledge the limitations of thus far much assumed rationality of human behavior. This need is also recognized in Harvard Business Review’s “Top 10 trends you have to watch in shaping the business landscape” (Beinhocker et al. 2009).

Before setting out my recommendations to the assurance profession and to business in general in § 6.2, a summary of this study and its conclusions are included in § 6.1. The limitations of this study are covered in § 6.3, followed in § 6.4 by suggestions for future research for both the assurance profession and business in general, as well as for social-psychological, organizational behavior and cross-cultural researchers.
6.1 Summary and conclusion: the association between culture and behavior in assurance

This thesis provides a more profound and empirically grounded analysis and understanding of the globalization and functioning of multinational audits. It provides an in-depth understanding of the effect of cross-national cultural differences on the professional behavior of auditors. With that, this thesis illustrates that behavioral drivers, such as one’s cultural programming, determine personal behavior and subjective application of (global) standards, rules, and procedures that reflect what behavior is expected. This continues to be of increasing importance for international accounting firms and cross-cultural auditing research given the ongoing globalization. Global audit firms and the international standard setters tend to be culture-bound and culture-blind (§ 1.3). In response, this thesis provides an international perspective to better understand what it means to be an auditing professional in different countries or institutional sites. This analysis and understanding is based on the following research question that was central to this thesis:

Is auditors’ professional behavior affected by cross-national cultural differences, and, if so, how?

Against this background, the following research questions were covered:

- What is professional behavior in general and that of auditors in particular, what drives professional behavior, and how does culture play a role in this context?
- What are cross-national cultural differences and how do these affect behavior in general?
- How do auditors’ professional behaviors differ across national borders?
- How can cross-national differences in auditors’ professional behavior be explained by cross-national cultural differences?

For the first two research questions, a literature review approach was taken. This resulted in the theoretical foundation for a multi-method “two-loop” empirical research strategy conducted to answer the third and fourth research question, as follows:

- Loop One: In the first empirical “loop”, a grounded theory approach is taken to explore which auditors’ behaviors differ cross-nationally and how these differences are expected to be explained by cross-national (cultural) differences. Based on open-structured interviews with 35 internationally experienced senior auditors, complemented by observational notes taken by the author and literature review of the current academic understanding of cross-national (cultural) differences in auditors’ professional behavior, propositions are formulated as part of a grounded theory on how cross-national cultural differences are expected to impact the professional behavior of auditors internationally.
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Loop Two: In the second empirical “loop”, the grounded theory propositions of “Loop One” are partly validated through rank order analysis of five behavioral factors measured through 1,070 audit engagement questionnaires from 29 countries of an annual process performance improvement project of an international accounting organization.

Having access to the views of auditors themselves through interviews and observations and to empirical data directly from the audit practice (i.e., the questionnaire results) provided unique and valuable sources for this study. Being based on grounded theory and a validation in part thereof, this study is the first to explore the cross-national differences impacting the auditing profession in general and auditors’ professional behavior in particular in a comprehensive and empirically grounded and contextualized fashion.

Based on this thesis’ study of definitions and fundamental theories of professional behavior (such as Parsons and Shils 1951; Cyert and March 1963; Ajzen 1991), the definition of professional behavior used in this study is based on the notion that professional behavior is:

- driven by one’s human nature and personal needs, motivations, ethics, and psychological cognitions and limitations;
- guided and controlled by internalized values and beliefs that are shaped by personalized interpretations of national, professional, and organizational cultures, conventions, and norms;
- conditioned by the external constraints and situational contingencies from discretionary interactions with external actors and the profession’s immediate business environment;
- leading to “actions”, being the actual professional behaviors visible to the outside world, and a certain “end result” or performance.

Based on this definition and the behavioral conceptualizations covered in Chapter 2, professional behavior is visualized in the context of its drivers in the following proposed conceptual framework of drivers of professional behavior (a detailed overview is included in Appendix 1):
Through this conceptual framework it is suggested that professional behavior is driven by:

- Psychological and cognitive factors (e.g., “animal spirits”, self-interest and motivation; moral reasoning; and bounded rationality)
- National cultural variables (as illustrated in this thesis)
- Factors in the context of the profession (e.g., the effect of rules versus principles-based standards; public accountability; and aggravators increasing professional workplace stress and, consequently, deviant behavior)
- Factors in the context of the organization (e.g., a firm’s management controls; a firm’s socialization and acculturation intentions; and the business of assurance and the cost-quality dilemma)
- Variables in the context of an auditor’s interaction with its environment (e.g., communication and negotiation with the client; public trust and reputation; and litigiousness of the environment).
The professional behaviors of auditors identified in this study, which were the basis for the empirical phases of this study, are the following:

- Judgment and decision-making
- Skeptical judgments and decisions
- Knowledge sharing and consultation behavior
- Working in fluid teams (engagement partner involvement)
- Communication and negotiation behavior on observations and findings
- Documentation and justification
- Dysfunctional behaviors
- Audit pricing and practice development.

These behaviors are studied in relation to culture, which is defined in this study as follows (taken from House et al. 2004: 15):

Culture is defined as shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generation.

