*Accounting Horizons*
Vol. 10 No. 3
September 1996
pp. 26–53

# An Exploration of the Espoused Organizational Cultures of Public Accounting Firms

Scott Holmes and Stephen Marsden

*Scott Holmes is Professor and Stephen Marsden is Lecturer at the Queensland University of Technology in Brisbane, Australia.*

**SYNOPSIS:** This study measures and describes the *"espoused"* organizational cultures of 11 chartered accounting firms. Following a similar research method to Kabanoff (1992, 1993), cluster analysis is used to classify each accounting firm's espoused organizational culture into one of four *"ideal"* culture types—*elite, leadership, meritocratic* or *collegial.* This is achieved by the use of computer-aided textual analysis which classifies and counts the frequency of value statements and themes made in a variety of organizational documents. The organizational documents collected from participating accounting firms consisted of strategic plans, staff manuals, performance appraisal forms (termed "internal" documents) and client bulletins and recruitment brochures (termed "external" documents). These documents facilitated a test of the consistency in *espoused* organizational culture: values projected to external parties as compared to the values espoused or transmitted to internal parties within the firm.

Given the relatively small number of documents (N = 21) and firms (N = 11) included in the study, meaningful statistical analysis was not possible. However, using the unadjusted results generated by Quick Cluster, inferences have been made from the culture classifications and associated evidence in reviewing support, or otherwise, for the research issues identified.

The analysis conducted indicated that there are only limited differences in the organizational cultures espoused externally by accounting firms, regardless of the size of the practice. However, the results also indicate that messages or signals projected to outside parties through external documents, are significantly different to the messages and signals conveyed to staff members. These findings suggest that public accounting firms have a uniform (external) organizational culture, but are heterogenous with respect to internal value sets. This result supports the need for further research into this distinctive cultural split, in interpreting the behavior of accounting firms.

## INTRODUCTION

Both the popular and academic literature have fostered the view that organizational culture impacts significantly on an organization, its employee's behavior and motivations and, ultimately, that organization's financial performance (see Peters and Waterman 1982; Deal and Kennedy 1982; Siehl and Martin 1990). However, the organizational research relating to public accounting firms (see for example, Jiambalvo and Pratt 1982; Ross and Bomeli 1971; Moizer and Pratt 1988; Peirson and Simnett 1989), has not generally considered that accounting firms, like any other type of organization, may be culturally distinctive or unique. In contrast, during the merger of several large accounting firms in the late 1980s, leaders of accounting firms regarded compatible organizational cultures as a significant factor in the decision to merge. However, to date, limited research has been con-

The authors gratefully acknowledge Terry O'Keefe, Neil Fargher and the participants at the UBCOW Research Symposium, University of Washington, Seattle and two anonymous referees for their helpful comments on this research.

*Submitted November 1994*
*Accepted December 1995*

Corresponding author: Scott Holmes
Email: K.Holmes@qut.edu.au

ducted in describing and measuring prevailing organizational cultures within these types of organizations.

Several organizational researchers have contended that the successful implementation of corporate strategies involves an interrelationship between strategy and organizational culture (see for example, Siehl and Martin 1990; Scholz 1987; Harvey 1982). Buller (1988, 28) argues that organizational culture manifests and reveals itself in a number of ways, but one of the most revealing and accurate insights into organizational culture, lies in an investigation of the business strategies adopted by firms. Given this potential strategic link, this paper analyzes the internal organizational documents (including strategic plans) of 11 professional accounting practices, so as to facilitate some understanding of the types of espoused organizational cultures which prevail within these firms.

The 11 accounting firms included in this study comprise three "Big 6" firms, four Second Tier firms and four Third Tier or Small firms. Following a similar research methodology employed by Kabanoff (1992, 1993), each firm's *espoused* organizational culture is content-analyzed by counting the frequency of value statements made in a variety of "internal" and "external" organizational documents collected. Using computer-aided textual analysis, cluster analysis is used to classify each firm's *espoused* organizational culture into one of four "ideal" culture types—namely, *elite, leadership, meritocratic* or *collegial*, on the basis of their value profiles. (See appendix I for a definition of each organizational culture classification).

