

# Adapting Auditing Methods to Organizational Culture Specificities

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*The purpose of this study is to identify factors influenced by Organizational Culture within a company, and to find leads on how auditors could use these factors to assess an Organization's culture. The effects of Organizational culture on two factors, staff motivation and ethics, were confirmed. The Total motivation theory, used to evaluate a company's Organizational Culture, was confirmed during the study as matching auditing standards, and allowing the quantification of motivation-related processes, including staff motivation and ethics. Additional findings evidenced the lack of training of auditors over Organizational culture, questioning their ability to provide assurance on the matter.*

*Keywords: auditing, organizational culture, TOMO, Total Motivation Theory, ethics, ethical, motivation, audit*

## INTRODUCTION

According to Loeb & Shamoo (1989), auditing is considered as a safeguard measure since the creation of this practice by the Roman Empire. An analysis of the etymology of the word audit reveals that it refers to “audire”, the Latin translation of the verb “to hear”. This reference originates from the fact that when a business owner had a suspicion of frauds or embezzlement, he used to assign a government official to check his business accounts. The role of the official was to “hear” the suspected employee’s explanation on the related accounts in order to bring the light on the supposed fraud. This account examiner became known as an “auditor” (Basu, 2006).

At the time, the auditor’s duty, as a third-party employed by a business owner, was limited to a review of the financial statement, and to perform a financial forensic assessment. The evolution of auditing during the two past centuries led to a split of the profession:

- The External audit “provides an independent opinion of a company's financial statements and fair presentation. This type of auditing encompasses whether the statements conform with Generally Accepted Accounting Principles, whether they fairly present the financial position of the organization, whether the results of operations for a given period of time are represented accurately, and whether the financial statements have been affected materially (i.e., whether they include a misstatement that is likely to influence the economic decisions of financial statement users).” (Balkaran, 2008, p.1).
- The Internal Audit profession “is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and

improve the effectiveness of risk management, control and governance processes.” (Balkaran, 2008, p.1)

For both Internal and External auditors, the audit approach is similar, and a risk-based approach is used, as described in the International Standards on Auditing 315: “Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment”. This directive from the International Auditing and Assurance Standards Board urges auditors to perform audit with a risk-based approach, which means making risk assessments based on an adequate understanding of the company’s environment.

The Financial Services Audit Center (hereafter FSAC), an organization inside the Institute of Internal Auditors, conducted a research among Chief Audit Executives, directors and managers of the financial service industry in the United States, on the importance of organizational culture’s audits (Chambers, 2016).

More than 155 participants from the Banking industry and 33 participants from the Insurance industry were questioned. The results of the study are presented in Figure 1.

**FIGURE 1**  
**THE IMPORTANCE OF ORGANIZATIONAL CULTURE’S AUDIT**



As shown by the study:

- In the Banking industry, 51% of the interviewees consider culture as a high risk in their organization and 68% of the respondents admit that at least one stakeholder is pushing for culture audit.
- In the Insurance industry, 66% of the respondents consider culture as a high risk in their organization and 56% of the interviewees say they are encouraged to perform audits of culture.

The riskiness of Organizational culture is due to its impacts on the whole organization, and mostly on the employees. “Take away my people but leave my factories and soon grass will grow on the factory floors. Take away my factories but leave my people and soon we will have a new and better factory.” (Godin, 2010, p.1). The famous quote from Andrew Carnegie reflects the importance of employees inside an organization. They are the main input in the production process, and their company depends entirely on them. Organizations seek to improve their production process in order to generate a higher productivity, but employees also have a role in the company’s performance. As employees are directly affected by the Organizational culture of the company, its role on performance is clear. Negative employees’ behavior results in poor individual performance, which in turn affects the global performance of the company and lower its productivity (Obisi, 1996).

This study seeks to provide a deeper understanding on the various impacts of having a strong Organizational culture and on how auditors can adapt their audit to the riskiness and specificity of Organizational culture.

The contribution of this study to this field of research will be on different perspectives. First, the behavior of auditors and their way of conducting an audit on Organizational culture has not been studied yet as such. Then, many studies on Organizational culture focus on the United States of America, whereas I will try to provide a European perspective on the matter.

The methodology of this research will be detailed in a dedicated section, but interviews will be used to collect a considerable amount of information among the research’s participants.

The Research questions of this study are:

**RQ 1:** *What are the factors influenced by Organizational Culture inside a company?*

**RQ 2:** *How auditors can adapt their review to the specificity of Organizational culture audit?*

## **LITERATURE REVIEW**

Organizational culture is defined as “*a system of shared assumptions, values and beliefs, that show employees what is appropriate and inappropriate*” (Chatman and Eunyong Cha, 2003, p. 4). It is described as a mechanism that has great impact on companies’ performance by way of empowering employees and encouraging the development of customer-oriented and employees-oriented practices and processes (Peters and Waterman, 1982). Organizational culture influences and affects every employees’ thinking and behavior, but remains invisible to individuals (Kerr and Slocum, 2005).

Organizational culture is a relatively recent concept, but many studies acknowledge that the benefits it brings to companies’ performance is important (Barney, 1986; Lim, 1995; Ogbonna and Harris, 2000). A unique culture, difficult to replicate by other companies can lead to the emergence of a competitive advantage (Barney, 1986). The impact of a strong organizational culture on financial indicators has been studied, and a clear correlation between the two has been found. A number of authors (i.e., Kotter and Heskett, 1992; Marcoulides and Heck, 1993) provided evidence that firm’s revenues, volume of sales, market shares and stock shares’ prices are positively affected by a strong organizational culture. In order to benefit from these impacts, an organization should implement a culture that matches its environment and needs such as having a high-tech company’s culture that encourages innovation and creativity from its employees (Arogyaswamy and Byles, 1987).

In order to better understand the different factors influenced by organizational culture, it is critical to understand Organizational Behavior. Organizational Behavior is defined as “*the study of the influence and impact that individuals, groups, and organizational structure have on behavior within organization for the purpose of applying such knowledge toward improving an organization's effectiveness*” (Robbins, 2010, p. 2). It is essential to understand Organizational Behavior in order to efficiently manage teams and individuals inside a company. The growing importance of this concept in today’s business world is explained by the various outcomes of such a tool. Indeed, Organizational Behavior studies allow an organization to have a hindsight on how it can be structured more accurately and helps to understand and foresee an employee’s behavior (Pfeffer, 1998). Research in Organizational Behavior is generally focused on employee’s behavior inside the company and findings are associated with productivity and turnover, human’s management, ethical behavior, absenteeism and performance. It provides executives and top managers with a better understanding on how a company’s culture might facilitate or jeopardize employees’ performance.

When Dee Hock, founder of VISA, was asked about the performance of his company, he stated that “*An organization, no matter how well designed, is only as good as the people who live and work in it.*” (M. M. Waldrop, 1996). Many studies in the nineties noticed that companies that valued their employees were actually more profitable (Huselid, 1995), which raised awareness on the importance of the topics linked to Organizational Behavior and the many advantages that it brings among organizations.

As introduced in its definition above, Organizational Behavior can be divided in three significant layers of analysis: (i) individual, (ii) group and (iii) organizational (Wagner and Hollenbeck, 2010) (*see Appendix I*).

### **Individual Level (Also Known as Micro-Organizational Behavior)**

Organizations are composed by individuals with different demographical features and personal characteristics. Such differences are considered, and individuals’ behaviors and reactions to organizational policies and practices are studied. This layer of analysis requires understanding of psychological theories and individual behavior. The topics studied at the Individual level include employee’s motivation, his personal ethics, his learning and knowledge transmission methods, one’s deviant or cooperative behavior.

### **Group Level (Also Known as Meso-Organizational Behavior)**

Organizations are constituted by many groups and teams, which interact and develop relationships together. At the Group level, the focus is made on the group interaction among members. Factors such as the task division inside the team, the leadership's influence over the members and the different channels of communication used by the team's members are analyzed. Meso-Organizational Behavior rely on socio-psychological and sociological theories to assess the group influence over the organization effectiveness. Leadership, Conflict Resolution, Power and politics, as well as Communication and Group dynamics are important topics to discuss when studying Organizational Behavior at the Group Level.

