ORGANIZATIONAL CULTURE IN ACCOUNTING PROFESSION IN IRAN

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ABSTRACT
There has been a lot of consideration to the organizational culture in recent years. This attention is important because the behavior of individuals is related to the values and norms applied by managements in their firms. The empirical studies focus on components that are good reason for becoming a great institute and lesser extend on individuals’ value in organizations. In this study we will discuss values and norms among Iranian auditors which are existed as an organizational culture.

Keywords: Organizational culture, Cultural values, Iranian auditors

INTRODUCTION
There has been a tremendous effort to consider the organizational culture in the study of auditing and accounting profession in the last decades. These considerations have been witness to the rapid growth of the body of literature, especially on values and beliefs in audit firms (Büschgens, Bausch, & Balkin, 2013). Nevertheless, there is no doubt that the majority of these studies have done in the western countries. This may increase consideration when extending the results in other context. Therefore, the current study was planned to look into the organizational culture applied by Iranian auditors in audit firms. According to Reigle (2001), the common assumptions and customs that fundamentally applies in communications are usually understood as essential and a reflection of values in individuals and groups that can be seen in their respective behaviors. Although researchers disagree on certain components that makes up cultural definitions and measurements, they seem to agree on the importance of culture as a factor influencing an individual, and how well it would fit an individual or an organization (O'Reilly et al., 1991). However, investigation on organizational culture and the criteria used to explain auditors decisions demand to be carried out, because this has suggestions such as effectiveness of codes of conduct as well as influencing the ethical behavior of members in organization (Trevino, 1986) and success of organizational performance (Schein, 1985). Thus, the objective of the current study is to pave the way for further investigation in audit firms and their organizational culture among Iranian auditors.

Literature review
Culture is a naturally attractive notion that mainly suggests the fact that a variety of groups such as social, religious, national, and corporate possesses differing corporate culture within and through the outside world. According to Barley et al. (1988), the definition of organizational culture has a long history, and has been extensively studied in the field of sociology.
To refine the notion of culture, “164 different definitions of culture” have been developed (Fisher, 2000). However, defining culture by itself is a complex matter, as it is defined differently by different individuals, and is framed in differing perspectives. Table blow shows some definitions of culture by scholars.
Table 1- Definition of culture

<table>
<thead>
<tr>
<th>Studies</th>
<th>Definition</th>
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<tr>
<td>Deal and Kennedy,</td>
<td>Defined culture as consisting of a collection of valuable reserves, where community members are involved in their development</td>
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<td>(1982)</td>
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<td>Schein, (1992)</td>
<td>Defines Culture as &quot;a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to their problems (p. 12).&quot;</td>
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<td>Pratt, (1987)</td>
<td>Can be described in expressions of shared values by members of an organization, and it can also indoctrinate members in the practices and patterns of an organization. Practices are essential to the developing and fixing of cultural countenance of selection and socialization.</td>
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<tr>
<td>Cooper et al. (2001)</td>
<td>Define culture as a social behavior which dominates, but resists alteration and facilitates desegregation among parties because it lets humans hold certain expectations about other’s behavior.</td>
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<tr>
<td>Reigle, (2001)</td>
<td>Culture is frequently assumed to be comprised of shared staple assumptions, customs, myths, and rituals with inexplicit beliefs, and is evidenced by values in organisms and radical behaviors</td>
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Culture cannot be transferred via Life (inheritance), but is learned via experience and training (Reigle, 2001). The organizational culture acts similar to a book system, which allows its members to observe the belief that surrounds humankind, and act in accordance with this observation. Acceptable and unacceptable actions particularly, are derived from culture. In the context of organizations, it consists of norms and values that influence the conduct and behavior of their members. Therefore, norms or manners can form the outcome of culture and encourage the formation of ethical decisions. Furthermore, commitment and common identity can be guided by organizational culture, due to the influence of values (Jenkins, Deis, Bedard, & Curtis, 2008).

People derive cultural values from their respective societies, and these values may affect personal beliefs, any actions, or decisions. The researchers determined that employees’ commitment and job satisfaction are influenced by the degree of shared values within organizations (Deal & Kennedy, 1982; Ouchi,1981; Pettigrew, 1979).