National cultures manifest both in practices and values. This study focused on the cultural practices as independent variables reflecting national cultures. The behaviors of auditors are set off against five dimensions of nation cultural practices as per House et al. (2004). These cultural practices are (House et al. 2004):

- Power Distance: The degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.
- Uncertainty Avoidance: The extent to which members of an organization or society strive to avoid uncertainty of future events by relying on established social norms, rituals, and bureaucratic practices.
- Assertiveness: The degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.
- Institutional Collectivism: The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.
- In-Group Collectivism: The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.

The focus of this thesis in relation to the conceptual framework of professional behavior is visualized as follows:
Based on the grounded theory approach of interviews, observations, and literature review in “Loop One”, it was expected that:

- Cross-national differences in auditors’ professional behavior are affected by cross-national cultural differences.
- Auditors’ professional behaviors that are most severely affected by cross-national cultural differences are: skeptical judgment and decision-making, risk assessment and response, judgments related to probability phrases, knowledge sharing and consultation, and engagement partner involvement.
- Auditors’ professional behavior is predominately negatively affected by cross-national cultural dimensions of Power Distance, Institutional Collectivism, and In-Group Collectivism.
- Auditors’ professional behavior is predominately positively affected by cross-national cultural dimensions of Uncertainty Avoidance and Assertiveness.

These propositions are detailed in the conclusion of Chapter 4.

In “Loop Two”, these expectations are validated in part through rank order analysis of five behavioral factors originated from a total of 1,070 audit engagement questionnaires from 29 countries. The results thereof clearly indicate that auditors’ professional behavior is affected by cross-national cultural differences. In other words,
the answer to the first half of the central question should be answered positively: Yes, the professional behavior of auditors is affected by cross-national cultural differences.

How precisely these behaviors are affected by cultural differences in detail is less clear. The expected associations between the behaviors and a number of the cultural practices are not found or relations are found in directions that are opposite to my expectations. On the one hand, this may be related to the complex interaction between behavior and culture, which is not a simple or one-dimensional matter of cause-and-effect. On the other, this may be due to the inherent limitations of the research instrument used (§ 6.3). The conclusions drawn from the rank order analysis, in answer to the central question of this thesis, are:

- Yes, auditors’ professional behavior is affected by cross-national cultural differences.
- The cultural practices that have the most significant impact on auditors’ professional behavior are Institutional Collectivism, In-Group Collectivism, Power Distance, and Uncertainty Avoidance (largely consistent with the grounded theory).
- Behaviors that are most severely affected by differences in cross-national cultural practices are knowledge sharing and engagement partner involvement.

These findings are detailed in Chapter 5.

6.2 Implications and recommendations

What do these findings mean for the assurance profession? And what can professionals and organizations in general learn from them?

6.2.1 To the assurance profession

The assurance profession’s International Standards on Auditing and Code of Ethics, as well as the assurance firm’s global audit methodologies and systems of coordination, are designed to assure the provision of assurance services at the highest possible level of audit quality throughout the world. This study, however, shows that it cannot be simply assumed that auditors around the world will interpret and apply the global standards consistently. The local interpretation and application of these standards is significantly affected by the national culture of the professionals applying those standards.

This study – as well as prior research – underlines that the international auditing standards are culture-bound and culture-blind. A central recommendation to the profession (i.e., audit practitioners, the international audit firms, international standard-setters, and professional educational bodies) is to acknowledge the effect of cross-national cultural differences. As one of the auditors who was interviewed as part of this study notes:
We have a one-size-fits-all audit approach, which is based on a rules-based environment with even more rules than in the [International Standards on Auditing] itself. What we need to do is recognize that different approaches work in different parts of the world, or at least different emphasize works in different parts of the world. We need to acknowledge the cultural differences.

Or as another interviewed auditor says: “The audit profession is trying to ‘force’ a Westernized, global audit approach onto the Eastern region, but the two don’t necessarily fit that well”. Other auditors embrace the principles behind the global standards, but experience a lack of appreciation in the rules-based standards for the local differences in applying these principles. This study provides a mirror reflecting those cultural factors that the profession could take into consideration to achieve the highest possible audit quality and consistent interpretation of the auditing standards.

To the international audit firms

This thesis also challenges the assumption of “One Firm” made by the global audit firms. Despite their globally embraced organizational cultures, national cultural differences still affect local behavior significantly. That is, national cultural differences still “shine through” distinctively (§ 3.4.2), which also affects a firm’s embedding in the local environment and marketplace. One of the auditors interviewed in this study indeed questions the global strategy and operating model of the Big 4 firms:

We are dealing with vast cultural differences in terms of challenging, acceptance, questioning. (…) I think we can’t resolve it without changing an entire culture. And the auditing profession is not going to do that. You have to accept that you can’t change the culture of a country. And, therefore, is one global strategy correct?

Alternatively, a globally communicated strategy may focus on a limited set of core corporate values which are then executed locally with genuine appreciation for the local interpretation and practices. Inherently, core values are sensitive to subjective and personal interpretation too. Research has shown that it is possible to design a set of global corporate values in such a way that they are perceived and received similarly across borders (e.g., Nimwegen 2002). But the way that global management adapts them to local cultures and condition determines their success or failure.