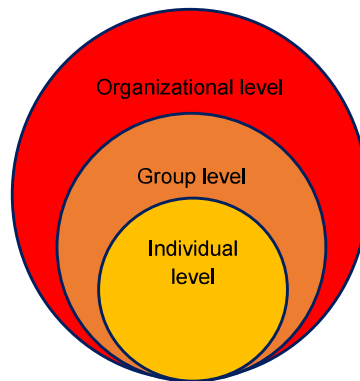
### **Organizational Level (Also Known as Macro-Organizational Behavior)**

Organizational Behavior studies the behavior of the company as a whole. The influence of a firm's environment on the firm itself is analyzed, and the strategy and structure of the company is studied. At the Organizational level, the main objective is to evaluate the impact of sociological factors on the organization's effectiveness. At this layer of study, Organizational Behavior uses political science theories and anthropology to study topics such as Organizational structure, Values and Ethics of an organization, Human Resources management, Environmental forces and even Organizational Culture (Ivancevich et al., 1990).

The exhaustive character of Organizational Behavior analysis is explicitly presented in Figure 2. It offers a complete view of an organization, from an employee's individual behavior, to the organization structure chosen by the Top Management.

The different level of analysis in Organizational Behavior shows that Organizational culture, present at the Organizational level is influencing the Group and the Individual level. The fact that the two latter are embedded in the Organizational level shows the multiple impacts of Organizational culture among companies (Osland and Turner, 2001).

**FIGURE 2  
ORGANIZATIONAL CULTURE LAYERS**



Ivancevich et al., 1990

The literature review presented in this section explores three key topics: *a) Effects on employees' motivation, b) Effects on employee's ethics, and c) Effects on Audit Planning.* This study presents the possible factors influenced by Organizational culture on the Individual level. First, the focus of *Section a)* is placed on the impact of Organizational culture on employees' motivation, and its repercussion on the company's overall performance. A number of Motivational concepts will be introduced to provide better hindsight on the complex process of assessing employees' motivation and auditing it. Second, *Section b)* highlights the importance of Employee's Ethics, while reviewing the influence of Organizational culture on the employee ethical behavior inside a company. A review of different studies examining issues related to monitoring the ethics of employees will be presented. Finally, *Section c)* analyzes the influence of



Organizational culture on the audit planning. This will provide hindsight on risk culture, and the various possibility on adapting the audit planning to the specificity of Organizational culture.

### Effects on Employees' Motivation

Having a strong Organizational culture means that the norms and values of the company are widely shared and accepted by its employees. These norms and values are identified as a better task coordination between employees, an efficient control system within the company, and an alignment between company and employees' objectives, all of those leading to an increase in employees' motivation and efforts provided by them (Karlsen, 2011).

Companies with strong Organizational cultures perform better than organizations with a weak culture (Szczepańska-Woszczyzna, 2014). Strong Organizational culture encourages the transfer of knowledge, processes and resources between employees, thus enhancing the feeling of common values and beliefs shared among employees (Soros, 2012). This perception of having a strong connection between employees, teams, departments inside the company and between the individuals and the organization itself enhance the group feeling awareness and the way employees motivate each other (Koesmono, 2014).

Motivation is characterized as "psychological forces that determine the direction of a person's behavior in an organization, a person's level of effort and a person's level of persistence" (Georges and Jones, 2015, p. 427). A motivated employee is trying his best to reach a goal or accomplish a certain task. The correlation between employees' motivation inside a company and the fact that such employees are more productive has been demonstrated in previous research by way of highlighting the effects on the organization itself (Mitchell, 1982).

Although having motivated employees is essential to the success of an organization, the global work performance of an employee is represented by a function of three variables, which are represented in Figure 3 below.

**FIGURE 3**  
**WORK PERFORMANCE EQUATION**



*Performance is a function of the interaction between an individual's motivation, ability, and environment.*

Mitchell, 1982

Through this equation, it can be seen that employee's motivation, abilities, and environment are the three main influences over his performance.

As indicated before, motivation can be defined as the way someone tries his best to reach a goal or accomplish a certain task. Ability is about the knowledge and the skills required to perform a task, whereas the employee's environment is linked to having the support, the resources and the information to accomplish the task. At different moments of time of an employee's life inside a company, one of these factors can be more important and become the key element to reach higher levels of performance (Porter and Lawler, 1968). It is important for an organization to know when one of these factors prevails over the two others. Employee's motivation must not be left aside by a company's management, or the output of the equation (i.e., performance) will be lower.

Next, two different approaches are presented: (a) Classical theories of motivation, and (b) the total motivation theory.

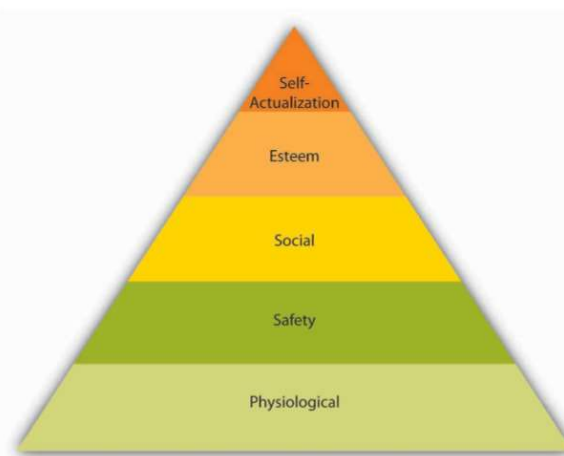
### *Classical Theories of Motivation*

Since the beginning of the 20<sup>th</sup> century, theories on employee's motivation have been evolving and two different types of studies emerged, the Need-based theories and the Process-based theories. They provide organizations with a deep understanding on how to assess the motivation of an employees and how to stimulate it in order for him to achieve his objectives.

First, this section presents the Need-based theories of motivation, which seek to understand what people need in order to provide their company with high-level performance. The most popular theories in this category are: Maslow's hierarchy of needs, Alderfer's ERG theory, and McClelland's acquired-needs theory.

Abraham Maslow was an American psychologist and professor at Columbia University during the twentieth century, which became famous for his theory on the hierarchy of needs. This theory is based on a simple assumption: Human being's needs can be ranked hierarchically, from "basic" necessities to higher needs (Maslow, 1943, 1954, 1962). In the absence of the fulfillment of those "basic" needs, nothing else matters for the individual. While he satisfies these needs, he seeks to reach the next ranked need. As a need of a lower level is fulfilled, it is no longer a motivation then the next ranked need becomes a motivator.

**FIGURE 4  
HIERARCHY OF NEEDS**



Maslow, 1987

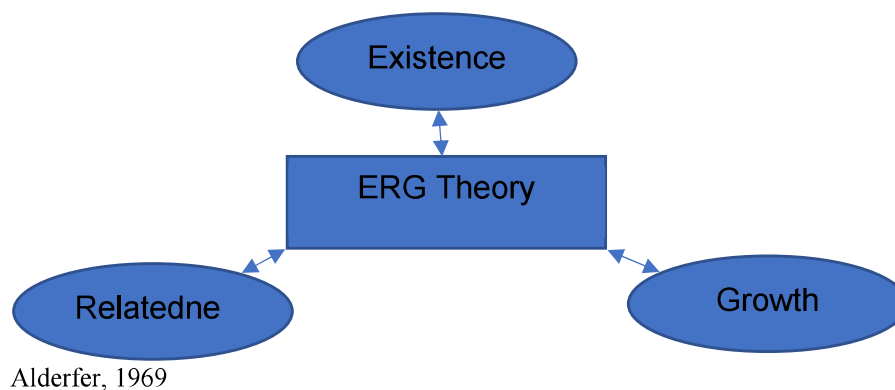
The Hierarchy of needs introduced by Maslow is often represented by a pyramidal scheme (see Figure 4). The physiological needs are the most basic one in the hierarchy of Maslow. It relates to the need for water and food. The search for food when an individual is hungry overpower all other needs, but once the need is satisfied, it is no longer a motivation, and the individual will look for its safety. Safety can be identified as an individual being free from danger or uncertainty. The social needs refer to social interaction with other human beings, as well as attachment and love with people. Esteem is defined as the desire to be respected by its peers and feel appreciated and important. The highest level of the hierarchy, called "self-actualization" refers to the achievement of one's life goal, the targeting of new goals and challenges. Maslow defines it as "a desire to become everything one is capable of becoming" (Maslow, 1987, p. 64).