Membership in a group may be based on the scope of what is expected of you and to which you conform. Auditors are type of social groups that can divide into private and public. Since the culture of groups may not be similar, it is assumed that the scope of expectation from auditors is different. Therefore, auditors who are involved in either governmental or private sectors of business can anticipate different behaviors among nations despite the common goals.

There is an agreement among scholars and famous researchers that a common perception of a firm’s culture can enhance positive impacts and images of an institution from the perspective of the clients (Wilkins & Ouchi, 1983). With the same idea, O’Reilly (1989) noted that a set of shared values held by members may be valuable for operations of firms in the service sectors. O’Reilly et al. (1991) examined organizational culture and its implications to work attitudes and behavior among accountants, and found that variations of individual in priorities for various cultures in organizations are with explainable differences in personality characteristics. Accordingly, values act as the determining concepts where norms, symbols and other actions in that are rooted in culture rotates (Chatman & Jehn, 1994). According to Pennings & Gresov (1986), organizations can distinguish their differences based on the norms in their respective industry. Task environments influences organizations in which they are structured; therefore, expectations regarding significant components extend to similar values in same industry (Gordon, 1991).

An organizational culture is present when the members of a social unit contributes or share their values (Weiner, 1988). Chatman and Jehn (1994) suggested that nearly all organizations possesses core values that are shared throughout the entire organization.
In order to find out whether an organization attaches importance to culture, O’Reilly (1989) developed the concept of culture in auditing. His classification included Culture as Control and Normative Order. He denoted, in terms of culture as control, that if some control systems were not in place to guide or organize actions, little would be obtained by the organizations. This basically means that organizations are often considered to be exclusively effective if its control systems function. Likewise, the norms will be relative to what is considered appropriate or inappropriate attitudes or behaviors.

Rousseau (1990) introduced outstanding explanations of the common factors in such sets. He proposed vital supposition, behavioral norms and expectations, and assumptions and patterns of behavior. Therefore, investigations on culture usually begins with a set of assumptions and values (Martin & Siehl, 1983).

The measurement of culture in companies is emphasized by Schein (1992) O’Reilly (1989) as an obligation. They believe that a weak culture will cost a company dearly. Schein (2000) noted that managers may be unaware of their organization’s culture prevailed schemes formation, which can precipitate disastrous results. Sharing similar views, Markow and Carter (2004) contributed to the idea by positing that the success of an organization is inexplicably tied to its strong culture.

A firm's culture depends upon whether the accounting is a high quality service or a plain artifact (Jenkins et al., 2008), and observable symbols of culture will integrate itself into the organization. According to Reigle (2001), dress codes, professional and interfaith organizations, membership in a community, and expectations regarding staff working hours and workplace action are all hinged on organizations cultures and expectations. Hood and Kohberg (1991) remarked that culture “establishes recognized and accepted premises for decision making”.

From all the definitions of culture, a common denominator in this case seems to be the existence of a set of beliefs ingrained into the human subconscious. It is believed that man and culture shares a symbiotic relationship, where one creates and relies on the other.

The scandals of Enron and WorldCom served as a catalyst of noteworthy changes in enterprises’ models and cultures within the profession generally, and in public accounting firms specifically (Campbell & Houghton, 2005).

In the service sector, which includes accounting, direct supervision is intricately more difficult, because they usually operate outside of a real working environment; engaging in multiple perspectives, and the professional staff members work under particular working circumstances (Chatman & Jehn, 1994). Furthermore, in public accounting, firms heavily rely on social control mechanisms, which includes cultural values that are examples of members’ action approach (O'Reilly, 1989). While shared values are internalized by the firms, members can choose to apply them to a wide range of appropriate behavioral reactions. These reactions, however, may be hard for managers to predict and formalize in the context of unmonitored situations ( Ouchi & Johnson, 1978).

Kristof (1996) noted that in the firms, as professional employees (such as accountants), respondents might have been recognized by their work, thus, the important values would take place with any item of the organization within their facilities. Having similar thoughts, Parkes et al. (2001) investigated organizational value differences among hospitals and management consultancies installations in Australia and in South-East Asia. They measured organizational commitment, job satisfaction, and tenure variables, and stated that the interaction position were symmetrically noteworthy in the presence of the honest effects of collectivism on organizational commitment and tenure.