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263 As one auditor, who was interviewed as part of this study, notes: “The big difference with the [Western] environment is that the [Non-Western people] are less confrontational, not less aggressive. This means that they can be as aggressive in terms of the goals and objectives they want to reach and of standpoints they want to get across, but that the way they do it is less confrontational compared to [the Western approach]. I.e., they go in it less direct, more from person to person. These differences should be known more and room should be allowed to operate with these differences. (…) The weakness of the current Auditing and Accounting standards is that these different approaches can not be taken into account. You are forced to follow the standard, and there is no room for local interpretation or appreciation for local specificities. (…) [We] embrace the global principles behind the global standards and audit approach, but experience a lack of appreciation for the local differences in applying the principles or the way to approach the principle”.

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Local cultural determinants that should be taken into account in terms of local operations are mainly Institutional Collectivism, In-Group Collectivism, Power Distance, and Uncertainty Avoidance (and, to a lesser extent, Assertiveness). These cultural differences affect the professional behavior of auditors in multiple ways (e.g., engagement partner involvement, knowledge sharing, and auditors’ ability to pose a challenging question), as well as the behavior of management of the audited companies (e.g., openness in communication, respect for authority, etc.). Other, more contextual and institutional differences that could be taken into account are differences in the size and nature of the local audit practice, client base, and capital market, the nature of the legal environment (e.g., rules- or principles-based), the public regard for and maturity of the auditing profession, the accounting standards, the nature and strength of oversight on the profession, the level of corruption, and the litigiousness of the business environment. As one of the interviewees stated; “The biggest risk is that we try to implement a global thing in a local environment without thinking about the local specificities”. Yes, one can standardize globally, but full standardization that is blind for cultural differences is not sustainable. One needs to take the local specificities into consideration. Also McDonalds, for example, knows how to standardize its production processes without losing an eye for the local preferences in its menu offering. Taking these cultural and contextual factors into account enables execution of a global strategy closely connected to the local markets, clients, employees, and other stakeholders.

To audit professionals and multinational audit teams

Multinational companies and their stakeholders expect consistency of assurance quality throughout the world. Multinational headquarters management expect their group operations throughout the world to go through a consistently rigorous audit process based on international standards. International Standard on Auditing 600 “Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)” covers the requirements in relation to multinational group audits. The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement as a whole (ISA 600 § 11). He or she cannot defer responsibility to local auditors, yet, needs to rely on their judgments within local cultural settings. Hence, the group engagement team needs to assure that all the local audits anywhere in the world are performed at a consistent level of quality in accordance with international standards. This thesis shows that cross-national cultural differences impact the behavior of auditors throughout a group audit engagement. Internationally operating audit practitioners should, thus, take the effect of culture and other international differences into account in directing multinational audits. This means that audit teams should explicitly manage their international audit team and pay specific attention to their communication with local teams. Building an international audit team in essence is nothing different from working in local teams, but the challenge is that these international teams are geographically spread, are virtually connected, and are an ensemble of many different cultural influences. The group audit team plays a vital role in building such a strong multinational team in which knowledge sharing and open communication are central. This means that they
should try to bridge cultural differences by investing time and effort in building relationships through communication with and visits to the local audit teams, being available for and responsive to the local audit teams, and facilitate meetings for the local auditors in the group to meet each other. Furthermore, group audit team should be as explicit and unambiguous as possible in their written communication (e.g., audit instructions and periodic updates) leaving as little room as possible for doubt on what is expected from the local auditor. Lastly, audit practitioners should take into account how local cultures could affect the business and control environments of local subsidiaries of their multinational clients (e.g., their accounting practices, the strength of internal control, the level of corruption in a country, or in clients’ intentional tax evasion or non-compliance). Joining meetings with local management may be a good opportunity for group auditors to assess any effects thereof on the audit. Ultimately, group auditors will have to become comfortable with the interpretations and conclusions of their local colleagues that are embedded in and fluent in the local cultural context.

To auditing standard setters and educators

In the process of standard-setting, cross-national differences are oftentimes underexposed. Given the number of differences between countries found to impact auditors’ behavior across borders, the auditing profession should be aware that the local interpretation and application of international auditing standards, whether they are rules- or principles-based, may differ from how it was intended by the international standard-setters, although locally applied in good faith. Prior research suggests that education focused on explaining the meaning intended in the various standards within the specific national cultural context mitigates the (impact of) application differences between countries (e.g., Welton and Davis 1990; Patel and Psaros 2000: 311). One of the answers could be to adapt local training to local specificities. For example, as one auditor suggests who was interviewed as part of this study: “The impact on training is that we need to cover how to deal with the issues of ‘saving face’ and ‘dominance’ in terms of hierarchy. (...) I would love to hear a bunch of managers from [country X] discussing on how they would deal with ‘face’ when they address difficult accounting questions”.