Cultural determinations will be made in respect of two dimensions: whether the size of the professional practice (as described in terms of *"tier"*) impacts upon organizational culture; and secondly, whether organizational messages or signals *transmitted* to staff within the firm through "internal" or private documents (such as strategic plans, staff manuals and performance appraisal forms) are correlated to messages and signals *projected* to outside parties (such as clients and potential recruits) via "external" or public documents.

## ORGANIZATIONAL CULTURE

### Defining Organizational Culture

In the past decade, the notion of organizational culture has been outlined in both the popular (Peters and Waterman 1982; Deal and Kennedy 1982) and academic (Schein 1985; Siehl and Martin 1990; Schneider 1990) literature. A definition of the term *"organizational culture"* is, like most definitions, necessarily arbitrary; however, for the purposes of this study, the definition of organizational culture employed by Deshpande and Webster (1989, 14) is adopted. This definition is commonly employed to facilitate a broad interpretation of the term:

> Organisational culture refers to the unwritten, the formally decreed, and what actually takes place; it is the pattern of shared values and beliefs that helps individuals understand the functioning of the firm and thus provides the norms for behaviour in the firm.

Thus, organizational culture focuses attention on informal, understood forces within a firm—forces that exert a tremendous influence on the behavior and productivity of its employees, perhaps more so than formal, written policies or guidelines (Pascale 1984; Sathe 1983; Schneider 1990).

According to Schein (1985, 135), the search for cultural assumptions may be "elusive even after months of study." Schein (1985, 136) further maintains that "culture does not reveal itself easily." In many respects, it is not so much the definitions of organizational culture that vary, but the ways in which organizational researchers have classified culture types. Hood and Koberg (1991, 13), have stated that one of the reasons why researchers have been reluctant to describe culture types is due to the difficulty in measuring the constructs. Despite the lack of consensus, several organizational researchers have nevertheless provided their own culture classifications. For example, Handy (1978) provides four classifications of organizational culture, consisting of the *power culture,* the *role culture,* the *task culture* and the *person culture.* Hood and Koberg (1991) classified cultures as either *bureaucratic, innovative* or *supportive.* Deal and Kennedy (1982) identified four distinct culture types: *tough guy/macho, work* *hard / play hard, bet your company* and *process*. Despite differences in the terminologies used, the characteristics of each of the culture types are relatively similar. Appendix II provides a comparison of the culture profiles adopted by organizational researchers, including the four culture descriptions used in the present study.

## Organizational Cultures of Accounting Firms

Hood and Koberg (1991, 12) have noted that "few researchers have studied accounting firm's cultures." Hood and Koberg (1991) specifically investigated the organizational sub-cultures which they hypothesized existed within three client service divisions, namely the audit, taxation consulting and management consulting divisions of eight large United States public accounting firms. Hood and Koberg (1991) hypothesized that the audit and taxation consulting divisions would be characterised by a relatively *"bureaucratic"* culture (appendix II provides a definition of the organizational culture type reviewed), largely as a result of the task being performed. By contrast, the researchers proposed that the management consulting divisions would be characterized by a more *"innovative"* culture, due to the typically non-routine and non-standardized services provided to clients. Finally, they asserted that each firm would exhibit characteristics of a relatively *"supportive"* organizational culture.

Hood and Koberg (1991) surveyed a total of 122 professional staff members within each of the eight public accounting firms. Using the Organizational Culture Index developed by Wallach (1983), data was collected and analyzed at the $p$ =.05 level of significance. Contrary to the researchers' expectations, their analysis revealed that there were "no significant cultural differences" between divisions. Upon further empirical investigation, they concluded that there were no significant differences in the organizational cultures of the eight firms. Specifically, Hood and Koberg (1991, 18) stated that:

> Based on the analysis of variance, there were **no** differences among the eight accounting firms in types of culture, creativity or job attitude variables.

However, this result is based on a comparison of specific divisions and, therefore, the results do not represent the firms as a whole, nor were the views of partners included in the analysis.