Despite a lack of strong support on the application of Maslow's hierarchy of needs to the business world by researchers, some relationships between the two are noticeable. Physiological needs may be satisfied by an employee's salary, but the organization may provide a workplace favorable to collaboration with others, and a certain feeling of job security (Hall and Nougaim, 1968). The lack of esteem and attachments is associated with the health and well-being of the individual, which are important for the company's itself (Baumeister and Leary, 1995). Finally, the "self-actualization" needs can be fulfilled by offering the

employee opportunities within the organization and allowing him to have access to training in order to let him develop his knowledge and his skills.

The ERG theory is a variation of the Maslow's hierarchy of needs. Developed by Clayton Alderger in 1969, it regroups the basic human needs into three categories: relatedness, existence, and growth, which interactions are presented in Figure 5 below.

**FIGURE 5**  
**ERG BASIC NEEDS**



Maslow's physiological and safety needs are regrouped under the notion of 'Existence'. Whereas 'Relatedness' matches with social needs 'Growth' corresponds to Maslow's Esteem and self-actualization (Alderfer, 1969). This theory does not involve the ranking of needs in a particular order and accepts the fact that several needs may be felt by an individual at the same moment, which recognizes that an individual may be driven by multiple needs that should be understood to properly motivate him.

Contrary to Maslow's theory, the ERG theory has found some support from the research community. Empirical studies of motivational factors in the workplace have been conducted in 1946, 1980, 1986 and 1992, using the ERG theory framework to identify the key motivating factors for employees, namely good wage, appreciation of the work performed, job security, growth opportunity in the organization, and an interesting work (Wiley, 1997)

David McClelland stated that individuals acquired three different types of needs, influenced by their life experience. These three needs are defined as the need for achievement, the need for affiliation, and the need for power. Each employee possesses his own combination of the three needs, but one must be dominant, and drives the employee's behavior.

McClelland identified those needs as "dominant motivators" (McClelland et al., 1953), and used a specific framework to assess an employee's dominant needs: 'The Thematic Apperception Test'. This test required an individual to describe and tell a story from a given picture. According to the story told, an expert can assess what dominant factors motivates the individual (Spangler, 1992).

If the results of the test show that an employee has a high need for achievement, it means that this employee is motivated by the desire of being successful. This success comes from him meeting deadlines imposed by his Management or reaching objectives set by his superiors. Individuals responsive to such motivators match the requirement to work in the area of 'sales': indeed, explicit objectives, an immediate feedback and a reward-based system is often set up in an organization's sales department (Harrell and Stahl, 1981). However, these individuals are generally less suited for Management positions as they will have difficulty in delegating tasks and authority (McClelland and Burnham, 1976).

People who have a high requirement for affiliation's needs want to be liked and acknowledged by other people. They favor cooperation when a decision should be taken. Their focus on positive interpersonal relationship is useful in professions which require frequent social interactions (Wong and Csikszentmihalyi, 1991). A high requirement for affiliation may also be a disadvantage for Management positions as those individuals may have difficulty in giving a critical feedback on a poor performance from an employee.

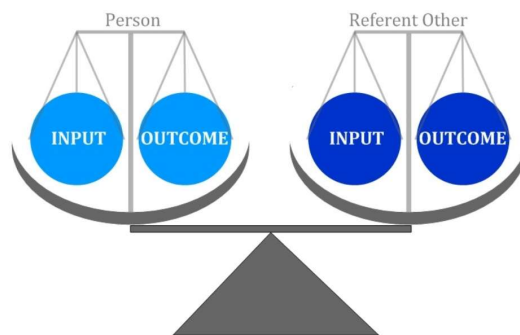
The need for power is defined by the necessity for an employee to control his environment and influence his coworkers. When used for the individual's own benefits, such personality can be damaging for the organization. However, the need for power is a critical characteristic of an effective manager as he should be able to obtain more resources for his department or change an operational process to make it more efficient (Spreier, 2006)

This theory brought by McClelland offers a different view on employee's motivation, dividing employees between those motivated by objectives, by their supervisor's approval, and those motivated by the span of their influence or authority. Furthermore, the Thematic Apperception Test's framework is available to assess one's dominant motivators.

Second, the *Process-based theories of motivation* sought to rationalize the concept of motivation. The researchers focused on the reaction and the behavior of employees based on the feelings and thoughts they had towards their environment. Theories such as Adams' equity theory and Porter's expectancy theory fall in this category.

According to Adam's principles, fairness is the main motivator of individuals. They compare their inputs and their outcomes at work to the ones of other employees, used as a benchmark. The sense of fairness is the result of a personal input-to-outcome ratio similar to the input-to-outcome ratio of the other person, called the referent. This equilibrium is presented in Figure 6. If the two ratios are unequal, the perception of inequity felt by an employee may create tension and drive that employee's motivation and inputs down (Adams, 1965).

**FIGURE 6  
EQUITY THEORY EQUILIBRIUM**



Adams, 1965

Inputs are defined as what people are bringing to their environment. Their contribution can be a combination of hard work, loyalty to the company, and extra-hours worked. Outcomes are the rewards received by the employees such as wages, and recognition from supervisors. The Referent person used as a benchmark for an employee is either an individual or a group of persons that would perform the same task as him. The perception of equity is subjective and different employees may analyze the same situation and have a different vision of fairness.

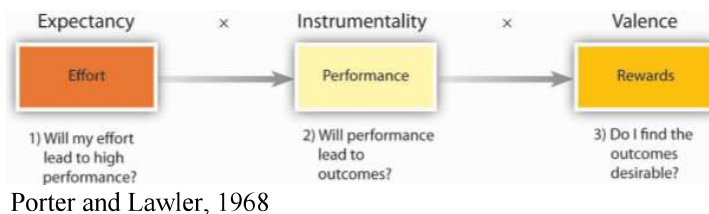
As perception of equity can differ between individuals, the reactions towards unfairness and inequity varies, too. Individuals perceiving inequity may lower their inputs or attempt to increase outcomes. Studies found that employees who felt they were treated unfairly reduced the quality of their inputs and by doing so, they lowered their job performance (Carrell and Dittrich, 1978). Increasing one's outcome could be achieved by requesting a raise in salary or by stealing the company's property (Greenberg, 1993). Other possible reactions to unfairness also include the alteration of the employee's own perception of the situation, acknowledging that his referent is actually more skilled or productive than he used to think (Goodman and Friedman, 1971) as well as quitting the company (Schmidt and Marwell, 1972).

Some employees may have the perception of being too much paid for the outcome they produce and can think of themselves as being over-rewarded. Adam's theory suggests that over-rewarded employees

would increase their inputs and efforts to reduce the perception of equity until a sentiment of equity with the referent is restored. However, research shows that individuals avoid reconsidering their level of inputs by altering their perceptions of the situation such as over-evaluating the quality or amount of inputs they produce compared to their referent. (Austin and Walster, 1974)

This theory has received a lot of research attention and has been widely accepted by the community. The expectancy theory states that employees make more or less efforts according to a rational calculation based on their perception of a situation, presented in Figure 7 below:

**FIGURE 7**  
**EXPECTANCY THEORY EQUATION**



This equation states that employees are more likely to put forth effort if the individual believes that providing a high level of effort will lead to a high performance and success (Expectancy), that achieving a high level of performance will provide him with rewards (Instrumentality), that the potential rewards is valuable and desirable (Valence). (Porter and Lawler, 1968).

The Expectancy theory is useful for managers as it highlights how to motivate the employee, as they can influence the three variables of the equation (Cook, 1980).

With regards the Expectancy perceptions, employees may feel like putting a lot of effort will not result in achieving a high level of performance due to a lack of skills or resources. Managers can provide their employees with training in the first case, and with a better work environment in the latter. Furthermore, some workers may see little association between their effort and the performance they reach due to a low self-confidence, which prevents them to see the benefit of their actions. Those employees should be encouraged and provided with a positive feedback in order to stimulate them.

Managers may influence the perceptions of instrumentality by using performance-related bonuses and award systems, such as an “employee of month” reward. It should honor the high performance achieved by an employee to encourage him in being consistent at this level of performance and encourage other employees to put forth effort at the office.