Following the conceptual framework of professional behavior, as presented in § 2.5 of this thesis, a next recommendation is to create further awareness of the behavioral drivers and enrich auditing education with behavioral aspects, both those reflected in the client (e.g., incentives, motives, negotiation tactics) and those reflected in the behavior or auditors themselves (such as inherent biases, peer pressure, performance appraisals). Areas of behavioral aspects where educators could enrich their programs for novice auditors are: how visceral traits (or “animal spirits” such as greed) drive behavior (§ 2.5.2.1); how moral reasoning and seductions affect judgment and decision-making (§ 2.5.2.2); how creativity and emotional intelligence stimulate quality, innovation, and business (e.g., Shanteau and Peters 1989: 1; Hood and Koberg 1991: 19; Al-Beraidi and Rickards 2003: 7); the limiting effect of bounded rationalities, especially unconscious bias (e.g., Smith and Kida 1991; Bazerman et al. 2002, also refer to § 2.5.2.3; Moore et al. 2006); the effect of workplace stress (§ 2.5.4.2) and
audit firm socialization and (peer) pressures (§ 2.5.5); and negotiation tactics and behavior (e.g., Brown and Johnstone 2004; Adair and Brett 2005; Metcalf et al. 2007).

6.2.2 Broader reflections on the future of assurance – a window of opportunity

Losing touch with the behavioral and cultural aspects of and its role in the social system has done the assurance profession no good. The recent loss of self-regulation of the auditing profession (Chapter 2), in my opinion, demarcates a new lowest point of public trust in and the professional development of auditing and assurance. But at the same time, the profession is at the brink of regeneration if it dares to choose to.

The assurance profession is at its lowest point of public trust in that the profession let itself be pushed into the corner of commoditization due to its profit paradigm of the business of auditing, fear and lack of self-esteem, and an overemphasis and cramp on technical quality, risk management, and compliance. An illustration of the sad state of affairs is that the auditing profession generally has become a price-fighter, instead of a valued “trusted advisor”. The latest offer of CFO.com for a customized audit fee benchmark report is the most tangible example of the focus on price only, not value. But also widespread “low-balling” indicates a universal depression within the profession. These are symptoms of the decrease in relevance and added value, both to clients as to society at large. The profession’s role in the credit crunch, for example, was one of collective absence and not daring to raise the flag as a profession on systemic risks. Auditors should not only look at financial reporting compliance, but also at such matters as the general health of the organization, the sustainability of the business model, organizational behavior and business conduct, and systemic risks in an industry or economy as whole. On the other hand, all the regulations that supervisory and regulatory bodies spread out over the profession do not allow for much room to maneuver. The full structuring and automation of the Big 4 audit approaches, although resulting in a more efficient audit, may only have added to the mechanization and hollowing of the financial audit impairing its effectiveness and relevance (with auditors staring at laptop screens rather than exploring the factory floor and talking with the client in a genuine effort to understand the business).

Litigiousness of the environment and risk management seems to be one of the main factors stopping auditors in fulfilling their wider role. Auditors have become compliant slaves, rather than masters of the rules. The increased litigation risk and financial disasters of the early 21st century not only initially lead to an explosion of new and even stricter rules and regulatory pressure. In many parts of the world, these lead to a shift to a more rules-based environment in which, as one of the interviewed auditors stated, “auditors use their strict rules and hide for safety and security behind them, as they then at least complied with the rules”. One could say that it appears that auditors fear the risk of not meeting the auditing standards more than they fear the risk of getting the accounts wrong. This raises the question who or what the auditors have to serve: the society at large, their clients, their clients’ shareholders or the regulator? In fact, a couple of auditors who were interviewed as part of this study have put it even
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stronger: they see themselves “as agents of their own internal risk management departments and technical offices”, in the office’s strive to fearfully prevent every risk of being indicted. Principles-based auditors generally disapprove of this approach as it leads to sticking to the rules, “ticking-the-box” behavior, auditors only just going through the motions of what is prescribed, and hence “not looking at the whole picture and knowing that it is all about understanding the client and about what is really going on”. A cramp the auditing profession should come out of.

The desire to reduce the rules and regulations and re-establish the room to maneuver is increasing. However, opinions differ strongly on how to realize this. As a starting point, there is a role to be played by the professional and oversight bodies (such as the IFAC) in creating a healthier audit environment. They should, for example, step in to put a hold to the “low-balling” practices that so significantly smother every investment and genuine effort of the profession to increase the relevance and added value of the assurance profession. The firms themselves seem not to be capable of taking such steps. They also worry about their own skin. In that case, any innovation and creativity is difficult to expect. The focus should be on adding value to clients and society first, rather than adding value to the firm and individual auditors and not the other way around. The assurance profession needs to earn back society’s trust that the profession devotes its intellectual capital and expertise to serve the public, “above and beyond material incentives” (Larson 1977: X). Auditors should cease to see the profession as a business case only and regenerate their role as social-trustees to reconfirm their social significance and relevance. Than society will happily grant the fruitful rewards for auditors’ unique and responsible roles in society and capital markets.