These findings are also contrary to the assertions of Stevens (1991) who maintains that, although the large accounting firms are often lumped together under the heading "The Big 6," each firm has a distinct organizational culture and personality. However, no empirical evidence was offered to support this view.

In assessing the extent of organizational research specifically conducted within professional accounting practices, most researchers do not appear to recognize the impact that the organizational culture has on staff within the firm. For example, Jiambalvo (1982) conducted several research studies goal congruence and motivation of professional staff within large U.S. public accounting firms. Peirson and Simnett (1989) assessed performance evaluation of employees in chartered accounting firms, while Jiambalvo and Pratt (1982) considered leadership effectiveness within CPA firms. Ross and Bromeli (1971) commented on professional accountants' job satisfaction, while Dillard and Ferris (1979) assessed reasons for the high levels of professional staff turnover within public accounting firms. However, in all of the studies reviewing employee performance and job satisfaction, no consideration is given as to the likely impact of the organizational culture on individual staff members behavior. Instead, a presumption appears to prevail that professional accounting firms are culturally analogous, and that their cultures have little or no impact upon the organizational members performance, satisfaction, motivation or commitment. Specifically, these studies do not consider the notion that public accounting firms, like any other type of organization, may be culturally distinctive.

During the late 1980s a number of merger discussions occurred between members of the then "Big 8." Throughout the financial press, both leaders of these firms and commentators, expressly recognized the role and importance that organizational cultures play in merger discussions. The following comparison contrasts the view that organizational culture can be a primary factor in the decision to merge, or otherwise:

> In July 1989, merger discussions were undertaken on a worldwide basis, between Touche Ross and Co, and Deloitte Haskins and Sells. *The Australian Financial Review* (6 July 1989, 2) noted that the proposed Australian merger appeared a good fit, as both firms had similar corporate cultures. However, in October 1989, the partners of the two Australian firms voted against merging; which according to Touche Ross' Australian Chairman, Mr. Brian Jamieson, was largely due to the fact that both firms had *"different operating styles"* and *"different organisational cultures."*
>
> On 1 October 1989, the partners of Arthur Young and Ernst and Whinney agreed to merge to form "Ernst and Young." When announcing the merger had been successful, the Australian Chairman of the new merged firm acknowledged that the three ingredients for a successful merger were *"a compatible culture, business philosophies and strategic direction."*[1]

## RESEARCH ISSUES

A detailed review of the strategic plans of the 11 participating chartered accounting firms conducted by Marsden (1993) revealed that accounting firms tended to adopt similar business strategies. Given the potential strategic link which Buller (1988) and Johnson and Scholes (1988) have contended that between organizational culture and strategic planning, support is found for the proposition that as the broad-based business strategies adopted by chartered accounting firms were relatively similar, it is expected that the organizational cultures of accounting firms would also be relatively similar. As such, the first proposition can be stated as follows:

**$P_1$**: There are no significant differences in the espoused organizational cultures of chartered accounting firms.

This proposition relates to differences by firm size (see Siehl and Martin 1990; Scholz 1987) and between firms classified into the same size group (i.e., tier).

Public accounting firms issue documents into the public domain on a regular basis. These documents are primarily designed to provide information on the firm and the services provided to both existing and potential clients, as well as to potential employees. Accounting firms also prepare and distribute a number of internal documents, which are not meant to be seen by parties external to the firm, such as strategic plans and performance appraisal forms. Such documents are considered to reflect the firms' value set (culture), (see Buller 1988). Accordingly, different signals may be communicated by the firm, depending upon whether the message is directed towards an internal or external audience. In other words, messages *transmitted* by partners to professional staff within the firm through "internal" documents (such as strategic plans, staff manuals and performance appraisal forms) may be different to messages *projected* to outsiders via "external" documents (such as client bulletins and recruitment brochures).

As the data collection method encompassed both internal and external organizational documents, a cultural determination can be made as to the *signals* communicated by reference to document type. This leads to the second proposition for consideration:

**$P_2$**: There are significant differences in the espoused organizational cultures transmitted by chartered accounting firms to staff working within the firm via "internal" documents, and the espoused organizational culture projected to outside parties via "external" documents.

