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THE ROLES OF ORGANIZATIONAL CULTURE AND ETHICS IN SHAPING THE BEHAVIOR OF ACCOUNTANT FROM THE PERSPECTIVE OF STRATEGIC MANAGEMENT

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Abstract
This paper is a literature study on organizational culture and ethical roles in shaping the behavior of accountants in an organization. The author sees that the process of strategic management is a process which is parallel to a decision making process. The process that shows the importance of information in an organizational decision making, meaning that the quality of the decision making depends primarily on the quality of the information. One of such information is provided by the company's accountant. Based on the decision making process as an information flows, when the information presented by the accountant is qualified then a decision will be qualified (good). In this paper the author sees an accountant as an information provider whose ethical values supports the delivery of the information provided. Ethical values are derived from the culture of the organization, and this paper illustrates the relationship between culture, ethics, and behavior of accountants as information providers in strategic decision making.

Keywords: Strategic management, Accounting, Organizational Culture, Ethics, Decision making, Information System

INTRODUCTION

Profit is not the explanation, cause or rationale of business behavior and business decision, but rather the test of their validity (Peter Drucker)

Hartman and Desjardins (2011: 530) and Jackling et al., (2007) illustrated that the failure of the United States economy in 2006-2008 was caused by the failure of the management of several large companies such as Enron, WorldCom, Tyco, Adelphia, Cendant, Rite Aid, Sunbeam, Waste Management, Health-South, Global Crossing, Arthur Andersen, Ernst & Young, ImClone, KPMG, JP Morgan, Meril Lynch, Morgan Stanley, Citigroup, Salomon Smith Barney, Marsh & McLennan, Credit Suisse First Boston, and the New York Stock Exchange. Jackling et al., (2007) further cited Elias who revealed that many of the failures were caused by unethical behaviors that occurred in such large corporations. The collapse of such large corporations had given serious implications to investors, employees, and public.

Hartman and Desjardins (2011: 530) also revealed that the accounting and investment firms that used to be seen as a the guardian of integrity in financial activities, now are known as corruption offenders over fiduciary responsibilities that were entrusted to them by the stakeholders, particularly related to the issue of responsibility and good corporate governance (GCG). Globalization and diversification of accounting services, coupled with market competition and the fall of large corporations had made the accounting profession and ethical standards becoming the attention of the business world, and had risen the question of whether or not the accounting professional value system is strong enough to withstand the pressure from clients and the economic conditions that potentially harmful to considerations made by an accountant as a professional (Ponemon; Ashkanasy and Windsor; Armstrong et al; Leung and Cooper, in Jackling et al., 2007)

In Indonesia, some cases showed almost same conditions, although it has no great impact as the one resulted from the collapse of the major companies in the United States.

For examples Gayus' and Dana's cases, and the latest case involving the chairman of Indonesian Financial Audit Board (BPK) (though still in progress) show the importance of behavior in the development of accountants in an organization. Managerial speaking, the case of Gayus and Dana could substantially affected the planning of the organization since such cases will be related to the role of the accountant in the company.

The author assumes that similar cases involving internal accountants are also happened in private companies. However, they are rarely exposed to the public assuming that they are not causing so much harm to the national economy, but only to private companies internally. The cases in Indonesia and in the United States provide an overview of the importance of the behaviour roles in the development of accounting or financial organization. Hence, the issue discussed in this paper is "What is the roles of organizational culture and ethics in shaping the behavior of accountant from the perspective of strategic management?"

MANAGEMENT AND ORGANIZATION

Koontz and Weihrich (1993: 4) define management as the design and maintenance processes of an environment where individuals work together in groups efficiently to achieve the objectives that have been set. Terry and Franklin(1982) explains management as a specific process of planning, organizing, and controlling performed to achieve and complete the objectives that have been determined using the human resources and other resources. Stoner (1995) defines management as a process of planning, organizing, leadership and controlling of the efforts of members of the organization and the use of all the other organizations resources to achieve organizational objectives that have been set.

McLeod, Jr. (1986) reveals that the theory of management consists of everything associated with managerial tasks – including the organization. He said that in the field of management there are many great management theories classified into schools of thought, including the classic school of thought (classical school), behavior, the theory of decision making (decision theory), and the last is the school of contingency.

