



**The Institute of
Internal Auditors**

Assessing Your Organization's Culture

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Overview

- Additional Insights into Culture
- Approaches to Auditing Culture
- Gathering Audit Evidence
- Analysis and Evaluation
- Communicating Conclusions

Definitions of organizational culture

- Rossi & O'Higgins (1980)
 - “Culture is a system of shared cognitions or a system of knowledge and beliefs.”
- Hofstede (1980)
 - “The collective programming of the mind which distinguishes members of one human group from another.”
- Deal & Kennedy (1982)
 - “The way things get done around here.”
- Drennan (1992)
 - “How things are done around here.”
- House, Wright & Aditya (1997)
 - “Distinctive normative systems consisting of modal patterns of shared psychological properties among members of collectivities that result in compelling common affective, attitudinal, and behavioral orientations that are transmitted across generations and that differentiate collectivities from each other.”
- Ogbonna & Lloyd (2002)
 - “The collective sum of beliefs, values, meanings and assumptions that are shared by a social group and that help to shape the ways in which they respond to each other and to their external environment.”

Culture

“Shaped by formal and informal”

“Values and how they are translated into actions and outcomes”

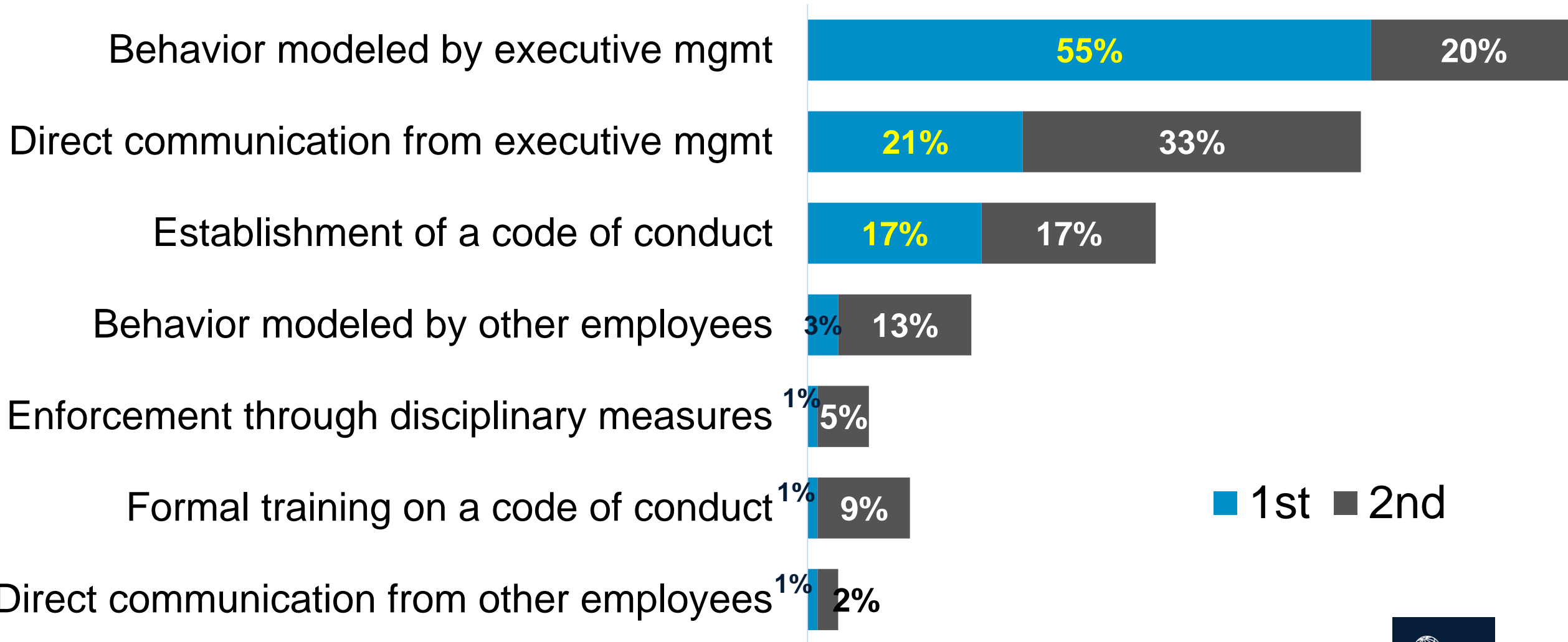
“Behaviors employees have learned over time that work best for them”

“Unique component of every organization’s personality”