## METHOD

During 1992, 38 randomly-selected Brisbane-based public accounting firms were contacted in writing and invited to participate in the study. Letters were sent to the Managing Partners of these firms, explaining the purpose of the study, importance of the topic and implications of the research findings.

As a further incentive, each participating firm was promised a summary of the findings

[1] *Business Review Weekly* (1989, 103–108).

of the paper, including an optional presentation to be made to the Senior Partners of each firm on the research findings and conclusions of the study. Of the 38 firms contacted, a total of 11 firms agreed to participate.

The 11 participating firms, classified by size, are as follows:

- Three of the "Big 6" firms (i.e. 50 percent);
- Four "Second Tier" firms out of eight second tier firms operating in Australia (i.e. 50 percent); and
- Four "Third Tier", or "Small firms" out of a population of approximately 180 firms operating within the Brisbane metropolitan area.

The breakdown of the 11 firms into three "tiers" enabled us to assess to the impact of firm size (as described by "tier") on espoused organizational culture. Appendix III provides an overview of the 11 participating public accounting firms.

This sample, although seemingly small, however, is comparable to sample sizes used in similar research settings.[2] Given the sensitivity involved in analyzing and reporting on the content of each firm's strategic plan, complete confidentiality was assured in respect of all information contained in internal documents. To ensure this confidentiality, no reference will be made to the name of any participating accounting firms. Instead, for the purposes of this study, see table 1 for each firm's reference.

As with prior content analysis studies (for example see, D'Aveni and MacMillan 1990; Kabanoff 1992, 1993) several types of organizational documents were collected as input data. Specifically, documents including strategic plans, performance appraisal forms, staff manuals, client bulletins and recruitment brochures were collected from each accounting firm, where they existed.

Unlike prior content analysis studies, such as those performed by Kabanoff (1992, 1993), highly confidential documents were collected from participating accounting firms. In both Kabanoff studies (1992, 1993) for instance, organizational documents used as culture indicators consisted of company annual reports, mission statements and corporate publications.

Content analysis of internal documents should provide some insight into each of the firm's espoused organizational culture. This approach is consistent with the views of several organizational researchers (see Buller 1988; Johnson and Scholes 1988), who have stated that an analysis of a firm's strategic plan (an internal document of significance) will provide a revealing and accurate "window" of its organizational culture.

Documents were classified as either "internal" or "external." Internal documents were regarded as those only privy to organizational members working within the firm. Internal documents primarily serve as a means of *transmitting* information or messages between partners and staff. External documents were defined as those which are made readily available to the general public, including clients and potential new graduates. External documents represent the views communicated or *projected* by senior management. The classification of "internal" and "external" documents is presented in table 2.

Sampling documents from both an internal and external source broadens the audience towards which values are being directed and,

**TABLE 1**
**Legend of Participating Chartered Accounting Firms**

| Big 6 Firms | Second Tier Firms | Third Tier or Small Firms |
|---|---|---|
| Firm A | Firm E | Firm J |
| Firm B | Firm F | Firm K |
| Firm C | Firm G | Firm L |
| | Firm H | Firm M |

[2] For example, Ramanathan et al. (1976) studied the communication of strategic goals within eight American CPA Firms. Hood and Koberg (1991) investigated the organizational sub-cultures which they hypothesized existed within three client service divisions of eight large United States public accounting firms. Those authors surveyed a total of 122 professional staff members within each of the eight public accounting firms using the Organizational Culture Index developed by Wallach (1983).

**TABLE 2**
**Classification of Organizational Documents**

| Internal Documents | External Documents |
|---|---|
| Strategic Plans | Client Bulletins |
| Performance Appraisal Forms | Recruitment Brochures |
| Staff Manuals | |
| Staff Bulletins | |

therefore, the potential range of values and concerns being communicated (Kabanoff 1993, 4). Furthermore, the classification of documents as either "internal" or "external" will facilitate a test of the relationship between document type and organizational culture espoused.