Mintzberg, quoted by McLeod, Jr. (1986: 56), explains that there are three tasks or roles of the manager, namely acting as an interpersonal (figurehead, leader and liaison), as an informant (monitor, disseminator, and spokesperson), and as a decision maker (entrepreneur, disturbance handler, resource allocator, and negotiator). Koontz and Weihrich (1993: 4) explains that the functions and managerial tasks are (1) planning, (2) organizing, (3) staffing, (4) leading, (5) controlling, (6) creating a surplus, and (3) concerning to productivity. Koontz and Weihrich (1993: 66-70) explains further that the function of the manager, in addition to micro nature as described above, is also required to have a social responsibility (social functions), for examples, paying attention to ecology, and corporating social responsibility. Gibson et al. (1988, p.26) explained that the task of management is to know the factors that can increase the effectiveness of organizations, groups and individuals.

The increasingly-complicated organizations make managerial and administrative functions more and more important (Kast and Rosenzweig, 1973: 2) so that the understanding of management and organizations as the concepts that provide a mean to reach a goal is increasingly necessary. In line with this, Batubara (1992: 49) revealed that the management is the driving tool or a means of holding organizational goals so that this is often considered to be the core of the administration. Kast and Rosenzweig (1973: 2) and Batubara (1992) share their opinions that the science of management is getting more and more needed and have an important role in the development of a society.

Some textbooks writers in the field of management such as Mcleod, Jr., (1986: 56), Gibson et al., (1988: 26), and Koontz(1993: 66-70) argue that the application of good management will create an effective and efficient organization so that the organization will be able to compete well. All of them reveal that modern organizations in developed countries, such as USA, Germany, France, and Japan show significant progress since the people in these countries are already implementing good management in the organization. Though Pfeffer and

Sutton (2000: 7-8) suggest that in some particular companies (companies manufacturing apparel, automobile assembly, semiconductor fabrication), there is a gap between the understanding of management principles and management practices, but this is, in general, quite good compared to developing countries.

Pfeffer and Sutton (2000: 8-9) reveal that although the managers of the organization understand how to manage the organization well, they do not practice or adopt in full. The study showed that knowledge management to improve performance is not easy to apply to an organization (P8).

Conditions in Indonesia are not much different from those proposed by Pfeffer and Sutton (2000). Some practitioners of management in Indonesia, such as Tanoto (1992), Iqbal (1992), and Sudarijanto (1992) describe the similar condition to those put forward by Pfeffer and Sutton (2000). Management practices in Asia, including Indonesia, will be more difficult due to management science in Indonesia comes from the West, especially from the Netherlands and the United States (Ward, 1993: 15; Chow, 1995) that each culture has a different way of thinking and behavior. Though the science of management is a growing science of management practices processed into a particular theory or principle (Sudarijanto, 1992: 21)

Pfeffer and Sutton (2000: 13) reveal that the influence of the gap in understanding and practice of knowledge management on the performance of the organization is not clearly visible. However, its influence can be seen clearly on the existence or the role of consulting firms that specialize to explain the ways or practices of successful business management. They acquire knowledge (information) about the management practices of successful companies, collect it, and then transfer it to other companies that became his clients as well. The process shows that the alignment between the understanding and practice of management is very important for a company (Pfeffer and Sutton, 2000: 13).

The condition shows that the managers of the company still requires other parties to explain management practices significantly (knowledge broker) to minimize the gap between understanding towards management and management practices (Pfeffer and Sutton 2000: 13). The author notes that the gap can be reduced through the role of organizational culture and ethics that provide a good guidance for management practices. The organizational culture, especially hard culture (Kotter and Heskett, 1992) have the facilities and infrastructure, such as norms and patterns to be able to cultivate business practices in Indonesia into a business that ‘far from being good’ to ‘more normative,’ especially through leaders’s activities. Therefore, the organization can deliver the good management practices in accordance with the conditions in Indonesian business organizations. Thus, the gap between the norms and practice of management in Indonesia will no longer be found, or at least reduced.

Based on some of the concepts and understanding above, it can be concluded that the duties and functions of culture are to present the norms to manage the organization through certain ways, for examples, through the planning, organizing, staffing, and controlling norms, so as to achieve organizational goals efficiently and effectively, in the sense of providing a better advantage than other organizations that are not managed through cultural and ethical guidance. One of the very important principles of culture to be implemented in the organization is the decision-making principles. Therefore, in relation to the consideration of reviewed issues in this paper, the following sub-chapter will discuss the role of decision-making in the organization.