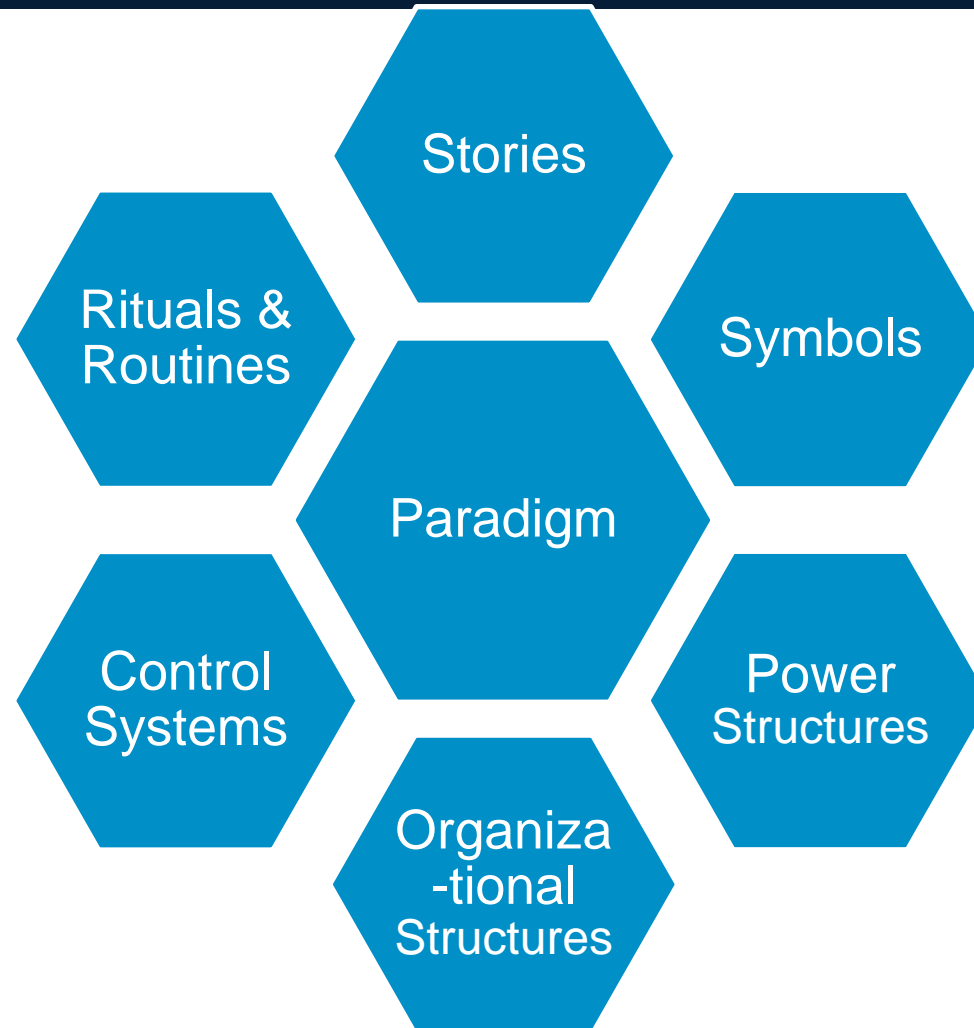
Culture: Driven by People's Actions



Effectiveness of Factors in Influencing Culture



Cultural Web*



* Johnson, Whittington & Scholes (2012) *Fundamentals of Strategy*, Harlow: Pearson Education

Culture

- Macro vs micro
 - “tangled undergrowth of subcultures”
- Risk, ethical, performance, collaboration, innovation, entrepreneurial, compliance, etc
- Best practices model
- Black/white
- Stable



Auditing Culture – The New Frontier?