In total, 21 documents were collected from the 11 participating firms. These consisted of 11 external documents and ten internal documents. Several documents were over 100 pages in length. Consequently, for analysis purposes, only those documents which specifically referred to organizational goals and values and people management issues, (such as human resource management policies, statements of firm philosophy, services provided to clients and attitudes of the firm) were analyzed.

Excluded from the analysis were statements of purely a technical nature or documents containing primarily quantitative data, such as firm statistics on staff productivity, budgetary information, and guidances provided on technical accounting issues.

A total of 3,843 sentences containing 77,905 words were analyzed. The mean number of sentences of all organizational documents (both internal and external) collected was 348 (median = 252), with a maximum of 904 sentences and a minimum of 17 sentences. Strategic plans and other internal documents provided an average of 225 sentences (median = 118), with client brochures and recruitment brochures providing an average of 165 sentences (median = 131). This analysis is provided on an individual firm basis as detailed in table 3.

### Content Analysis

The method we have adopted in the current study to measure organizational culture is word frequency-based content analysis. Content analysis has been defined as a research method that uses a set of procedures to provide valid inferences from text (Weber 1985, 9). In other words, content analysis involves counting key "*target words*" or themes contained within the text being analyzed. Based upon the frequency in which "target words" or value statements appear, the researcher tries to draw some inferences about either the sender of the message, the audience of the message, or the intended consequences of the message (Weber 1985, 10).

As Kabanoff (1993, 3) notes, the use of content analysis in organizational research appears to be growing in popularity. For example, D'Aveni and MacMillan (1990) employed content analysis techniques to compare letters sent by Chief Executive Officers to shareholders of 57 American bankrupt firms and 57 surviving firms in order to determine which issues were emphasized relative to others within the CEOs' letters. In brief, they found that CEOs of surviving firms were more likely to refer to external issues relating to customers and general economic conditions affecting demand, whereas CEOs of failed firms tended to focus on internal issues relating to management, employees and creditors and suppliers. Their results were consistent with organizational theories which assert that ineffective managerial behavior in crisis situations typically involves a loss of attention or a diversion away from critical external issues towards less threatening and perhaps more controllable internal issues.

Sackmann (1992) also employed content analysis to analyze the differing organizational sub-cultures evident within nine divisions of a United States manufacturing firm. Chen and Meindl (1991) employed content analysis to assess the changing leadership styles and influences of Mr. Donald Burr, the

**TABLE 3**
**Analysis of Organizational Documents Analyzed**

| Firm | Internal Documents Words | Internal Documents Sent | External Documents Words | External Documents Sent | Total Words | Total Sent |
|---|---|---|---|---|---|---|
| A | 3,109[a] | 118[b] | 8,005 | 395 | 11,114 | 513 |
| B | 19,181 | 904 | 8,193 | 387 | 27,374 | 1,291 |
| C | 1,853 | 76 | 2,840 | 133 | 4,693 | 209 |
| E | 4,934 | 249 | 1,608 | 92 | 6,542 | 341 |
| F | 5,692 | 282 | 7,180 | 289 | 12,872 | 571 |
| G | 1,604 | 71 | 3,824 | 181 | 5,428 | 252 |
| H | 1,234 | 113 | 1,861 | 80 | 3,095 | 193 |
| J | 2,992 | 192 | 318 | 26 | 3,310 | 218 |
| K | —[c] | —[c] | 995 | 60 | 995 | 60 |
| L | 246 | 17 | 2,391 | 131 | 2,637 | 148 |
| M | —[c] | —[c] | 845 | 47 | 845 | 47 |
| **Totals:** | 39,845 | 2,022 | 38,060 | 3,460 | 77,905 | 3,843 |

[a] Number of words contained in the document(s) analyzed.
[b] Number of sentences contained in the document(s) analyzed.
[c] Document type not available or not relevant.

Chief Executive Officer of People Express, an American domestic airline carrier, over an eight year period.