Valence is influenced by the attractiveness of the reward given to the employees. As each employee may have different needs, managers have to know their subordinates to provide them with the adequate stimulus. Surveys may help in finding the appropriate rewards as well as giving employees the choice between several rewards.

### *The Total Motivation Theory*

The theory of Total Motivation, also called ToMo, is based on research initiated at the University of Rochester. Three main motivators emerged from the study, so-called self-determination, competence, and interpersonal relatedness (Deci and Ryan, 1985). The Total Motivation theory reviews the framework of Deci and Ryan and adapts it to the modern workplace.

The ToMo framework identified six different factors explaining why employees work and why they are different. These six motives are defined as ‘direct’ motives such as play, purpose and potential, and ‘indirect’ motives such as emotional pressure, economic pressure and inertia (Doshi and McGregor, 2015).

The ‘direct’ motives are related to the tasks of the employee in a direct way. They will improve the performance of the individual himself.



**Play** is defined as being motivated by the work itself, when an employee works because he enjoys it. Solving challenging issues and learning new skills increased out motivation. The matching between the employee's identity and the outcome he produces refers to **Purpose**. An employee will be more motivated if his outcomes, his work's impacts are making a difference, and corresponds to his values. **Potential** is defined by the opportunity and perspectives brought by an employee's work. Possible perspectives of promotion will increase the employee's motivation.

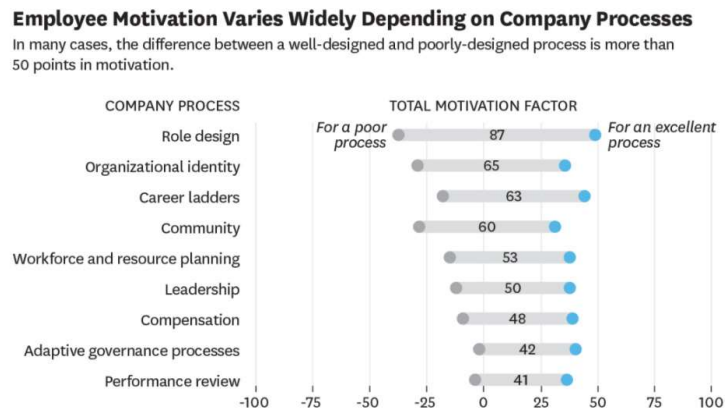
The 'indirect' motives refer to factors impacting negatively the motivation of the employee and his performance.

**Emotional pressure** is related to the external forces inflicting your work such as peer pressure and fear and jeopardizing your identity. If an employee performs a job in order to no disappoint his relatives, this is not related to the work itself and lowers his motivation and performance. When an external force makes you work to gain a reward or avoid a sanction, it refers to **Economic pressure**. In this case, the motive is separated both from the work and from the employee's identity, lowering even more his performance. **Inertia** is defined as the situation of an employee who does not know why he works. The employee continues to perform the same tasks because he is used to do it, and motivation is inexistent.

Indirect motives reduce greatly performance due to employee's shift in focus. Employee no longer thinks about the work and the quality of his outcomes, but about the punishment or the reward. Research found that Organizational cultures with high performance maximizes direct motives while minimizing the indirect motives, a framework defined as Total Motivation. An employee's ToMo is obtained by adding the direct motives scores obtained from surveys, and by subtracting the indirect motives scores (Doshi and McGregor, 2015)

Individual's Total motivation is influenced by the processes set up inside the company. Research shows that some processes are more important and have higher influence on the total motivation of an employee than others. As the objectives for a firm is to maximize the Total Motivation scores of its employees to enhance performance, knowing which process to review in priority is important.

**FIGURE 8**  
**TOTAL MOTIVATION SCALE**



Doshi and McGregor, 2015

In Figure 8, the Total Motivation scale, going from -100 to 100, is more or less affected by some processes. Role design process in a company may shift the score by 87 points, thus having a great impact on employees' motivation and performance.

ToMo remains the first framework directly linking Organizational culture, company processes and Employee's motivation. Its limited research focus compared to other theories of motivation is due to the fact that Total Motivation is quite recent.

**Proposition 1:** *ToMo is more adapted to audit employees' motivation and Organizational Culture than classical theories of motivation.*

## Effects on Employee's Ethics

The word Ethics has been long associated with scandals in the last decades. Ethics comes from the Greek "ethos", which can be translated as "personality" or "custom". It is a philosophical term used in organizational management to refer to the respect of a moral integrity code, integrated in the company culture as a custom. This code may be a formal code of conduct or the formal ethical standards, stating which behavior is "good and right" or "bad and wrong" inside the company. However, employee's ethical behavior is a more complex issue to control and monitor (Sims, 1992).

The ethical behavior of an individual is driven by simple psychological processes such as ethical reasoning and ethical sensitivity. Ethical reasoning is the capacity to recognize, assess and develop ethical arguments from a variety of different ethical positions. On the contrary, ethical sensitivity is defined as the capacity to rely on intelligence and other cognitive factors to recognize an ethical dilemma, anticipate and act in consequence (Chang and Leung, 2006). The findings of Svanberg and Ohman (2016) indicate that auditors are more likely to make objective judgments in ethical cultures characterized by the rewarding of ethical behavior and punishment of unethical behavior, prevalence of ethical norms, visible ethical leadership, and low emphasis on obedience to authority.

Auditors happen to understand better than everyone else that a bad Organizational culture may lead employees to inappropriate behavior. Working in an unstable environment creates incentives to initiate unethical behavior, and infamous examples may be taken from the audit field in the past decades. The scandals of Enron and the implication of Arthur Andersen, a member of the former Big 8 of auditing firms, is often quoted by researchers (Trevino and Brown, 2004; Duska, 2005; Jennings, 2006; Linthicum et al., 2010). The firm's managers encouraged employees to approve illegal accounting practices and then to destroy evidence when the firm was under federal investigation. This unethical behavior was deeply encouraged by Arthur Andersen's organizational culture shift. The company decided to focus on sales and making profit instead of fulfilling its obligations to the public as audit firm, and this may have greatly encouraged their employees to act unethically (Squires, 2003).

The Enron case was an alarm signal for many companies. Culture emphasizing honesty and integrity encourages employees to act ethically and prevents organizations to fail like happened with Enron and WorldCom (Gebler, 2006)

Leadership could be identified as the most influential parameter on maintaining an ethical organizational culture. When leaders demonstrate a high standard of honesty and integrity to employees, they show the "tone as the top" and they could be seen as a role model for their subordinates.

"Tone at the top" is a concept referring to the attitude and behavior of companies' managers and leaders. It was popularized after several ethical scandals affecting Tyco International, WorldCom or Enron. A Manager is giving the "tone" as his behavior will be observed and replicated by his employees, and assimilated as a corporate culture (Johnstone et al., 2008). When a manager's actions are in total contradiction with his words, establishing and maintaining an organizational culture of ethics will be difficult. The CEO of Enron forced his employees to use a travel agency's owned and managed by his family for business travels, even if it was costlier for Enron (Watkins, 2003). Studies show that the culture established in a firm is accepted and is the source of each decision made by employees. In fact, the ethical culture dictates how employees - especially the less experienced ones - should act and react facing situations. The company culture is spread by leaders who set the "tone at the top", inside companies. In contrast, this finding has been moderated by highlighting that the uniqueness of each human behavior leads to different behavioral responses to leader's bad behavior. Characteristics of each individual can be prioritized over following leader or ethical culture within the firm (Morris, 2014)

As described above while introducing Arthur Andersen scandals, managers are also managing the reward systems in firms. Research shows that a relationship exists between setting very hard objectives for employees and unethical behavior in companies. When managers are building a performance-oriented organizational culture, and refuse failure to reach objectives because only results matter, unethical behavior will start to be rewarded (Schweitzer, 2004)

This implies that, in order to monitor the behavior of employees, auditors could review the leaders' ethical behavior, and verify that the organization culture encourages ethical behavior. General Electric



Company is evaluating its managers on different dimensions, including ethics, to ensure that behaving ethically is integrated as a core organization's value (Heineman, 2007)

***Proposition 2:*** *Auditing the leader's ethical behavior and the "tone at the top" allows auditors to assess the ethical culture of the organizations.*

### **Effects on Audit Planning**

In the past decades, culture risk was neither considered as requiring controls nor supervision. However, the recent focus on the matter from regulators such as the Financial Conduct Authority and the Prudential Regulation Authority, who enacted the definitive standards of conduct for financial institution and banks forced Companies and Auditors to review their position. In 2013, the Parliamentary Commission on Banking Standards recommended the implementation of legislative measures to improve culture monitoring in the British banking sector, with a possible enforcement from regulator when organizational culture does not promote ethical behavior.