DECISION MAKING IN ORGANIZATION

Organization is a place that allows people to achieve results that could not previously be achieved by individuals alone (Gibson et al. 1996: 6). While Jones (2004: 2) defined an organization as ‘a tool used by people to coordinate activities to get something they want or value - that is, to achieve their goals’. Both definitions of organization show that organization is a useful tool for a person to achieve a goal together with others. Jones (2004: 32) further revealed that the task of coordinating, in the sense of managing the activities within an organization is carried out by a manager. A manager is an employee who is responsible for coordinating resources in the organization and providing assurance that the organizational objectives are well met. Therefore, based on the above quoted definition, it can be concluded that a manager will not be able to do activities or achieve its goals by himself, he needs help from the members of other organizations. It is seen from the contact network of a manager described by Yukl (2001) as shown in Figure 1.

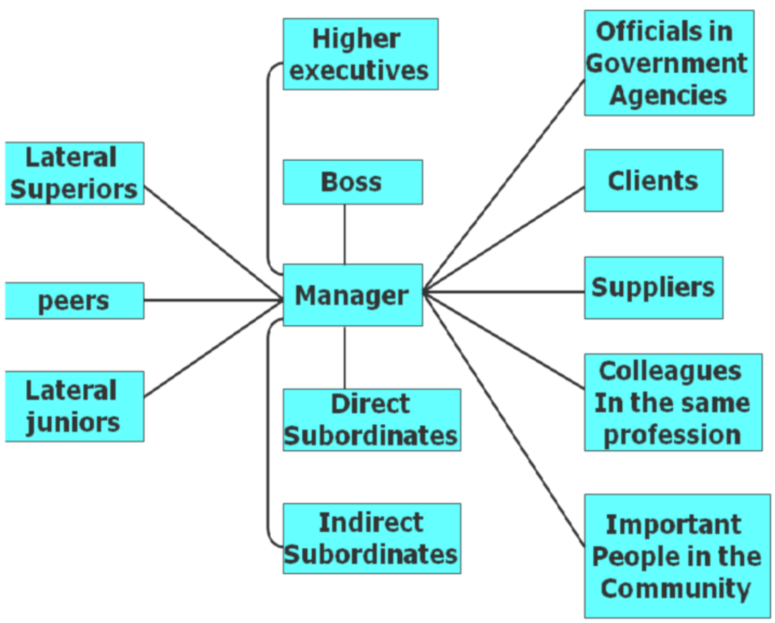
As for the management of the contact network, a manager generally equipped with facilities and infrastructure which allow him/her to achieve the organizational goals, including organizational structure, division of unit, and job description. The management, through the infrastructure, will manage various processes, e.g. management process – known as planning, organizing, directing, and controlling, and accounting processes, which begins at the recording of transactions to the financial statements.

Managerial processes within an organization are portrayed in a variety of management activities of the organization or the management, for examples, the process of managing the Human Resources is known as managerial functions which consist of planning, organizing, directing, and Controling (PODC). Another example is the management process in the field of Operations (MO) known as Plan Do Check (PDC) concept which philosophically is not much different from the PODC.

Miller and Starr (1967) revealed that the business and industry expect successful decisions of an executive; in addition, the provision and the evaluation of an executive reward is also based on whether or not the executive is able to make successful decisions. Furthermore, both Miller and Starr pointed out that organizational structure is formed as a means for organizations to perform various activities required by the organization such as the directing, coordinating, analyzing, and controlling. However, important questions on what, when, where, and how to do it are the first things that must be answered before directing, coordinating, analysing, and controlling. Those are the decisions that a manager has to make.

Some writers, e.g. Flavell et al. (1993: 7), Bazerman (1998: 3-4), Hogarth (1987: 177-178), and Assael (1998: 75) revealed that decision-making is an information processing activities occurred to an individual. In other words, a decision made by an executive is resulted from a process, which is the processing information activities, and the information comes either from outside (environment) or from within the individual (memory).