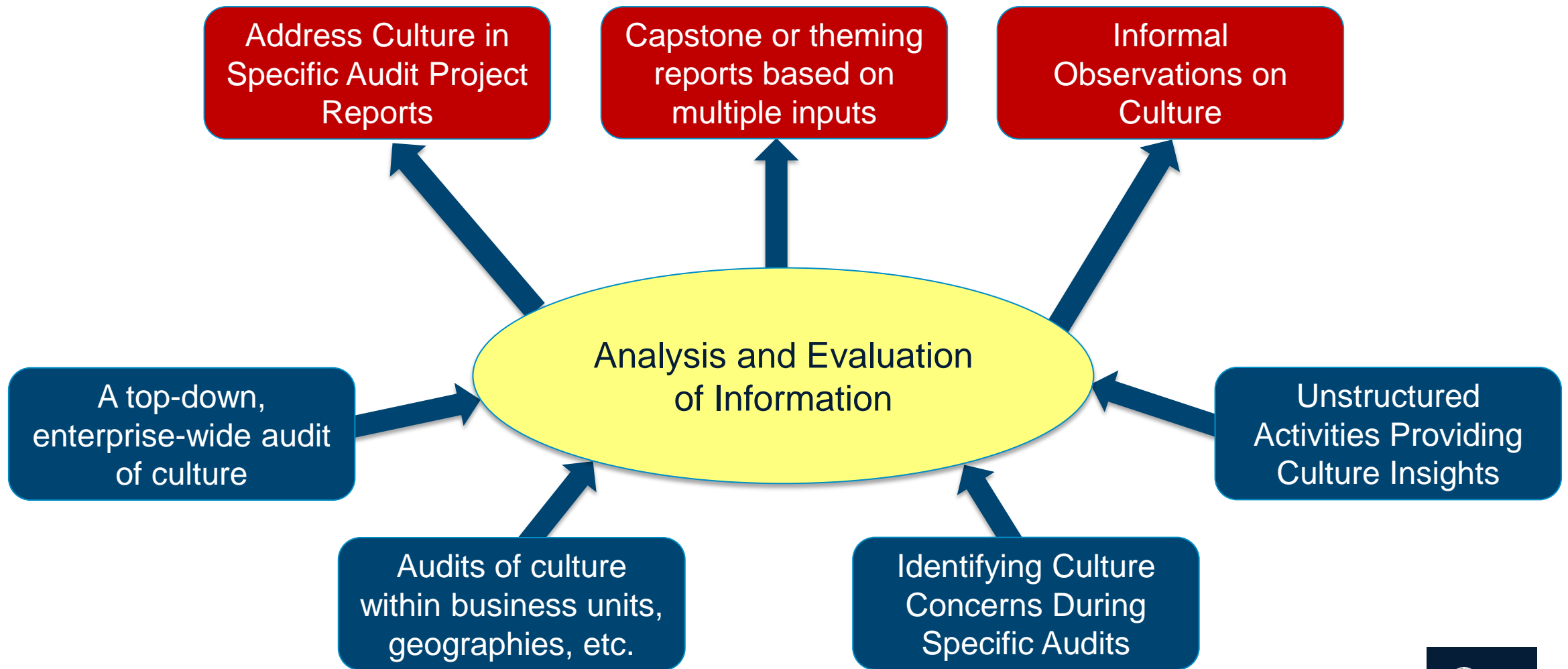
Approach to Auditing Culture



Nature of Auditing Culture



Options, Options...



Gathering Information on Culture

A top-down,
enterprise-wide audit
of culture

Audits of culture
within business units,
geographies, etc.

Employee Surveys

- Attributes of good questions
- Use of averages
- Perception
- Fear and bias
- Not an end point

Gathering Information on Culture

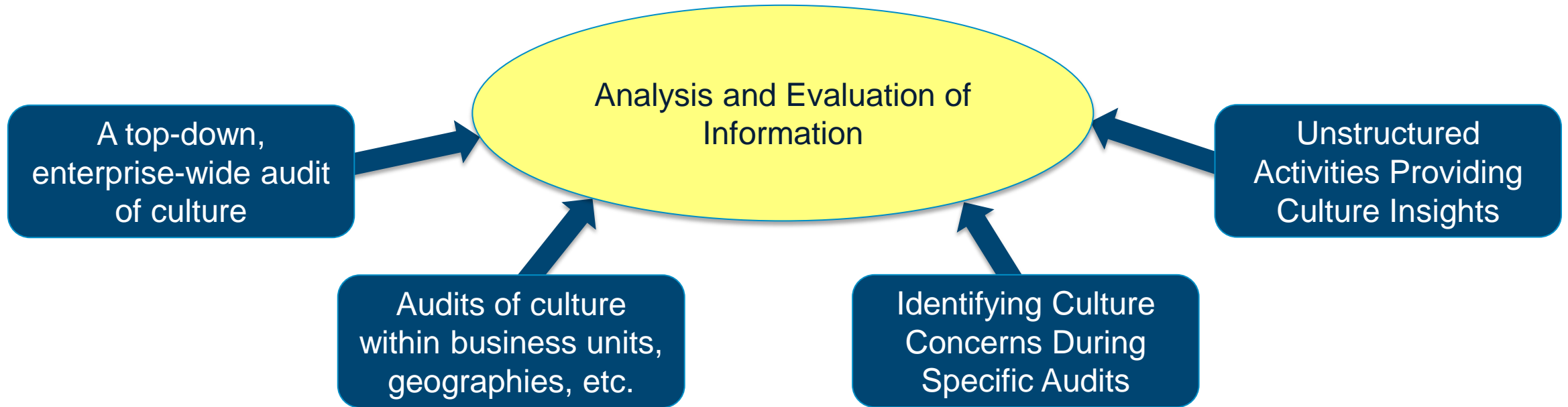
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Identifying Culture
Concerns During
Specific Audits