Pratt and Belieau (1992) examined the nature of organizational culture in 338 public accounting firms across the United States. They presented different aspects of culture throughout the firms, and found diametrical aspects of organizational culture varying across public accounting firms of dissimilar “size” and “technology”. They also determined different “rank” and “functional area” of institutions. Utilizing the same idea but using a different method, Chatman and Jehn (1994) examined the relationship between industrial characteristics, including “technology” and “growth”, and organizational culture in larger public accounting firms in the U.S. as private institutions, and transportation firms as a governmental
establishment. They applied the Organizational Culture Profile to assess the organizational culture. They launched lasting organizational culture dimensions, which have been in existence and varies across crosswise industries. Notwithstanding the value differences and the determined effects, it is still prominent among similar accounting firms (Chatman, 1991).

Chatman and Jehn (1994) noted that the accounting business provides accounting services, including recording an entity’s transactions and presenting them in financial statements. They mentioned that clients of public accounting have developed insights regarding the firms while working with/for them. The work styles and position of the accountants and auditors might be the only way to get in touch with the clients. Therefore, auditors should act in tandem with their firms’ culture.

In the private and public auditing firms, direct supervision is complex as they usually operate out of the real working environments; engaging in multiple perspectives, and the professional staff members work under particular working circumstances (Magnet, 1993). Furthermore, in public accounting, firms rely heavily on social control mechanisms, which include cultural values that exemplifies the members’ action approach (O’Reilly, 1989). While shared values are internalized by the firms, members can choose to apply them to a wide range of appropriate behavioral reactions. These reactions, however, may be hard for managers to predict and formalize in unmonitored situations (Ouchi & Johnson, 1978).

Loe et al. (2000) emphasized that cultural influences is capable of adjusting ethical behaviors in organizations. They found that awareness, individuality and intent are organizational factors in ethical decision-making, and Adams et al. (2001) suggested that if unethical behavior is extensive, its organizational context is imperative.

Johnstone et al. (2001) applied a framework that attempts to introduce basic elements that influences independent risk. They found that culture in auditing firms can be considered as a source that a firm expresses, to which an auditor takes as their main obligation, and advocate themselves as a partner of the business with clients. Furthermore, it encourages auditors to "add value" to their client’s businesses. Therefore, "client advocacy culture" can prepare the imagination for an organizational culture among audit firms. Finally, they suggested that “research on how auditors resolve judgment-based decision situations with their clients involving difficult accounting issues and materiality decisions is clearly needed”.

**Audit profession in Iran**

The 18th-largest country in the world and the largest country in the Middle East1 (Kamyabi & Devi, 2012; Mashayekhi & Mashayekh, 2008) in terms of area at 1,648,195 km², Iran is an ethnically diverse country and has a population of around 77 million. Evidence of modern accounting and auditing in Iran, however, dates to the early 20th century. The evidence proves the influences of western financial reporting systems in accounting profession of Iran (Salehi & Rostami, 2010).

After 1979, two different procedures of structural change were occurred in Iran: nationalization immediately and privatization later in the 1980s. Therefore, in accordance with the laws and regulations approved by the Revolutionary Council, most of the companies became either profit or non-profit companies, which were supervised by the government (Noravesh, dianati, & Bazaz, 2007).

As a result of this policy, the accounting profession changed. For example, the Iranian Institute of Chartered Accountant was terminated, which led to the establishment of auditing institutes that were basically governmental.

The Revolutionary Council signed a bill to confiscate many enterprises or places them under direct governmental supervision in 1979. Now, private companies and enterprises were under the control of government. Subsequently, three audit firms were established to audit and perform legal examination of these governmental enterprises. These audit firms were in the public sector namely Nationalized

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1 “The country is bordered on the north by Armenia, Azerbaijan and Turkmenistan. As Iran is a littoral state of the Caspian Sea, which is an inland sea, Kazakhstan and Russia are also Iran's direct neighbors to the north. Iran is bordered on the east by Afghanistan and Pakistan, on the south by the Persian Gulf and the Gulf of Oman, on the west by Iraq and on the northwest by Turkey” (http://en.wikipedia.org/wiki/Iran).
Industries and Plan Organization Audit Firm (1980), Mostazafan Foundation Audit Firm (1981), Shahed Audit Firm (1983) (Previts, Walton, & Wolnizer, 2012). Then, these governmental auditing firms merged into one another and the Audit Organization was formed in 1987 in an act ratified by the Iranian national parliament. It is associated with the Ministry of Economic Affairs and Finance. Setting national accounting and auditing standards is one of the functions of the Audit Organization and another important purpose is statutory examination of governmental companies.