Figure 1. A Manager's Network of Contacts



Source: Yukl (2001)

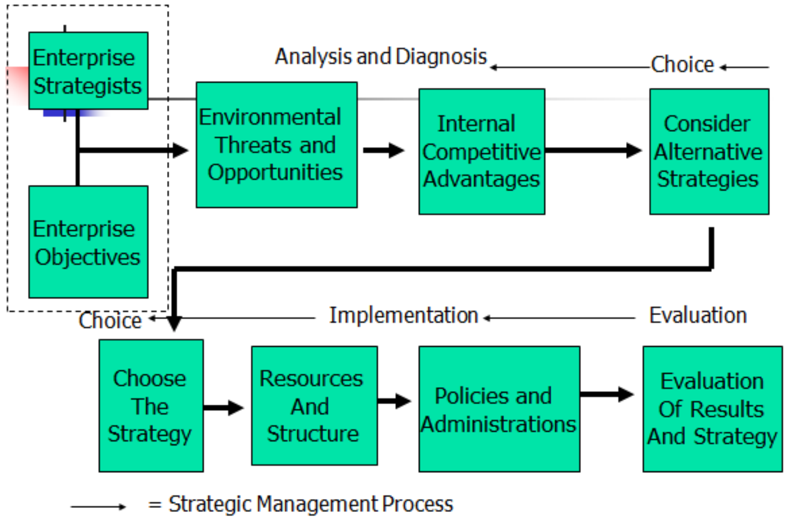
Bazerman (1998: 3-4) revealed a 6-steps of decision-making process of a manager, namely: (1) Defining the problem, (2) Identifying the criteria, (3) Weighting criteria, (4) Generating alternatives (5) Rating each alternatives on each criterion, and (6) Computing the optimal decision. Hobart (1987: 177-178) revealed the process of analysing or analytical approach to decision making that consists of: (1) Structuring the problem, (2) Assessing Consequences, (3) Assessing uncertainties, (4) Evaluating alternatives, (5) Sensitivying analysis, (6) Gathering information, and (7) Choosing.

Assael (1998: 75) revealed the decision-making process through the 5 stages, namely: (1) introduction (problem recognition), (2) information retrieval (search for information), (3) evaluation of alternatives, (4) election (choice), and (6) the results of selection (the outcome of the choice). The definition of organization suggested by Gibson et al. (1996) and Jones (2004), and the decision-making process suggested by Bazerman (1998), Hogarth (1987), and Assael (1998) revealed that an organization is run by managers or executives through a variety of decisions such as decisions in marketing, financial, human resources as well as production or operations. In addition, many of such decisions depend on the information gathered, if the information provided is not good, then it is just predictable that the decision made would not begood. So the quality of decision making in an organization/management depends on thequality of the information used as the basis of decision making. The quality of decisions in managing finance, marketing, human resources, production, or strategy depend on whether or not the underlying information are qualified. Such decisions are usually made in the field of strategy.

STRATEGY: THE ROLE OF ACCOUNTING, ACCOUNTANCY AND BEHAVIOR OF ACCOUNTANT

Some strategists described strategy in various ways, including the ones related to plan (Mintzberg, et al., 1998: 9), associated with pattern (Quinn, 1998: 3), associated with the company's position (positioning) (Porter, 1996: 68), and associated with the process (Thompson and Strickland, 1987: 4). Mintzberg, et al. (1998) further revealed the functions of strategy as a set of direction, focuses effort, defines the organization, and provides consistency. Referring to the broad function of strategy, analyzing the role of culture and ethics in shaping behavior of accountants through the perspective of strategy is a comprehensive analysis yet it is feasible to use the perspective since strategy is also hierarchical (to vision mission, to strategy, to policies, to program, and lastly to budget), in the sense that almost all activities of the organization whether in finance, marketing, human resources, and operational or production will be affected by the strategy. So, through the perspective of the strategy, all aspects of the organization will be covered.

Figure 2. Strategic Management Process



Source: Adopted from Glueck dan Jauch (2000)

Some writers in the field of strategy illustrated that organization strategy is created by managers or executives through a process, which is generally described as a process of environmental analysis, Alternative selection, implementation, and evaluation strategies, as shown in the model management process suggested by Glueck and Jauch (2000) in Figure 2.