Luckily, the world is changing rapidly. The assurance profession has great opportunities of becoming relevant again in this new world and regenerate itself. The assurance profession may need to rethink and rebuild a number of their core values in their professional culture and institutions. Being proud again of being an auditor may be a good start. The upside of the recent corporate and financial crises is that people again recognize that auditing matters. This also raises expectations of the profession to explore opportunities for diversification in adjacent areas. Stakeholders and shareholders, for example, expect companies to provide transparency in how they have run their businesses and used their resources, not only their financial resources (i.e., capital) but increasingly also their intangible or non-financial resources that are strategically significant, such as their people, their brand and reputation, and the natural resources. What do they stand for, what are their corporate values in doing business? To what extent were they true to those values? Or is it just “window-dressing”? What have they achieved with respect to all value drivers? Corporate reporting on all matters of value, not just financial, in a more coherent and aligned manner is a development that cannot be stopped or neglected (e.g., Eccles and Krzus 2010). Companies are expected to become “naked” through their corporate reporting, providing reliable and relevant insights into their organizational behavior and business conduct. It is the assurance profession that is in an excellent position to step up and lead the way for companies to this next level of corporate reporting. This includes guiding the development of standards and improvement of corporate measurement,
information, and control systems. This also includes finding answers to the question that to what extent assurance would desire to enhance the credibility and quality of such integrated corporate reporting and find ways to provide this assurance. Also here, the impact of cross-national cultural differences on the business and control environment of companies plays a significant role. Of course, the question of legal liability and litigation is a serious issue and a real risk. An answer to the question of risk should also be found, but should not stop the profession from taking the initiative.

It may thus well be a good time for revival of the assurance framework or another form of broadening the auditing profession’s scope of being a “relevant trusted advisor”. Not only for their clients, but may be, more importantly, also for society at large. Auditing, “[t]he pioneer profession of opening up new areas of practice” (Larson 1977: 204) needs to take a proactive approach, both academia and practice, to regain relevance, added value, and self-direction. Some structural measures and fundamental reform may be needed to overcome the assurance crisis. Measures that may hurt at first, but that are build on a strong belief of its central role in society. This may well result in the regeneration of auditor relevance and the opportunity to come out of the corner of overemphasis on technical quality, compliance, and superficial “ticking-the-box” behavior, and to stop the intellectual drain of the profession. In other words, there is also a chance for the profession to regain its position as “best place to work” for a new generation of future auditors. At the end of the day this will lead to a more sustainable position and performance of the assurance profession as a whole.

6.2.3 To management and business in general

Following the call for recognition of the “animal spirits” at the start of this concluding chapter, this thesis is an illustration that true behavior of people cannot simply be controlled by (more) rules and structures. Instead, behavior is driven by many psychological, cultural, contextual, and environmental factors – among which are cross-national cultural differences. For example, cross-national cultural differences play a significant role in aspects such as: workplace behaviors (e.g., Hofstede 1980, 2001); preferred leadership styles (e.g., House et al. 2004); the global interpretation of carefully nurtured corporate values (e.g., Nimwegen 2002); executive management decision-making (e.g., Hambrick and Mason 1984; Hambrick 2007); appreciation of reward systems (e.g., Gelfand et al. 2007); corruption and ethical reasoning (e.g., Kimbro 2002); how markets operate (e.g., Barley and Kunda 2004); learning styles (e.g., Joy and Kolb 2009); and international team coordination and effectiveness (e.g., Maznevski 1994; DiStefano and Maznevski 2000). The essence of my recommendation to business in relation to the impact of cross-national cultural differences is similar to that of the auditing profession: take cross-national (cultural) differences into consideration in the local executing of global strategies.

Management simply cannot be effective without taking the cultural contexts and societal coherences into consideration. Furthermore, business could try to learn from and leverage on different cultural perspectives. “Western society” tends to respond to
the current trust crisis by introducing even more rules and procedures – something that has proved ineffective when looking at the last decade alone. To rebuild trust, we may want to look out for different perspectives on societal and corporate life. Not to the “Western”, individualistic cultures that are considered the drivers of economic wealth and wrongfully have been ascribed universal validity, also through management literature. Rather, we could learn from the way things are done in the more collectivistic cultures that are traditionally based on interpersonal trust and the base assumption of “the good in people”. For example, from the “BRIC” countries (Brazil, Russia, India, and China) that are seen as emerging countries (in the “Western”, economic sense that is). Just a bit more of this paradigm may already help people to learn to trust again. The societal shift of individualization and hardening-up of “Western” society in terms of the litigiousness of the business environment may indeed have become too brutal for health reasons. The real art is then to find ways to foster and uphold the collectivistic values of interpersonal trust also with increased well-being and economic wealth.

Yet currently, corporate management has an inclination and irresistible need to control the behavior of their people to safeguard performance (technical, service, and perceived performance, or image and brand perception). Because it is through their behavior that people reflect a firm’s core values. If behavior is not in line with these corporate values and strategy, a company most likely will not meet its internal objectives and the external expectations stakeholders have. Of course, rules create clarity. But too much rules result in loss of individual and personal responsibility (people hiding behind the rules). Innate human drivers and cognitive biases should not be ignored in designing corporate codes, procedures, and standards. There are only so many formal measures an organization can take to suppress innate human drivers and biases to prevent risks, failures, and conflicts. It would be prohibitively costly to try to reduce such risks to zero. In other words, more and more rules do not effectively drive and control the right behaviors. Rules are nothing more than a formal documentation of generally expected and accepted behaviors that are furthermore subject to societal change. Simply “saying” what behavior is expected through issuance of rules does not suffice. Corporate management should seriously consider reducing rules and formal structures of control in favor of more behaviorally-informed measures and soft controls.