Holsti (1969) and Pfeffer (1981) have stated that content analysis is particularly useful for reconstructing perceptions and beliefs of their authors. Kabanoff (1993, 4) maintains that content analysis is also useful as it objectively measures and describes what the organization is "saying about itself," rather than in response to a researchers' questionnaire.

Particularly, as Sackmann (1992, 143) states, in the case of organizational culture, it is difficult to ask organizational members directly about their perceptions of organizational culture. Hence, content analysis enables the assessment of a firm's organizational culture by analyzing those firms' natural expressions of values and concerns within their own documents, made in their own language. For a detailed review of the advantages and application of content analysis, see D'Aveni and MacMillan (1990).

In other organizational culture studies (see for example, Hood and Koberg 1991, Harrison and Caroll 1991) questionnaires were employed by the researchers. However, in the current study, questionnaires were ***not*** used due to problems such as poor response rate, time delays and concerns regarding questionnaire relevancy and accuracy. Alternatively, other organizational culture researchers have used qualitative methods, including structured interviews. However, this technique introduces the possibility of response biases, including acquiescence bias, extremity bias and interviewer bias. Furthermore, comparison of results across firms is difficult.

For these reasons, we adopted word frequency-based content analysis as the method to measure espoused organizational culture. It is argued that the use of content analysis as a research tool combines the benefits of both quantitative and qualitative research methods. In other words, content analysis allows the researcher to take qualitative material (i.e. written text), and convert it to quantitative output. This output can then be statistically analyzed, allowing inferences to be made and conclusions drawn.

Finally, the primary reason for adopting word frequency-based content analysis was due to the fact that we had access to key internal and external documentation. The use of content analysis as a research tool combines the benefits of both quantitative and qualitative data collection techniques and, its non-obtrusiveness as a data collection instrument, addresses many of the perceived inadequacies of methodologies previously used to study organizational culture.

**Content Dictionary**

The content dictionary contains key words, best describing the value theme or concern being measured. Textpack V PC [3] proceeds by *"scoring"* each sentence containing one or more key words, included in the content dictionary. As previously mentioned, for the purposes of the present study, the same content dictionary adopted by Kabanoff (1992, 1993) was used. However, minor amendments were made to the content dictionary for the purposes of this study. In his analysis of Australian companies and universities, Kabanoff (1993) used specific terms peculiar to the organizational settings studied. For example, Kabanoff (1993) included terms such as "chief executive officer," "senior management," "board of directors," "professor" and "dean," in reference to the senior personnel members of those organizations. In the present study, certain words were replaced to allow for the *uniqueness* of chartered accounting firms. In particular, the content dictionary was amended to include such words as "senior partner," "engagement partner," "planning partner," and "managing partner." Other changes made included replacement of the word "employee" with "professional staff."

In formulating the content dictionary, Kabanoff (1992, 1993) employed two general organizational dictionaries—the Harvard IV Psychological Dictionary (developed by Dunphy et al. 1974; and refined by Zuell et al. 1989) and the Laswell Value Dictionary (developed by Namenwirth and Weber 1987; and refined by Zuell et al. 1989). As Kabanoff (1992, 15) indicates, the dictionaries were not intended to operationalize any specific organizational theories, but rather to draw upon established theories in psychology and sociology for the identification of content categories that operationalize a general theory of action.

Different content analysis studies use differing coding schemes. As Weber (1985, 54) notes, it is important to first define the basic coding unit. The basic coding unit may be either the word, sentence, theme or paragraph. Weber (1985, 39) maintains that the sentence remains the most reliable and valid measure at which to conduct content analysis. By retrieving and analyzing all sentences which contained key "tagged" words, the researcher can ensure that the correct sense of the word is being used, and if necessary to exclude that word from being "scored." Accordingly, Textpack V was instructed to "score" each sentence of text according to whether a sentence contained a "key" word, as specified by the content dictionary. For example, if we are interested in counting "participation" references, and a sentence includes a single reference to participation (as specified by the dictionary), that sentence scores "1" on the participation category, and so on for the other ten content categories.