Referring to Miller and Starr (1967), the duty of managers is to make decisions – then in every stage of the strategy, manager must make decisions that will affect the subsequent decisions. For instance, at the stage of analysing the external and internal environment, managers need to decide what the opportunities, threats, strengths, and weaknesses of the internal and external environment to the organization. Based on the process of aforementioned decision-making, a strategist will need information for decision making e.g. in determining the strengths or weaknesses of the company (internal environment), a strategist needs to know the cost of production, cost of sales, cost of production, or the wages of the employees. These information can only be provided by the accounting department or the accountants of the company. Generally, the information provided by accountants are information that has been processed and are user-friendly for decision-making basis. In addition, accounting information can help managers determine changes and analyze the changes in the organization, so it enables a strategist to identify the factors that cause the changes (Horngren et al. 2012:7).

Among the authors who wrote about the importance of accounting in decision-making are Miller and Starr (1967: 8); they both discussed the importance of the accounting roles in managerial decision-making, especially in the provision of information for management decision making e.g. information about the cost-benefit; i.e. an assessment or evaluation on the use of corporate resources to maximize profits. Horngren et al. (2012) explained that the task of accounting department is to provide information that consists of results recording (score keeping), attention directing, and problem solving. Ponemon and Gabhart; and Sweeney and Roberts (in Jackling et al., 2007) revealed that when the level of moral judgment auditors increases, then their assessment on the risk of an auditand the prediction of detection of material accounting error also increase. In general, it can be concluded that the growth rate of auditors' moral very much depends on judgment and not so much on technical standards when it comes to problem solving. Furthermore, the authors revealed that auditors with high moral considerations tend to be more resistant to the pressure created by clients, while the auditors with lower moral consideration level are better in responding to economic variables and self-interest.

The roles of Accounting suggested by Miller and Starr (1967: 8), Ponemon and Gabhart; and Sweeney and Roberts (in Jackling et al., 2007), Prawironegoro and Purwanti (2009), and Horngren et al.(2012) have given clear demonstration on the fact that accounting plays an important role in all of the management processes from planning to controlling. Based on the understanding of strategy as a process of decision-making, and the role of accounting and accountants put forward by the aforementioned authors, it can be concluded that a strategic decision will only be successful if the information provided by the accounting or accountant is considerably good, in the sense that the quality of decision-making strategy would be good if the information provided is also good. Therefore, the strategic decision making within a company will depend on good-bad behavior of accountants in presenting information to the decision makers while bad or good behaviour of an accountant will very much depend on the values and the culture of the accountants themselves (Chatman 1991).

THE ROLE OF VALUE, ORGANIZATIONAL CULTURE, AND ETHICS AS A DETERMINANT OF ACCOUNTANTS' BEHAVIORS IN THE DEVELOPMENT OF ORGANIZATION

One of the values that shapes the behavior of accountants is ethics. This is in line with the research conducted by Jackling et al. (2007) which showed the ethical issues arisen in relation to the accounting profession, namely, self-interest (self-interest), failure to maintain objectivity and independence, leadership and poor organizational culture, lack of ethical courage to do what is good, less sensitivity and failure to practice the professional ethical considerations.

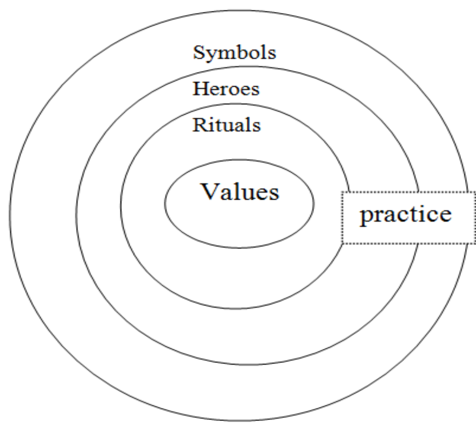
According to Hartman and DesJardin (2011), the ethical problems found in practice are often in the form of the following:

1. *Not providing fair and accurate report on the financial position of a business*

2. *Reporting income, falsifying documents, allowing or taking questionable deductions, illegally evading income taxes, engaging in frauds etc.*

The linkage between culture and values is described by Hofstede (1994: 9) that values have a role in developing a culture, it develops the mind, attitude, and behavior of individuals. This is mainly because value creates a mental program that generates rituals, and other attitudes or behaviors; In addition, culture is manifested through symbols, heroism, and rituals. Cultural manifestations are described as the onion rings by Hofstede (1994) as seen in Figure 3. The figures shows that cultures are physically/tangibly manifested in cultural symbols, heroes and rituals, while the values mostly come only in intangible manifestation.