Put in a broader perspective, corporate management should rather focus on building and fostering a strong values-based organizational culture. An organizational culture around a limited set of core corporate values based on an organization’s strategy, desired market and brand positioning, value drivers, and governance objectives. An organization’s culture, if interwoven well into the organization, can drive its value creation through the reflection of corporate values in the behavior of its people. And organizational culture can function to govern behavior in terms of corporate control at the same time. For example, Alvesson and Robertson (2006) point to strategic and symbolic mechanisms to construct an “elite identity” around a set of core corporate values as a strong control mechanism. Such a strong organizational culture facilitates the promotion of self-discipline to accomplish high standards of performance, the attraction and retention of professionals that fit with
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the organization, and the securing of an image that clients are prepared to engage with, if chosen well. Such an approach can also be recognized in the work of Schein (2004) and Taylor (2005). But most importantly, a strong organizational culture in which the corporate values are truly lived drives the right behaviors and enables sustainable corporate performance. Such an organizational culture is not about what is said, but about what is actually done and what corporate citizens observe to be really valued in the organization. These observations are based on the behaviors of their leadership, management, and colleagues, on the decisions taken, choices made, and other symbols, and on the organizational systems and structures implemented.

A central recommendation to the business practice, therefore, is to explore and determine how organizational culture, behaviors and behavioral drivers as such can be measured and steered upon, and how they relate to corporate performance. This may well be a basis for companies to be able to manage, control, and incentivize the appropriate organizational behavior (e.g., Burney 2009). Furthermore, this may provide for a basis for increased transparency over organizational behavior and business conduct through integrated (and non-financial) corporate reporting. Corporate reporting in a more coherent and aligned manner allows companies’ management to take credit for its management efforts, to strengthen societal and organizational trust, and to build the corporate brand and reputation (e.g., in line with the concept of companies becoming “naked” – with that, creating value for all stakeholders of the company. Lastly, this may provide avenues to pursue a response along the lines of the increasing expectation of society, regulators, and other stakeholders around transparency in and assessment of organizational culture and behavior (as those expectations are expressed by many governance bodies, such as the G20, OECD, US Treasury, UK’s Turner Review, and the EU’s Larosière review). If society, regulators, and other stakeholders want to measure culture to assess and manage the ways in which companies fulfill their public responsibilities, three fundamental issues need to be considered: the definition of culture and behavior covered, evaluation of measurement criteria, and the selection of measurement methods and tools. Especially in a cross-cultural setting, establishing such standards may prove to be a challenge. Furthermore, the desired extent and level of assurance over such cultural and behavioral measurements should be considered and is an important public policy question. It is subsequently up to the assurance profession to determine how this assurance could be provided, taking into account the legal liabilities related to that (e.g., Free et al. 2009) – a challenge which, I trust, the assurance profession will embrace wholeheartedly and fearlessly.

6.3 Limitations of this study

As with any other study, this study has a number of limitations. Having gained access to the views of auditors themselves through interviews and observations, and to empirical data directly from the audit practice (i.e., the questionnaire results) provides unique and valuable sources for this study. Confidentiality and anonymity were assured to all participants and to the international accounting organization as a
whole.\textsuperscript{264} This anonymity does not hinder the validity or relevance of the research, analyses, and findings in relation to the research question at hand.

This study focuses on a single occupation at one international accounting organization. Based on the analysis of the interaction between national cultures, and organizational and occupational cultures set out in Chapter 3, it is asserted that both organizational and occupational cultures do not (significantly) eliminate the effect of national cultures on the professional behavior of auditors. Research shows that local organizational and occupational cultures reflect the societal cultures of the countries in which they are embedded, and that these cultures, therefore, find their way to contribute to the shaping of actual behavior even if it is guided by the internationally imposed standards and regulations.

Grounded theory, as applied in Chapter 4, by nature has a number of limitations. Personal bias is the most important threat recognized in grounded theory, in two major aspects of analysis: the data gathered by the researcher (e.g., interviews, observational notes, etc.) and the interaction between the researcher and the data.\textsuperscript{265} As illustrated in § 4.2.2, this study includes various safeguards to preserve the reliability and content validity, and to mitigate the effect of personal bias. Most importantly, as a confirmatory reliability check, a second independent researcher re-performed 25\% of the open coding process and confirmed the validity of that part of the coding process.

The questionnaire instrument, as applied in Chapter 5, was not specifically designed for purposes of this study. But, having gained access to it unfolds a unique opportunity of studying the actual behavioral practices of auditors. This means that results of an existing questionnaire instrument were used to uncover the maximum meaningful data and information concealed in it. The most significant limitation thereof is that only those behavioral factors could be yielded that were covered in the questionnaires. Consequently, it does not cover the entire range of auditors’ professional behaviors as included in the grounded theory. Secondly, with the questionnaire instruments being designed and implemented by a project team predominantly comprising “Westerners” (people from the US, the UK, Germany, and the Netherlands) in a “Western”-oriented accounting organization, it may inherently suffer from the same Western ethnocentric bias as the International Standards on Auditing on which the questions are based.\textsuperscript{266}