The eventual content dictionary consisted of 59 separate words describing the 11 content categories. Based on the frequency that key words appear within the 11 content categories, firms were classified into one of four "ideal" culture types—*elite, leadership, meritocratic* or *collegial*. Several of the 11 content categories are based on the co-occurrence of two other categories, that is, were based upon the presence of two content categories in the same sentence. For example, in the *eq-*

[3] Given the number of documents and amount of text to be analyzed, a computer-aided textual analysis package was employed, rather than relying on manual content analysis. The computer-assisted contextual analysis package employed in the present study was Textpack V PC, developed and marketed by Mohler and Zuell (1990). Textpack V PC performs content analysis by checking words in the text being analyzed, and *"tagging"* key words which have been pre-defined in a computer-based content dictionary. The advantages and applications of computer-aided textual analysis are as summarised by Weber (1985, 40).

*uity* category, a sentence was "tagged" or scored as having an equity theme when it contained a reference to a performance and a reward theme.

Appendix IV shows the 11 content categories as well as providing examples of words from the text that were "tagged" and assigned to that category.

## Pilot Tests

One of the major concerns in employing computer-aided contextual analysis, was to ensure that each of the words "tagged" accurately reflected the concern being measured. To ensure validity and reliability of the constructs being measured, this procedure was pilot tested using a non-participating chartered accounting firm's client brochure.

Utilizing Textpack V PC, data was entered and analyzed using the *sentence, list split* and *tagcoder* commands. According to the computer-generated output, 161 sentences containing 49 words were "tagged" according to words specified in the content dictionary.[4] Each of these 49 words was then manually checked against the document text in order to ensure that the tagged word accurately reflected the content theme being measured.

In 46 of the 49 words (or 94 percent) the word tagged by Textpack V PC correctly reflected the category attribute, thereby ensuring a high degree of reliability in both the coding technique and content dictionary. In other words, three words were excluded from further analysis, as they did not reflect the theme being examined.

## Organizational Documents as Culture Indicators

As Kabanoff (1993, 4) explains, there are two issues pertinent to the description and analysis of organizational culture though organizational documents. These two issues are the "*issue of representativeness*," and the "*issue of espoused versus enacted culture*."

## The Issue of Espoused vs. Enacted Organizational Culture

This study describes and compares "*espoused*" organizational cultures of public accounting firms, rather than their actual or "*enacted*" cultures. In other words, the study describes what chartered accounting firms are "saying about themselves," rather than "what they are actually doing." Although researchers have recognized that espoused themes may not reflect actual or enacted themes, it is argued that the study of espoused cultures is important for the following reasons:

1. While *espoused* values may not be the same as actual organizational actions, they can nevertheless assist in understanding the assumptions and goals underlying actions (Kabanoff 1992, 14);
2. Showing greater attention to a particular issue (in the written form) indicates a greater likelihood of taking action in relation to the issue, (Kabanoff 1991, 6);
3. Attitudes affect what people perceive and remember and consequently reflect opinions actually expressed (Argyris and Schon 1978); and
4. Furthermore, documents prepared by senior management are particularly strong indicators of organizational culture, because it is at this level that key strategic decisions are made about the organization and its future direction (Goodman 1980).

As such, the analysis of organizational documents prepared at senior levels provide a strong indicator (or "*window*") of prevailing organizational culture.

## The Issue of Representativeness

The issue of representativeness refers to the fact that the majority of organizational documents being content-analyzed (such as strategic plans, performance appraisal forms, staff manuals and client brochures) are typically written and formulated by senior management, usually senior partners and planning committees.

Accordingly, content analysis of these documents predominantly describes the organizational values and concerns of the senior staff and partners (i.e., the "*message senders*"),

[4] There was a total of 3,316 words contained within the text analyzed, or 161 sentences. As 49 words were "tagged," this represented an average frequency score per sentence of 1.48%.

which may ***not*** be representative of the values and concerns of other organization members represented at lower levels. This concern is consistent with the findings of several other organizational researchers, who have discovered that distinct sub-cultures may exist within the one organization (see for example, Reynolds 1986; Cooke and Rosseau 1988). Specifically, in the case of large public accounting firms, Hood and Koberg (1990, 14) discovered that divergent sub-cultures existed within different hierarchical levels of the firm.