Figure 3. The “Onion diagram’: manifestations of culture at different levels of depth



Source: Hofstede (1994: 9)

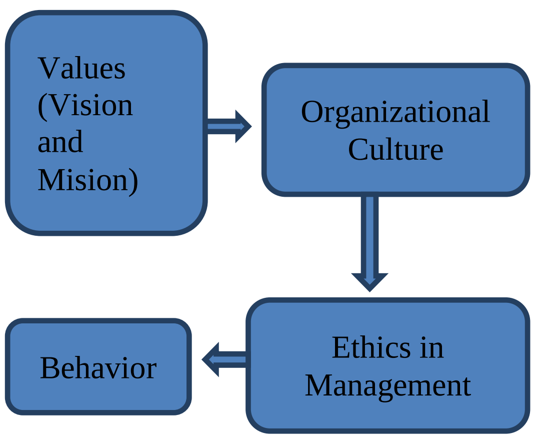
On the other hand, Hartman and Desjardins (2011: 149) revealed that the relationship between organizational culture and ethics is as follows: *In situations where the law provides an incomplete answer for ethical decision making, the business culture is likely to be the determining factor in the decision. Ethical businesses must find ways to encourage, to shape, and to allow ethically responsible decisions*. Meanwhile the relationship between ethics and values described by Hartman and Desjardins (2011: 19) is as follows: “*from the perspective of ethics, no one person’s welfare is more worthy than any other’s. Ethical acts and choices should be acceptable and reasonable from all relevant point of views. Thus, we can offer an initial characterizations of ethics and ethical values. Ethical values are those beliefs and principles that impartially promote human well-being.*

Based on the concepts by Hofstede (1994) and Hartman and Desjardins (2011: 19), then one of the ways to develop good accounting so as to prevent the occurrence of unethical behaviors in the accounting profession is through the development of culture and ethics in organizations and accountant communities e.g. improvement and development of codes of conduct or principles of accounting which have already been implemented (Figure 4). Organizational culture is the values shared by the people in a group which tend to persist over time even when group members change. At a more obvious level, cultural patterns and styles are reflected in the behavior of an organization or the new employees who are automatically encouraged by other fellow employees (Kotter and Heskett, 1992:4).

Strategy is simply a logic on how to achieve a change in some directions (goals). Beliefs and practices are required in strategy which may be appropriate (compatible) with the corporate culture or vice versa. When it does not fit, a company generally finds it difficult to implement a successful strategy. However, when the strategy is successfully applied, the pattern of behavior that reflects the current strategy is not a culture except most of the members of the group are actively encouraging new members to follow such practices (Kotter and Heskett, 1992: 5).

Based on the concept of organizational culture proposed by Heskett and Kotter (1992), the relationship between culture and ethics raised by Hartman and Desjardins (2011), as well as the description of the relationship between culture and values expressed by Hofstede 91 994), it can be described in the form of a hypothetical correlations between organizational culture, values, ethics, and behavior as seen in Figure 4.

Figure 4. Correlations among organizational culture, values, ethics, and behavior



To initiate cultural changes, Kotter and Heskett then (1992: 84) revealed the key changes, that is, the only real factor distinguishing the most successful cultural changes from the least ones is competent leadership at the top level. In ten cases we studied, major changes began when an individual who already has a leadership track record is appointed to head an organization. Table 1 is the eleven track record of successful leaders who changed the culture in their organization (Kotter and Heskett, 1992: 86)

Table 1. Track record of 11 Leaders who succeeded in changing the culture.