These measures encouraged auditors to include Organizational culture in their yearly plan.

The annual audit planning is defined by the British Chartered Institute of Internal Auditor as the list of engagements taken by Internal Audit. The factors taken into consideration while preparing this planning includes the risk profile, the structure and geographical spread of the company, the prevailing legal regime and regulatory environment, and the stakeholder requirements. Specific audit can be designed for some activities, departments or process, whereas some processes can be reviewed continually in each audit.

Organizational culture is somehow a vague concept which needs to be studied as a whole to better understand its meaning. Organizational culture is composed by risk culture, which is defined as "the values, beliefs, knowledge and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organization or of teams or groups within an organization" (Institute of Risk Management, 2012, p. 7).

As stated by the London School of Economics Center for Analysis and Risk Regulation, Risk culture is embedded in the Organizational culture, highlighting general concerns about risk-taking behaviors and related controls. Organizational culture influences and is influenced by the Risk culture of a company. This interrelationship between the two suggests a close monitoring of culture by the company itself. Research shows that having an inadequate Risk culture leads to a divergence in operational activities and control procedure implemented, resulting in reputational and financial instability (Ashby et al., 2012).

Risk culture is often integrated in the audit planning, and review within each audit, as supervisors such as the Financial Stability Board focus on the risk awareness-related attitudes and behaviors in the company, as well as norms towards risk taking and risk management, which can be reviewed in any business lines audited.

While Risk culture can be reviewed in standard audits during the year, measured and tracked in visible ways by auditing different kind of risk-related control, this method is less applicable to Organizational Culture (Power et al., 2013).

**FIGURE 9**  
**CULTURE IN AUDIT PLANNING**



2016 CIIA Study

As Organizational Culture cannot be tracked and measured visibly, its integration in standards audits seems less effective. However, a CIIA study conducted in 2016 reveals that only 7% of a sample of American auditors reviewed Organizational culture in a standalone audit (Figure 9). Moreover, more than 25% organizations still do not plan to conduct Organizational culture audit. This suggest that Organizational culture might be not considered seriously by companies and is probably weak within those Organizations.

**Proposition 3:** *Including Organizational culture as a standalone audit in the yearly audit planning is more adapted to the specificity of the topic*

## RESEARCH METHODOLOGY

### Research Design

The Research design has a central role in the construction of a research project: “Research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project (...) the samples or groups, measures, treatments or programs, and methods of assignment (...) work together to try to address the central research questions” (Trochim et al., 2015, p.1). The purpose of a research design is to ensure that the evidence obtained enable the researcher to answer the initial question with as much accuracy as possible (Yin, 2017). This study will be an exploratory research as it will explore a relatively recent topic: auditing organizational culture. As very little research has focused on this topic, the goal of this study is to revise the major’s theories that could be applied to the topic and gain deeper understanding on the matter that might be relevant for further research (Shields and Rangarajan, 2013)

Exploratory research uses mainly qualitative research collection methods as a way to gain deeper understanding on a topic (Shields and Tajalli, 2006). Qualitative research methods are usually used to find opinion trends on the topic studied. Among the various qualitative data collection methods, two main types of interviews exist: unstructured and structured interview techniques. Structured techniques leave little room for variation in the responses between participants to the data collection method whereas unstructured techniques (including semi-structured techniques) allow the interviewers to use follow-up questions when he wants to have a deeper hindsight on an issue. Furthermore, semi-structured interviews are more adapted to research where the literature is less advanced, and the interviewee’s answer are more valuable by letting him express his opinion with his own words.

Research considered as exploratory relies on qualitative data collecting methods that includes secondary data review, which was performed in the literature review section of this paper, and primary data,

which can be collected through informal and formal qualitative research, such as focus group or in-depth interviews. In this study, semi-structured interview have been used to collect data.

**TABLE 1**  
**SAMPLE OF INTERVIEWEES**

Interviewee	Current Position	At company	Experience as (year)		Gender
			Internal Auditor	External Auditor	
1	Internal Auditor	Valeo	2	7	F
2	Internal Auditor	Total	3	7	M
3	Internal Auditor	GM Financial	10	-	M
4	External Auditor	PWC	-	3	F
5	Internal Auditor	Sanofi	3	-	F
6	External Auditor	Deloitte	-	4	M
7	External Auditor	KPMG	-	9	M
8	External Auditor	KPMG	-	8	M
9	External Auditor	EY	-	7	M
10	Internal Auditor	Kepler Cheuvreux	3	3	M

Interviews have been conducted on a sample of 10 auditors, 5 currently working as an internal auditor and 5 currently working as an external auditor. I chose to focus on auditors with significant experience, with at least three years of working background in audit. Experienced auditors are more likely to have realized organizational culture audit. They also should have more hindsight on their own company organizational culture. These interviews helped me to better understand their motivations, the reasons why they chose a career in audit, and why their path was oriented toward internal or external audit.

I also focused on the role that organizational culture had on the interviewees' work life, and how their company promotes their company culture. I then reviewed their experience in auditing organizational culture by looking at employees' motivation and their knowledge of the different methods for assessing those. Furthermore, it also allowed me to evaluate the first intuitions drawn from the literature review but also to explore whether there are other explanations possible to the research questions.

I decided to target five external auditors from Big Four firms, with at least one auditor of each firm. This brings the point of view of different auditors, using different methods and working in different firms, with different organizational cultures. These different points of view are specific to each auditor, however there is a possibility to see differences or similarities amongst them. Moreover, by interviewing auditors from different firms, I believe that it brings diversity and avoid repetition in findings. Then, five internal auditors from different private firms have been interviewed, and their answers have been compared to the external auditors' answers in order to study the similarities and differences in methodology and opinions on the matter.

As I targeted mainly auditors from my personal network, from work colleagues' relations to IESEG alumnus, I already had access to their personal contact information. I first sent them an e-mail in order to have a first contact with them. This e-mail explained them what the purpose of the interview is, its length and a global presentation of the topic. Then, if they accepted to meet me, I would set up the interview at their workplace, for them to be in their environment, to be more relaxed. This most likely increased the quality of the data retrieved from these interviews.

### **Type of Interview Chosen and Structure**

In this study, I chose to use semi-structured interviews because of the advantages brought by that qualitative research method. An interview is a verbal exchange between two persons, and managed by an interviewer (Gillham, 2000; Ritchie and Lewis, 2003). This method encourages the interviewee to speak freely, to express his views on the matter, thus to answer to difficult questions (Clough, 2002). Organizational culture is a complicated topic to discuss with a stranger, especially when it concerns the

company an auditor works for. It could be hard for an interviewee to speak about his own relationship with the firm's culture, or what are his managers' behavior in his company. The fact that I target auditors from my network, with alumni from IESEG School of Management, relatives, or coworkers, creates a connection between the interviewees and the interviewer. It makes it easier for us as the relational aspect and trust needed between interviewee and interviewer is already present. We only need to develop this trust through our interpersonal skills (Opie, 2004), that we enhance during our studies at IESEG. Furthermore, I already performed that kind of interviews during my first year of master at IESEG, for the "mini-mémoire", which is a first experience that could be valuable when facing the interviewees. Some bias due to past interviewees might appear and should be taken into account while discussing with the interviewees.

These interviews were conducted face-to-face, to collect a rich data, which will include feelings and reactions from the interviewees. According to Gillham (2000) and Ritchie and Lewis (2003), the face-to-face interviews are more appropriate where depth of meaning is crucial, and the main focus of the research is gaining hindsight and understanding on a topic.

I conducted individual interviews which took around 45 minutes each. I choose to make a qualitative interview for this research because I thought it was more interesting to conduct interviews face to face rather than questionnaires that we distribute. The human-being aspect is a primary reason why a qualitative research approach is used. Moreover, it will help me to record and observe the uniqueness of the interviewee perspective and experience. Additionally, handwritten notes have been taken during each interview. Each interview have been tape-recorded, and a transcript of the meeting have been written afterward for further analysis.