\textsuperscript{264} These confidentiality terms are further detailed in §§ 4.2.2 and 5.2.1.
\textsuperscript{265} The interplay between the data (i.e., the interviewees or the audit environment in this study) and the researcher in both gathering and analysing data, “by its very nature, is not entirely objective as some researchers might wish us to believe. Interplay, by its very nature, means that a researcher is actively reacting to and working with data.” Strauss and Corbin\textsuperscript{265} continue by stating, “We believe that although a researcher can try to be as objective as possible, in a practical sense, this is not entirely possible.” One of the major objects of the grounded theory, thus, is to help the user recognise bias by self-consciously bringing disciplinary and research experience into the analysis.
\textsuperscript{266} On the other hand, the fact that the questionnaire instrument was not designed as part of this study can be considered a strength because answering the questions related to auditing were thus not influenced by a cultural perspective, hence, measuring the pure auditor behaviors. The questionnaires were generally filled out by reviewers originated from the country under review. This also means that culturally different interpretations on the side of the audit team are not interfered through a reviewer’s interpretation, or
As explained in § 5.3.2, the answer in detail as to the question of how precisely auditors’ professional behaviors are affected by cultural differences is less clear. This leads me to place a number of remarks that call for careful interpretation of the results. First of all, not finding many of the expected effects is illustrative for the complex interaction between behavior and culture, which is not a simple or one-dimensional matter of cause and effect. Secondly, it illustrates the vulnerability of doing cross-cultural research and the importance of adhering to a number of basic sanitary, methodology rules in designing a cross-cultural research instrument to assure content validity (such as content equivalence and construct validity). In this case, for example, a limitation is that the actual occurrence of the cultural values and practices of House et al. (2004) within the sample of this study could not be validated. But, thirdly, not finding effects on all cultural practices also illustrates the importance to study cross-national cultural differences in the context of a certain profession, industry, or behavioral trait, rather than assuming general applicability of cross-national cultural differences as such.

This study focuses on a number of behavioral differences in the audit process. It neither focuses on all behaviors in the audit process, nor on the outcome of the audit process (e.g., an audit opinion based on audit procedures in accordance with the auditing standards). It should be acknowledged that multiple combinations of inputs in auditors’ decision-making may well lead to the same outcome (or not necessarily lead to a different outcome), which is the outcome of a complex mix of audit procedures and behaviors. I emphasize that this study, thus, cannot and does not say or evidence anything about the outcome of that audit process.

6.4 Mind the gap: much is yet unknown (avenues for future research)

The behavioral study of accountants is alive, rich, and highly relevant in light of a profound and practical insight into the individual behavior of auditors directly, and that of professionals and other knowledge workers in general. That is relevant too for professional, regulatory and educational purposes.

Cross-national cultural research in professional behavior

Some significant efforts have been made to study cross-national differences in auditors’ professional behavior (with or without cross-national cultural differences as even that cultural traits are enhanced, meaning that cultural values reflected in the questionnaire scores are pure. 267 Many other (confounding) factors may come into play that could not be taken into account in this study but which confuse any direct effect of culture on behavior (e.g., the structural contingencies that impact behavior directly, such as the business environment, the strength of the supervisory body, or litigation risk).

268 For example, professional skepticism measured in this study had to necessarily focus on one aspect of the construct, the fraud perspective, which may not validly cover the full spectrum of the behavioral trait. Other constructs may require further “unzipping”, such working in fluid audit teams versus engagement partner involvement.
explanatory variable) in the areas of auditors’ (ethical) judgment and decision-making, professional skepticism, communication and negotiation, and dysfunctional behaviors. Nevertheless, the number and robustness of studies on cross-national differences in auditors’ behavior are still relatively limited, especially studies that have included cross-national cultural differences as explanatory variable. This study made a contribution to the further understanding. To date, auditors’ behaviors have not (yet) been studied in a structured way specifically within a cross-cultural auditing context in the areas of knowledge sharing, consultation behavior, audit team cooperation, documentation and justification, and practice development, audit pricing, and reputation management.

As a recommendation for future cross-cultural auditing research, scholars could take a number of methodological notions into consideration (partly based on notions of other scholars, e.g., Cohen et al. 1996; Harrison and McKinnon 1999; Patel et al. 2002; Patel 2004). Cross-cultural studies that have identified differences across national borders should focus on explaining the differences by cross-national cultural differences or what it is about culture that caused the claimed effect, rather than treating culture as a “catch all” black box. Furthermore, such studies should consider also applying the cultural dimensions of House et al. (2004) next to those of Hofstede (also many more recent studies have not yet applied House et al. (2004), e.g., those of Arnold et al. (2007) and Ge and Thomas (2008)). Next, when studying cross-national cultural differences in auditing the relevance and existence of those differences should be validated in the specific auditing environment and sample (instead of simply assumed the cross-cultural differences to apply to their sample or study without further investigation) and as much cultural dimensions and as much countries as possible should be taken into consideration explaining the differences. Some final methodological recommendations can be made in relation to content equivalence in the auditing constructs (e.g., appropriate and valid vignettes), addressing level of analysis issues, and acknowledging and addressing the (in general) Western cultural biases in the research instruments and findings.

As illustrated in § 6.3, the grounded theory formulated in Chapter 4 could only partly be validated in Chapter 5 due to the inherent limitation of the questionnaire instrument used. An important avenue for future research is to continue the empirical validation of the grounded theory proposed in this study. Furthermore, the sophistication of the empirical analysis in this study (rank order analysis, following multi-level adjustments of individual questionnaires to country-level observations) could be improved through other ways of multi-level analysis that have not been widely applied so far in the field of cross-cultural management sciences (e.g., multi-level structural equation modeling).