THE EARLY TRACK RECORDS OF ELEVEN INDIVIDUALS WHO SUCCESSFULLY LED MAJOR CULTURAL CHANGE EFFORTS

Jan Carlzon	Turned around two SAS subsidiaries: Vingresor (1974–1978) and Linjeflyg (1978–1980)
Lou Gerstner	Developed a business practice at McKinsey (in the 1970s) at an unusually young age
Mike Harper	At Pillsbury, led effort to develop and install modern management and control systems in the plants, revitalized R & D, and helped turn around their poultry business
Sir John Harvey-Jones	Led the effort to solve huge labor relations problems at ICI's Petrochemicals business (at Wilton)
David Kearns	In the late 1970s, turned around Xerox management's complacent attitude about the seriousness of the Japanese threat
Lord King	Founded Ferrybridge Industries in 1945 (later named Pollard Bell and Roller Bearing Co.) and built it into a successful business. Successfully restructured Babcock International in the 1970s
Yutaka Kume	Was one of the leaders of an effort to modernize Nissan manufacturing facilities in the 1970s
Sir Colin Marshall	Helped develop Avis operations in Europe and around the world
Charlie Sanford	Built the bond trading operations at Bankers Trust into a much bigger and more profitable business
Barry Sullivan	Developed a reputation as a leader at Chase Manhattan Bank
Jack Welch	Helped build GE's plastics business into a major and very profitable division

Source: Kotter and Heskett (1992:86)

Another way to change the culture is through education, that, accounting education is seen as one of the potential fields in improving the professional ethics crisis in accounting, particularly post-Enron era. The crisis as such gave an overview on how to put ethical education into something important, and the area where the bodies of accounting should have a role (Jackling et al., 2007; Suryaningrum et al., 2013). Hence, it can be seen from the development of management practices.

Drucker (1988: 158-159) explains that the management of a business should be done through innovation by observing the changes that occur to the environment and social situation of the people at that time. He said that the existing business will require changes and massive changes at any time, and they will be able to survive and remain prosperous, only if they are willing to learn to become a successful manager. The Drucker's opinion (1988: 158-159) above shows that the management of an organization a manager always faces changing environments, and will of course affect the managers in applying management concepts to the organization.

The Drucker's opinion (1998) is not much different from McLeod Jr.'s (1986: 46) putting forward that management concepts as theory is largely developed by managers through the process of trial and error. They continually identify propositions used as the basis and directions (guidelines) that are useful in managing the organization. What McLeod Jr. (1986) proposed provides an overview on the importance of having ethical norms for a manager because through the norms and ethics, good management practices appear, and such ethical norms will emerge from the organizational culture

Referring to the opinion of the management experts, the authors noticed that the development of the management of the organization should also be derived from ethical management practices, so that the management of business organizations is no longer too far out of the objectives of social community. Thus, we will no longer find management practices such as The Enron, WorldCom, Tyco, Adelphia, Cendant, Rite Aid, Sunbeam, Waste Management, Health-South, Global Crossing, Arthur Andersen, Ernst & Young, ImClone, KPMG, JPMorgan, Meril Lynch, Morgan Stanley, Citigroup, Salomon Smith Barney, Marsh & McLennan, Credit Suisse First Boston, and the New York Stock Exchange as illustrated by Hartman and Desjardins (2011: 530) and Jackling et al., (2007) that the so-called failure of the United States economy in 2006-2008, or Gayus', Dana's, and Hadi Purnomo's (though still in progress) cases occurred in Indonesia.

CONCLUSIONS

a. Organization consists of various decision-making process, e.g. the strategic decision making process which consists of environmental analysis, strategy selection, implementation, and evaluation and revision.

b. The Strategic perspective can be used as the basis of problem analysis in the organization which is comprehensive in nature.

c. Each stage in the decision-making process, e.g. strategic decisions – requires information especially those that are prepared by the accounting (accountants); therefore, the role of accountant in presenting the information is very important. If the information provided is not qualified, then the decision made by managers in an organization, most particularly a strategic manager, will not be qualified. It will then bring harmful to the company.

d. The role of accounting may not work properly due to the emergence of ethical issues in accountants' behaviours. These ethical issues are related to values and culture that exist within an organization as well as within a professional accountant as an individual.

e. One way to prevent the occurrence of accountant misbehaviors is to develop a culture and ethics, for example through cultural changes.

f. Cultural changes will be considered to be successful in the hands of a strong leader provided he/she has a good track record in leading organizations.

g. Another way to change the accountant's misbehavior by incorporating the education of ethics in accounting.

h. The main topic of this paper is about the influence of culture on ethical behaviour viewed from the perspective of strategic management. The concluding remarks of this paper is only a hypothetical statement that values could have an impact to organizational culture, then the organizational culture could have an impact on ethic, and ultimately, the ethic could have an impact on behaviour, as seen in figure 4. Further research should be conducted to support this hypothesis empirically.

Good people do not need laws to tell them to act justly, while bad people will find a way around the laws (Plato)

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