The aim of this study is to discover how auditors deal with the specificity of organizational culture. In a first part, I focused on the person that I was interviewing (job, skills, incentives for the job or the company). I started with open questions in order to know better the person and to understand its general motivations. The aim of this method was to allow the interviewee to answer wildly on the subject and for me to follow up on his answers. This created a more natural and similar environment like a discussion where the interviewee was supposed to feel more comfortable. Then, I developed narrow questions in order to discover the methods that could be used to audit organizational culture, and the auditors' feelings about their company organizational culture. Narrow questions are more precise but also more personal which means that the answers are specific and more honest. With these kind of questions, I needed to pay attention to the questions that I asked (because the interviewee could withdraw into himself/herself). In a third and last part, I asked questions about their personal opinions on the matter, to see if they can bring some additional reflection on this research by bringing on the table some topics I may not have anticipated.

### **Analysis of Data**

To conduct this research, a systematic approach to data-analysis based on O'Dwyer (2004) and Spence and Gray (2007) studies is used. This methodology is divided in three main steps: data reduction, data display and data interpretation.

Throughout the 'data reduction' phase, the transcripts of the different interviews are coded according to the different topics discussed in the prior literature review. The transcripts are reviewed several times, attention is given on intonation, gesture and hesitations of the interviewees. A research diary is held to gather ideas and reflections on the data analysis. The software NVivo has been used to code the interview.

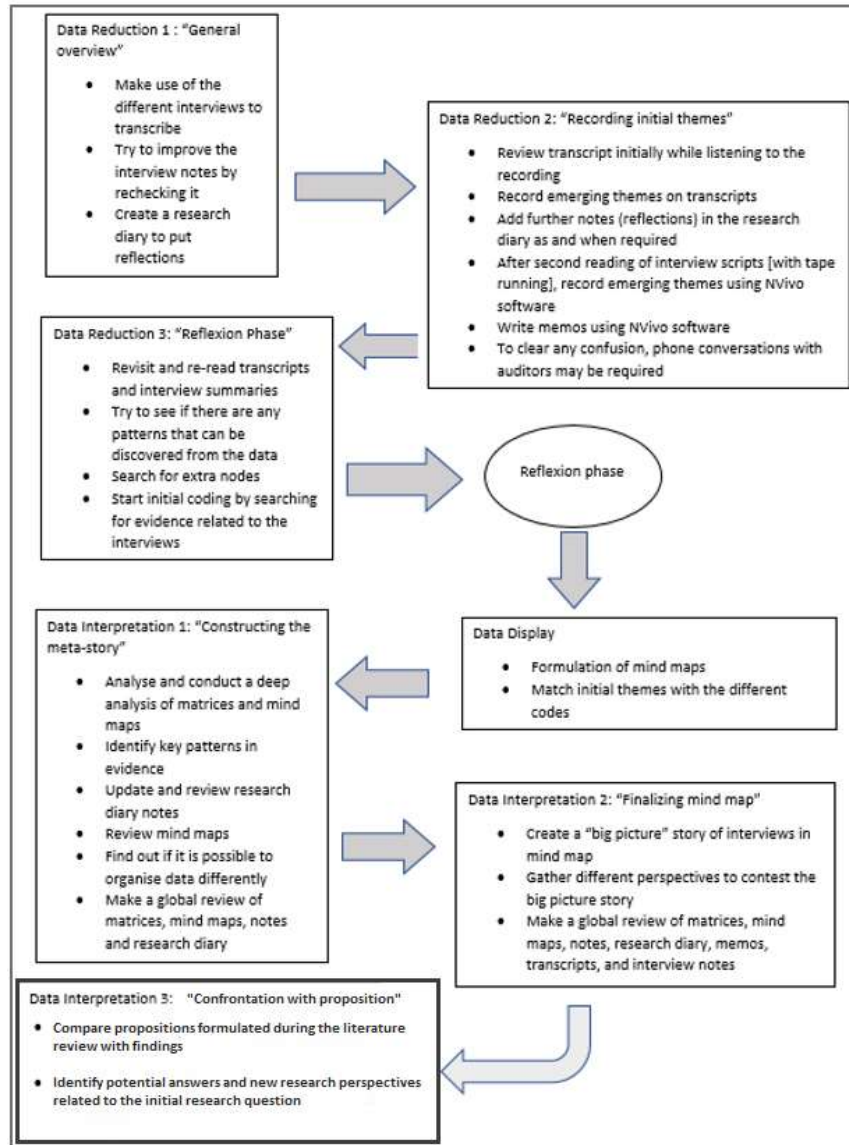
After a reflection phase, where ideas are sorted and filtered, the 'data display' phase began. Each interview is summarized in a matrix and codes/themes are identified, to have a better visual on emerging trends (Miles and Huberman, 1994). This was used as a mind map, gathering ideas and trends, to prepare the final data interpretation phase.

During the data 'interpretation' phase, the emerging trends, key patterns and similarity between interviewee's answer are identified and gathered. These findings were compared with the proposition formulated in the first part of this study. The goal was to find answers and identify new research perspectives on auditing corporate culture.

This data analysis approach is detail in Figure 10. I completed the description of my data analysis approach by adding a complementary information. An initial reading of the first interview transcript

revealed that several issues could be investigated more extensively. Consequently, I included more follow-up questions in the following interviews, as it is supposed to result in a higher data quality (Silverman, 2000; O’Dwyer, 2004;)

**FIGURE 10**  
**DATA ANALYSIS APPROACH**



## FINDINGS

This section describes the findings of an in-depth analysis of the primary and secondary data collected during my research. Trends and patterns identified are detailed in sub-sections below with the aim to examine the relevant areas investigated in the literature review.

## **Organizational Culture and Auditor's Knowledge**

First, interviews with senior auditors allowed me to have an idea of the general knowledge of auditors on Organizational culture. When asked to give a definition of Organizational culture, four auditors were not familiar with the concept and were not able to give a proper definition of Organizational culture. The other six auditors provided a personal definition of the concept.

As highlighted in Table 2, I noticed that the words "Share", "Collective", "Together" and "Teams" have been all used in the interviewees definition of Organizational Culture. These words belong to the same lexical field, to the notion of collectivity. It confirms the fact that Organizational Culture is directly influencing and affecting employees' thinking and behavior (Kerr and Slocum, 2005) as indicated in the literature review.

Most auditors familiar with Organizational Culture gave accurate answers, in line with expectations formulated in the literature review. Several auditors outlined that their knowledge on Organizational Culture dated from their time in school.

"Organizational Culture was part of the topics I studied at university, during my Bachelor"

"I know about it from my Strategy classes at IESEG, but it was a while ago already"

While they might not be auditing corporate culture in their current position, those auditors are reviewing financials statements, and potential fraud. As shown in the literature, some characteristics of an organization's culture can predispose a company to consider fraudulent financial reporting as a legitimate accounting policy decision (Geresh, 2003). The lack of educational support from the Big Four companies on this matter might be an issue. Organizational culture should be part of the Big Four auditors training plan as it might have a direct influence on potential fraud. Furthermore, this raises a second question, that should be included in further research on the matter: *Are auditor sufficiently trained on Organizational culture to assess and provide assurance on it?*

Another intake from this analysis might be the fact that external auditors tend to refer to Google when trying to define Organizational Culture. While quoting Google is indeed a good example of a strong and successful corporate culture (Vise, 2007) it might either shows that Google is the unique or prevalent example in terms of strong corporate culture, or that the knowledge of external auditors in terms of Organizational culture is limited:

"Absolutely not, Organizational Culture is to me a reference to Google and how they take care of employees. But I don't know a lot more about Organizational culture."

This could be linked with the first point highlighted above, where auditors lack of sufficient training on Organizational culture to be able to assess it. The same conclusion could be drawn from the general knowledge on Motivational theory, even if this topic is relatively less important for auditors. It should be highlighted that the Maslow hierarchy of needs, one of the first theory on employees' motivation, has been the most quoted theory by interviewees. Five auditors out of the ten made a reference to it, while, as highlighted in the literature review, its applicability to the business world remains limited.