Unstructured
Activities Providing
Culture Insights

Analysis and Evaluation



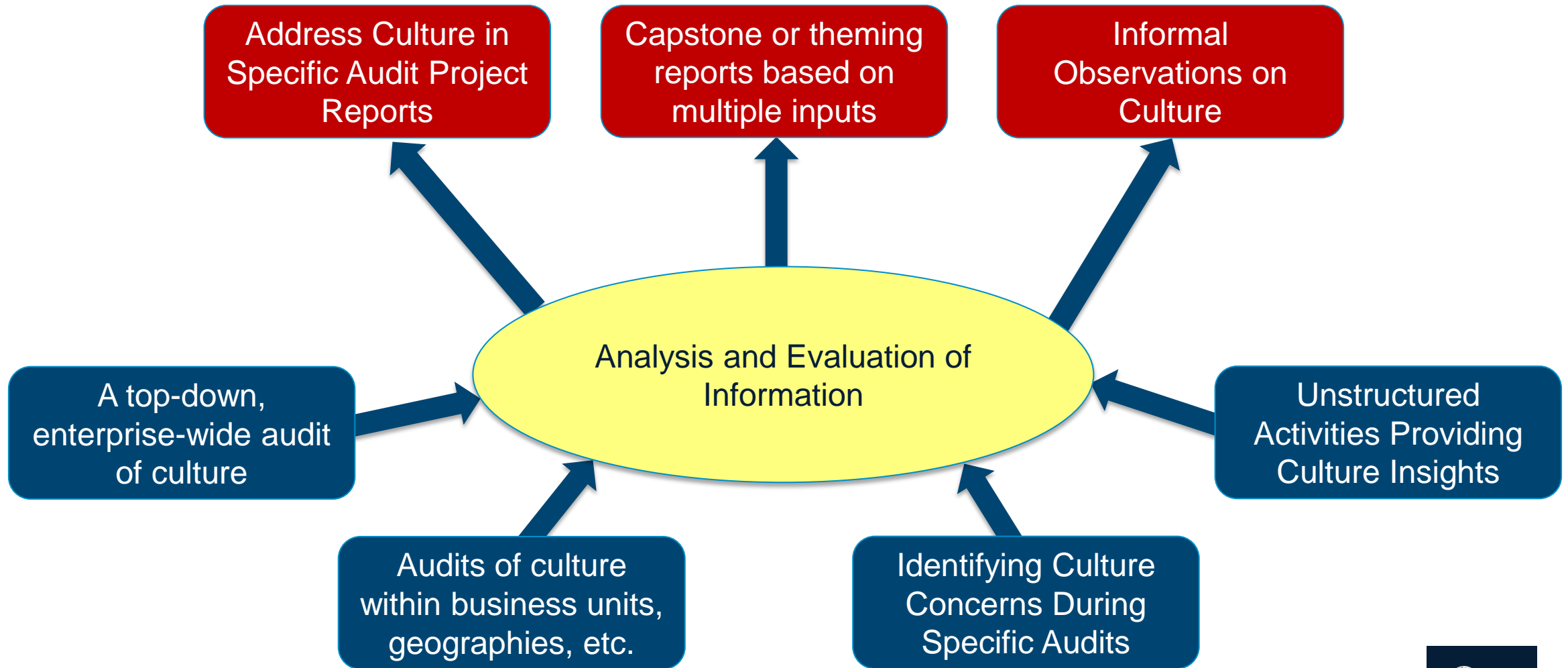
Analysis and Evaluation



Specific Red Flags

- Employees on edge, unsure of what is expected of them
- Leaders who are: autocratic, manipulative, close-minded, secretive, avoid responsibility
- Lack of communication
- Cliques in the organization
- Cutthroat with each other
- Ends justify the means
- Strong groupthink, peer pressure to get along or conform
- Fear of retaliation

Options, Options...



Expect More on These Topics From the...



THE ESSENTIAL RESOURCE FOR AUDIT EXECUTIVES



Thank You



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