For the first 10-15 years after 1979 (the revolution), audit of profit and nonprofit entities were left undecidedly. A system of professional accounting, establishment and domain of nongovernmental auditing almost ignored in these years and only governmental companies were audited accordingly (Previts et al., 2012).

According to the Act, the Use of Specialized and Professional Services of Qualified Accountants as Certified Public Accountant in 1993, the Iranian Association Certified Public Accountants (IACPA) was established in 1994 in order to use specialized services and professional accountants who are qualified officially. In 2001, the Iranian Association Certified Public Accountants (IACPA) started its activities.

According to article 2, the purpose of association was based on a set of community aims, improving the accounting and auditing profession and professional supervision. Its aim was to watch over the work of certified public accountants via:

A. The Certified Public Accountants Association,
B. Improving and expanding services through professional assistance: including preparing, developing, disseminating and promoting the principles and accounting standards, auditing, financial services and professional conduct regulations.

The function of IACPA is very similar to AICPA. In 2002, a new feature of the amendments was made to the Direct Taxation Act. It was the introduction of the auditors play in a company. According to this Act, tax reports can be drawn up by the Audit Organization or members of IACPA and will be acceptable to the government without any further exploration of the accounts, books, and vouchers, and shall from the origin for issuing tax assessment (Ministry of Finance and Economic, 2001).

The Utilizing of Auditors and Professional Accountants in Iran

The members of IACPA and the partners of accounting firms are named as “professional accountants”. The member of IACPA should have valid certificates and hold CPAs to set up firms providing accounting, audit, tax and other services (Ahmadi, 2010; Amani & Davani, 2010; Naderian, 2010).

According to the Law, all listed public firms, public joint stock firms, all natural person and legal entities who’s turn-over exceeds eight billion Rials (800000USD) annually or whose total assets exceed sixteen billion Rials, can be audited by member of IACPAs (Amani & Davani, 2010; Arab Salehi & Velashani, 2009; Naderian, 2010).

There are 255 IACPAs firm totally in Iran in 2013 which 113 firms are trusted audit of Tehran Security Exchange (TSE). Only two firms have eight partners (Molkaraee, 2013) and the biggest IACPA firm have less than 200 employees, so there is a gap between these firms and the international accounting firms in term of size (Naderian, 2010). Furthermore, in Iran there is no Big 4 accounting firms and all Iranian accounting firms are small (Molkaraee, 2013; Naderian, 2010).

Instead of IACPA firms, Audit Organization is the largest audit firm in the Middle East (Amani & Davani, 2010; Previts et al., 2012). At least 229 certified public accountants and 1500 auditors work for this organization (Amani & Davani, 2010; Molkaraee, 2013). Furthermore, Audit Organization can audit all listed public firms, public joint stock firms as well as IACPA. Therefore, there is another gap between this organization and the international accounting firm in term of governmental and public tasks.

However, audit organization plays an important role in audit profession in Iran (Previts et al., 2012) setting national standards and publishing accounting and auditing books and journal are another task for this big organization.
Cultural values among Iranian Auditors

The common language and alphabet of the Iranian is Farsi (Persian) according to the Iranian Constitution. The important issue is that Iran is not ethnically homogenous but it may seem to be the case to the outside world (Dastmalchian, Javidan, & Alam, 2001). Javidan and Dastmalchian (1993) investigated the effectiveness criteria and roles for managers in two countries including Iran and Canada found significant differences. Javidan (1994), Javidan and Dasmalchian (1995) and dastmalchian and Javidan (1998) studied and found the concepts of visionary and high-commitment leadership within Iranian leadership as developed by such researchers as Kotter (1988). Their results demonstrated that the Iranian view of a visionary leader is one who has a mental map, has a global outlook, shares a new paradigm, is enthusiastic about and committed to his/her imagination and believable communicator. Another important finding of those studies was that the visionary leaders are highly valued and respected by their subordinates.