To be able to draw a more accurate conclusion, further research on auditor's knowledge about Organizational Culture should be performed. The parameters of the research should include the ability from the auditor to make a reference to companies that shows signs of strong corporate culture, and companies that shows signs of weak corporate culture.

**TABLE 2**  
**AUDITORS' AWARENESS ON ORGANIZATIONAL CULTURE**

Interviewee	Familiarity with Organizational Culture	Proposed Definition	Reference to Companies
1	"When I was working for the Fraud Investigation department, we were checking if the company was promoting an anti-corruption and fraud culture."	"I would say that it's the common values that are shared by employees working in the same company. They might be in line with Management expectations, or not."	-
2	"A little"	-	Total - "Fundamental value is security"
3	Directly proposed a definition of it	"A way to federate teams."	GM Financial - "Teamwork does not just happen"
4	"I know about it from my Strategy classes at IESEG"	"It's the common philosophy and way of working that is shared by employees of a same company."	-
5	"I don't know if I can say that I am familiar with it but I know one thing or two"	"Culture is simply what people do. What they do every day, without thinking about it. It's something inside the employee, that they share, because of their time spent together inside the company."	-
6	Directly proposed a definition of it	"Organizational culture is a set of values and way of doing things which are common to the company's employees. It's also a brand that attract and retain employees."	Google / Microsoft / Facebook
7	"Absolutely Not"	-	Google
8	"Organizational Culture was part of the topics I studied at university, during my Bachelor"	"I would define it as the collective values promoted by leaders and shared between employees that contribute to the performance of everyone."	Google
9	"I know a few things about it"	-	-
10	"Not really"	-	-

**Total Motivation Theory Application**

A first intake from the analysis of interviews is that nine auditors highlighted the fact that assessing employees' motivation in order to review Organizational culture is a good point. As stated by one interviewee "It should be part of the things you want to assess". This confirms the fact that when making



an Organizational culture audit plan, an employees' motivation assessment should be included by the auditors.

One interviewee expressed some doubts about the link between the motivation of employees and the organization's culture:

"I am not sure. There is probably a relationship between the two, but there are too many factors that are influencing the motivation of an individual"

Such limitations should be kept in mind by the auditors while linking motivation and culture. The existence of other factors that could be considered as "parasite" in the review could alter the results. Further quantitative research on this topic could be made.

Secondly, I have asked auditors about their view on Total Motivation Theory, and its application to auditing purpose. Nine auditors (out of ten) confirmed that TOMO could be applied to auditing purpose, mostly highlighting the ability to quantify processes and collecting data on employees' motivation, thus on Organizational Culture.

"It gives you the ability to collect numbers during your review and interview of employees."

"It allows us to put numbers on something difficult to assess"

"The process grading system is very useful to quantify things that aren't usually quantifiable."

The possibility to develop an "industry comparison to assess where the company and its competitor stand" has also been highlighted and reinforce the ability to apply the theory for auditing purpose, in opposition to other motivational theories presented in the literature review.

Finally, while discussing possible issues that could be encountered by auditors while using the Total Motivation theory framework, several interesting facts were highlighted by the interviewees, and are noticeable in Table 3 below.

First, as the TOMO theory requires employees to fill surveys, the applicability to such theory on large companies may be difficult. Interviewees were concerned that collecting data at a "large scale" might deteriorate its quality. The existence of possible subcultures inside the audited organization is more likely in large organizations, which is not considered by the Total Motivation Theory. Previous studies showed that the cultural rifts between subcultures can be readily recognized in the company's practice and have tangible impact (Jones, 1983). Hofstede's confirmed that theory by identifying three subcultures inside a Danish corporation through surveys answered by employees about work practices (Hofstede, 1998). Thus, it can be argued that the TOMO framework might be adjusted to better fit the audited company by including questions about work practices. This could allow the auditors to identify potential subcultures inside the company and mitigate the negative impacts of large firms on data quality.

Secondly, some auditors raised concerns about the lack of knowledge on Organizational culture from the employees and managers.

"The implementation at a large scale will be difficult, conducting surveys on many employees about culture... Some of them have no ideas of what it is."

While employees' knowledge on Organizational Culture is limited, questions about work practices, office environment, co-worker relationship might still be answered. Nevertheless, the objectives of the audit might be stated and explained to the employees answering the survey, for them to understand the importance of their participation.

**TABLE 3**  
**TOMO APPLICABILITY**

Interviewee	Is TOMO applicable?	TOMO advantages	TOMO drawbacks
1	Yes	"It takes into account employee's behavior by talking to them, and direct interaction and data collection from them is the best way to have answers on difficult questions such as the ones concerning motivation or even ethics.	-
2	Yes	-	-
3	No	-	"The implementation at a large scale will be difficult, conducting surveys on many employees about culture... Some of them have no ideas of what it is. Then, how do you take advantage of the huge amount of data collected? Those grades for processes out of 100 will be based on answer of some people who will answer wrongly, or without caring."
4	Yes	"It gives you the ability to collect numbers during your review and interview of employees."	-
5	Yes - Only on small firm	"The design of this framework seems to match auditors' needs."	"I don't see the application of such theory on a large scale. The size of the company to which you are applying this must be taken into account."
6	Yes	"It allows us to put numbers on something difficult to assess"	-
7	Yes	"The process grading system is very useful to quantify things that aren't usually quantifiable."	-
8	Yes	" I think it offers a great perspective on employee's motivation and provides accurate data and industry comparison to assess where the company and its competitor stand."	-
9	Yes, but need some adjustments	"(The rating of process) is an amazing opportunity for both auditors and managers to assess their employee's motivation"	"Need to establish beforehand an "etalon", to compare your results with your expectations, or the ones given by Management. "
10	Yes – but need to be explained	-	-

**Behavior, Ethics, and Management Expenses**

One of the objectives of the interviews conducted was to understand if a review of Top management's expenses was an effective way to assess the organizational culture of a company.

First, I questioned the auditors interviewed about the impact of Top Management’s behavior on employee’s ethical behavior. The trends in auditors’ answers is consistent with my literature review on the matter. Seven auditors stated that Top Management’s behavior had a “significant impact”, or a “decisive” and “great influence” on employee’s ethical behavior.

As pointed out in the literature review, the reference to the Enron scandal is also used by an auditee to illustrate the negative influence of Management on employees:

“Top Management impact on employee’s behavior is huge. Look at what happened with Enron and Arthur Andersen... under the pressure of a Management that was encouraging unethical behavior, employees followed its leaders, and we know how everything ended. Top Management behavior must be flawless to inspire subordinates to act the same way”.

When asked about the efficiency of a Top Management’s expenses review to assess Organizational culture, those seven auditors agreed that this method could be used. The easiness of this audit test is a real advantage for auditors. Furthermore, one auditee highlighted the fact that “such review, if made public, could motivates employees”. If the results of the audit confirm that Management has been behaving ethically, a publication of the audit test could reinforce the trust and confidence of employees in their Management.

However, some limitations to this method have been highlighted by the interviews. First, employees always have a “libre-arbitre” and can behave unethically without any influence from Management. Such limitation is important and must be clearly stated along with the results of the audit review if the method is used. Then, one auditee also doubt that such review could be accurate in larger organization, “above 500 employees”. The explanation could be that in larger organizations, employees have less relationship with Top Management, and might be less susceptible to be influenced by them. One auditee offered to “focus on Middle Management, much closer to their team, thus having a greater impact on them”. One option would be to adapt the review according to the size of the company, with a focus on Middle-Manager expenses in larger company.

Last but not least, it is important to notice that without being asked about, interviewees tended to speak about the Code of Ethics and E-learning sessions and trainings about ethics set up in their company. Employee’s compliance with the company Code of Ethics and follow-up of E-learning results and attendance could be audited and included in the Organizational culture audit. Such elements should be considered for further research on the matter.

**TABLE 4  
ADDITIONAL AUDITABLE ELEMENTS**

Interviewee	Code of Ethics mentioned	E-learning & trainings mentioned
1	Yes	Yes
2	Yes	No
3	No	No
4	Yes	No
5	Yes	Yes
6	No	Yes
7	No	No
8	No	No
9	Yes	Yes
10	No	No

### **Audit Rotational Planning and Organizational Culture**

In order to analyze the interviewees' insights about Audit Rotational Planning, I reviewed their experience with audit rotational planning and their opinion on the integration of Organizational Culture to this plan, as shown in Table 5 below.