Furthermore, focus and research efforts should be directed towards cross-cultural differences in the behavioral drivers of professionals in general. For instance, it would be interesting to explore the impact of cross-national cultural differences on the psychological and cognitive drivers of professionals’ behavior, which are generally considered to be universal traits. There is some evidence that personality traits such as personal motivation and locus of control (or self-efficacy) are universal features
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(Smith and Bond 1998; Gelfand et al. 2007). Instead, there are the societal rules for acting on and expression of that trait (e.g., emotional expression, introvert versus extrovert communication, manifestations of self-efficacy, etc.) that are culture-specific (Triandis 1994: 35; Smith and Bond 1998: 74, 84). Future research may focus on those (universal) drivers of professional behavior.

On the other hand, research has also shown that factors that drive such expressions and motives in organizational behavior vary across cultures, such as the need for achievement and human motivation (e.g., Gelfand et al. 2007; Tsui et al. 2007). This would mainly be due to the lifelong interaction of people with their local environment which shapes person-typical behavior (e.g., Berry et al. 2002: 86). With the local environments differing across cultures, the drivers (and the meanings and antecedents) of such person-typical behavior would likely differ across cultures. A relevant area for future research would be to explore the impact of cross-national cultural differences in a number of such drivers on the behavior, such as accountability (e.g., Ahrens 1996; Gelfand et al. 2004), motivation (e.g., Adler 2002), need for achievement (e.g., Sagie et al. 1996), locus of control (e.g., Trompenaars and Hampden-Turner 1997), reward (e.g., Gelfand et al. 2007), and organizational commitment (e.g., Meyer et al. 2002; Gelade et al. 2008).

Professional behavior in general

In this thesis, a conceptual framework of professional behavior is presented, within which the focus of this study is put in context. This conceptual framework is based on existing theories and prior research. The association between cross-national cultural differences and professional behavior has been empirically studied as part of this thesis, but the other components and interactions have not. Future research may focus on further refinement of the framework and establishing its empirical validity (e.g., the causal and/or contextual relationships between behaviors and its drivers). This would add to the much-desired better understanding of behavioral drivers in a professional or organizational work context (as illustrated in the introduction of this thesis). Empirical research into the behaviors and behavioral drivers of professionals would benefit from better cooperation between corporate firms and academics to conduct research directly within daily practice (which subsequently adds to the practical application of such knowledge). Both parties may need to overcome some

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269 Smith and Bond (1998: 93), for example, summarize: “There are gender differences that transcend cultures. We can all decode certain facial expressions. Personality traits do cluster in similar ways. Humans are all capable of both aggression and pro-social behavior. Dimensions of organizational structure are relatively invariant”.

270 Gelfand et al. (2007: 482), while synthesizing prior research, note, for example, that intrinsic motives for autonomy, competence, and relatedness are important for well-being across cultures. Nevertheless, some have argued that achievement motivation is stronger in individualistic (e.g., Germany, the UK, the US, the Netherlands) than in collectivistic cultures (e.g., China, Indonesia, Philippines, Albania), as the meaning and antecedents of such motivation varies across cultures. Culture also affects performance and learning motivational orientations. In Confucian philosophy, there is an emphasis on the need to perfect oneself, and, as a result, in the Chinese culture, learning appears more fundamental than achievement per se. Learning and performance orientation were highly correlated and both were associated with performance among Hong Kong students, whereas they were more distinct among American students.
issues with respect to mutual trust and practical application of the research. This thesis may count as a good example of how that may work, and proof that it does work.

If behavioral research in accounting, and more specifically the behavioral study of accountants, is about applying research from the field of psychology and sociology, a call for more psychological (or psycho-analysis) and sociological involvement in this field of research would be justified when looking at the current (limited) depth of our understanding in the factors related to personality and cognitive psychology. Areas wherein to extend behavioral research efforts could be: the role of “personnel concepts” in the control of an audit firm (e.g., Alvesson 2004: 147; Almer et al. 2005; Pierce and Sweeney 2005: 340), the effect of deadline pressure on auditors’ behavior (e.g., Nelson and Tan 2005: 54), and the benefits of diversity in an audit context (e.g., Johnson et al. 2008).

Following the central recommendation to business in relation to value creation in § 6.2.2, a subsequent though somewhat overwhelming area of future research is to explore and determine how organizational culture, behaviors and behavioral drivers as such can be measured and steered upon, how they relate to corporate performance, how they can be reported upon internally and externally, and how they could be linked to appropriate structures of management and control, including reward. Three fundamental issues need to be considered: the definition of culture and behaviors covered, evaluation of measurement criteria, and the selection of measurement methods and tools. Especially in a cross-cultural setting, establishing such standards may prove to be a challenge. Furthermore, the desired extent and level of assurance over such cultural and behavioral measurements should be considered and is an important question for the profession to answer in discussion with the society at large. A related area for future research for the auditing profession is to explore how and what level of assurance could be provided on these components, taking into account the legal liabilities related to that (e.g., Free et al. 2009).