According to Javidan & Dastmalchian (2003) the most important aspect of Iranian culture is perhaps its family and in-group orientation. They found that the score on in-group collectivism is very high. Furthermore, they indicated a strong preference for confirming a very high level of family loyalty. The results also demonstrated that an eminent feature of Iranian culture is the degree to which Iranians manifest loyalty and cohesiveness toward small groups like family and close friends. In-group collectivism means the degree to which individuals are affiliated to their family and bands friends. The collectivism as Triandis (1982) suggested, may jazz its antecedents in cleverness deficiency and the proximity of extensive and lengthy families. In oppositeness, philosophy may someone its roots in affluence and miniature families.

For most Iranians, the primary edifice cast of galore cultural relationships is family (Khanevadeh). It is related with observe, interpersonal status, wealthiest and hence is advisable sheltered. The fundamental to family are children and especially in midsection classes they greet a ripe wood of attending. It should be noted that the family is not restricted to wife, children or the siblings. It may countenance friends and mortal which of times create complicated networks (Yeganeh & Su, 2007).

Javidan & Dastmalchian (2003) mentioned that people has to be careful not to disappointment the other members; people need to be careful to satisfy the expectations of others. This may conducts to a strong feeling of group control, which is usually implicit and unwritten but very powerful.

The extant literature on organizational culture among Iranian accounting and auditing firms is rather sparse and almost it is ignored. Over sixty years after modern accounting in Iran still no comprehensive investigation of different aspects in accounting and auditing profession were applied by researchers (Molkaraee, 2010). However, some characteristics of accounting profession in Iran still continued and the quality of accounting services needs more attention. Lack of investigation of culture among accounting and auditing firms specifically, organizational culture as an important factor for accountants and auditor motivation led this profession to a challenge and requirements of care (Molkaraee, 2010, 2013).

DISCUSSION AND CONCLUSION

Researchers have made several exertions to recognize the individuals’ behavior and groups in firms and organizations with regards to the components of culture (e.g., Ouchi & Wilkins, 1985; Smircich, 1983). These efforts have been taken from theories in sociology, social psychology and anthropology, which in turn developed the definition of “culture”, methodology for investigations, and finally, appropriate analysis for those studies. Barley (1983) noted that all studies of culture apply similar terms and constructions, with the differences varying among investigators concerning both objectivity and subjectivity. He used the terms and the components both consciously or unconsciously, along with what they observe as proper factors to his research.

The audit profession relies on the independence of the auditor's decision-making, and audit standards forms a practical guide for the auditing process. The research is based on the auditor’s and organizational
behaviors. Investigations, such as the current examination, crystallize the core strategies of cultural area. These studies suggest that audit firms should pay more attention to related cultural strategies. Cultural strategies can play effective roles in understanding conflict situations facing an auditor’s independent decision-making. This means that organizational culture, which is based on suitable strategy of culture, can form a sole background that enhances the auditors’ abilities to resist unethical conflict situations and crisis (Windsor & Ashkansay 1996).

As it discussed in literature review, the results on investigation of cultural aspects in Iran also demonstrated that an eminent feature of Iranian culture is the degree to which Iranians manifest loyalty and cohesiveness toward small groups like family and close friends. Another aspect of Iranian culture is “high performance orientation” (Namazie & Frame, 2007; Soltani, 2010; Soltani et al., 2012) which auditors in this study showed that they lead to “Attention to Detail” as an organizational dimension. In-group collectivism means the degree to which individuals are affiliated to their family and bands of friends. This attitude of the auditors is related to the background of their culture that tends to Team Orientation”. Belonging to these groups have strong expectations from each other; for instance, as doing favors or giving special treatment (Javidan & Dastmalchian, 2003). In the other word team orientation is important for this culture.

However, the execution of this study can be seen in the process of selection and socialization. Through the selection, organizations will attract people who have similar values. The socialization process will modify the individual values to fit into organizational values. These modifications can be made via control system teaching methods, assessment, and rewards.

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