Experience have been defined as Inexistent when the interviewee did not know the concept of audit rotational plan. A Low experience qualifies an interviewee who applied an internal audit plan or reviewed audit rotational planning as part of external audit. High experience refers to interviewees who participated to the creation of such plan.

No trends have been clearly identified during my analysis.

**TABLE 5  
ORGANIZATIONAL CULTURE IN AUDIT PLANNING**

Interviewee	Experience with Audit Rotational Planning	Preferred method
1	Low	-
2	High	Continuous review
3	Low	Continuous review
4	Low	Standalone audit
5	High	Continuous review
6	Inexistent	-
7	Inexistent	-
8	Low	Standalone audit
9	Inexistent	-
10	High	Standalone audit

However, the interviewees' explanation about which method between continuous and standalone audit is more adapted highlighted important facts.

In large organizations, with oversea offices, a continuous review of Organizational culture will be preferred. Two experienced auditors currently working as auditors in company in this situation, gave their explanation on this choice:

"It gives you a specific vision of how the security culture is spread among business lines, overseas offices, and so on... You will be able to see the specific implication of your culture on small division of your organization."

"A continuous assessment is the only way to guarantee that Sanofi's staff from all around the globe is fitting the Group culture."

On the other hand, including Organizational culture in the internal audit rotational plan is a way to raise awareness on the matter.

"I also think that a dedicated audit will generate more attention from stakeholders of the company, from the Board of Directors to simple employees."

"To legitimate the results of my review to the Board"

One auditee offered an alternative solution, which could have the advantages of both methods. His proposal consists in "Standalone review made several times a year to limit seasonality impact and short terms conflicts impacts". Such review would include quarterly surveys guaranteeing a continuous review of the Organizational Culture and ensuring an adequate follow-up of any inconsistency found by auditors.

## CONCLUSION

This study sought to provide a deeper understanding on the various impacts of having a strong Organizational culture and on how auditors can adapt their audit to the riskiness and specificity of Organizational culture. As such, the Research questions of this paper were the following:

***RQ 1: What are the factors influenced by Organizational Culture inside a company?***

***RQ 2: How auditors can adapt their review to the specificity of Organizational culture audit?***

Three important factors affected by Organizational Culture have been identified through the literature review.

First, I discussed the effects of Organizational culture on Employee's Motivation. Strong Organizational cultures' norms and values results in a better task coordination between employees, an efficient control system within the company, and an alignment between company and employees' objectives, all of those leading to an increase in employees' motivation and efforts provided by them (Karlsen, 2011). The perception of having a strong connection between employees enhance the group feeling awareness and the way employees motivate each other (Koesmono, 2014). The assumption made that Organizational culture and Employees' motivation are closely linked has been confirmed by an analysis of the primary data collected in the interview.

Secondly, the effects of Organizational Culture over employees' ethical behavior has been extensively discussed in the literature review, pointing out how a culture shift can result in unethical behavior from employees, taking as an example the Enron / Arthur Andersen Scandal (Squires, 2003), an example that has been used by interviewees and which confirms the relation between the two.

Finally, the identification of Organizational culture as a vector of risk by companies and regulatory bodies has affected the audit rotational planning prepared by internal auditors, as well as the expectations of the authorities over company culture assessment. Interviews did not allow to identify a clear effect of culture over audit planning.

After a clear identification of the factors influenced by Organizational Culture, the main purpose of this research was to find leads on how auditors could use those factors to assess an Organization's culture.

The Total Motivation Theory remains the first framework directly linking Organizational culture, company processes and Employee's motivation, and interviewees appreciated its business applicability and possibility to quantify motivation-related processes, matching auditing purposes. However, it might be necessary to adjust the framework to integrate work practices related questions, to ensure that subcultures among organizations can be identified, based on Hofstede (1998) and Jones (1983) work. Based on those research, we can accept the first proposition which states that ToMo is more adapted to audit employees' motivation and Organizational Culture than classical theories of motivation.

Although interviewees tend to agree that Top Management's behavior influence greatly employees, and that an audit of Top management expenses and presence to important meeting might be practical and easy to apply, some concerns raised about the lower influence of Top Management in large organizations must be taken into account. In large organizations, an audit of Middle-management might be preferred due to their greater influence on their subordinates. Thus, the second proposition stating that auditing the leader's ethical behavior and the "tone at the top" allows auditors to assess the ethical culture of the organizations is not validated. Further research is needed over the influence of Top and Mid-management, and the impact of the size of the organization audited.

The third proposition stating that including Organizational culture as a standalone audit in the yearly audit planning is more adapted to the specificity of the topic is also rejected. The different opinion of auditors interviewed demonstrate that the inclusion of Organizational Culture in the audit rotational plan is motivated by company specificity that cannot be generalized to Organizational culture audit.

## Limitations & Broadening Debate

While not being the purpose of this research, an in-depth analysis of the data collected led to the following conclusion: *Are auditors sufficiently trained on Organizational culture to assess and provide assurance on it?* As shown by the literature, some characteristics of an organization's culture can predispose a company to consider fraudulent financial reporting as a legitimate accounting policy decision (Geriesh, 2003). Organizational culture should consequently be monitored by auditors as a factor influencing fraud. The lack of education from Big four firm has been pointed out in the findings section of this paper.

The Limitations of this research comprise the difficulty to explain the Total Motivation theory without orienting the interviewees' opinion on it. Further research on auditors with knowledge on this theory could be done. Furthermore, the global lack of experience of interviewees over audit rotational planning should lead to new research on the matter with Audit Managers, more likely to be experienced on this matter. Finally, further research is needed over the influence of Top and Mid-management over employees' ethical behavior.

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**APPENDIX 1**  
**ORGANIZATIONAL BEHAVIOR’S LEVEL OF ANALYSIS – MARIC DEMASY**

Level of analysis	Description	Topics studied
Individual level or Micro-Organizational Behavior	Organizations are composed with individuals with different demographical features and personal characteristics. Such differences are considered, and individuals' behaviors and reactions to organizational policies and practices are studied. This layer of analysis requires the understanding of psychological theories	Perception Motivation Ethics Learning Deviant & Cooperative behavior
Group level or Meso-Organizational Behavior	<p>Organization are composed with many groups and teams, which interact and develop relationships together. The focus is made on the group interaction among members:</p> <ul style="list-style-type: none"> <li>• In which way individuals among the team interact?</li> <li>• What kind of tasks are they performing?</li> <li>• Is there a leadership's influence over the members?</li> </ul> <p>At the Group level, Organizational Behavior rely on socio-psychological and sociological theories.</p>	Group dynamics Conflict resolution Leadership Communication Power and Politics

Organizational level or Macro-Organizational Behavior	Organizational Behavior studies the behavior of the company as a whole. The influence of a firm's environment on the firm itself is analyzed, and the strategy and structure of the company is studied. At the Organizational level, I seek to evaluate the impact of sociological factors on the organization's effectiveness. At this layer of study, Organizational Behavior uses political science theories and anthropology.	Organizational structure and changes
		Environmental forces Organizational culture Values and Ethics Human resources management

**APPENDIX 2**  
**ADAPTED FROM MCCLELLAND'S THEORY ON DOMINANT**  
**MOTIVATOR –MARIC DEMASY**

Dominant Motivator	Individual's Characteristics
<b>Achievement</b>	<ul style="list-style-type: none"> <li>Has a strong need to set and accomplish challenging goals.</li> <li>Takes calculated risks to accomplish their goals.</li> <li>Likes to receive regular feedback on their progress and achievements.</li> <li>Often likes to work alone.</li> </ul>
<b>Affiliation</b>	<ul style="list-style-type: none"> <li>Wants to belong to the group.</li> <li>Wants to be liked, and will often go along with whatever the rest of the group wants to do.</li> <li>Favors collaboration over competition.</li> <li>Doesn't like high risk or uncertainty.</li> </ul>
<b>Power</b>	<ul style="list-style-type: none"> <li>Wants to control and influence others.</li> <li>Likes to win arguments.</li> <li>Enjoys competition and winning.</li> <li>Enjoys status and recognition.</li> </ul>