However, a number of organizational researchers have contended that the leaders of firms play a significant role in determining and influencing organizational culture (for example, see: Daft 1989; Trice and Beyer 1984). Schein (1985, 242) specifically contends that leaders are able to embed their own assumptions and viewpoints on the organization itself, through such mechanisms as role modeling, the setting of formal rules and guidelines, adoption of specific strategies, as well as through the recruitment, selection and promotion criteria.

In the case of professional accounting practices, Goodbridge (1991, 75) maintains that the management and culture of accounting firm's is largely influenced by a series of strong personal concerns from partners who have co-ownership rights. Thus, it is argued that the organizational culture of an accounting firm, will to a large extent, reflect the attitudes and concerns of the partners themselves.

## RESULTS AND DISCUSSION

As previously described, computer-aided textual analysis was employed for each of the 21[5] organizational documents collected from the accounting firms. To control for differences in both the number and types of documents analyzed, as well as the number of sentences contained within each document,[6] a two-stage standardization process was undertaken.

Firstly, a mean score was calculated for each of the 21 documents, by dividing the number of words tagged by Textpack V PC by the number of sentences within each document type. This provided a score which represented the "*average frequency per sentence*." This procedure ensured that an accounting firm with a higher number of "raw" (i.e. unadjusted) words, did not automatically receive a higher value score merely because it had lengthier documents which happened to contained more sentences, relative to a firm which had shorter documents containing fewer sentences.

This procedure resulted in each of the 11 value categories having different mean scores and standard deviations. To aid both statistical analysis as well as interpretation, each of the 11 *average frequency scores* was transformed to a common scale by expressing them as a standardized or $Z$ score.[7] This $Z$ transformation resulted in a mean score of 0.0 and a standard deviation of 1.0 for each of the 11 value categories. The transformed $Z$ scores are shown in table 4.

This $Z$ transformation meant, that for each document, the average frequency is zero, and that documents with value frequencies below the overall mean received a negative $Z$ score, while firms with value frequencies above the overall mean received a positive $Z$ score. A negative score meant, ***relative*** to other documents included in the sample, that particular accounting firms' document refers less frequently to a particular value theme compared to the average value themes for all accounting firms' documents. The larger the negative score, the less frequently that document *(**relative** to other documents)* refers to a particular value category, and conversely for positive scores.

### Identification of Different Organizational Cultures

The next step was to classify firms into one of the four organizational culture profiles based

[5] Three of the Third Tier (ie. small firms) included in the study did not have strategic plans. Two of the Big 6 firms provided staff manuals, which were classed as "internal" documents. Accordingly, the total number of separate documents subject to content analysis was 21.

[6] As table 3 indicates, the number of sentences contained within the organizational documents analyzed, ranged from 17 (as contained in Firm L's marketing plan) to 904 sentences (contained in Firm B's strategic plan and staff manual).

[7] The formula used was:

$$Z \text{ Score} = \frac{\text{Organization Document} - \text{Sample Mean}}{\text{Standard Deviation for the Sample}}$$

**TABLE 4**
**Standardized Value Scores and Ranges**

| Value | Mean | Standard Deviation | Maximum | Minimum |
|---|---|---|---|---|
| Affiliation | 0.0 | 1.0 | 3.338 | –1.194 |
| Authority | 0.0 | 1.0 | 1.934 | –1.554 |
| Commitment | 0.0 | 1.0 | 2.434 | –1.016 |
| Equity | 0.0 | 1.0 | 3.652 | –0.896 |
| Leadership | 0.0 | 1.0 | 3.490 | –0.702 |
| Normative | 0.0 | 1.0 | 2.873 | –0.495 |
| Participation | 0.0 | 1.0 | 1.986 | –1.466 |
| Performance | 0.0 | 1.0 | 2.559 | –1.020 |
| Reward | 0.0 | 1.0 | 1.790 | –1.856 |
| Teamwork | 0.0 | 1.0 | 2.347 | –1.117 |

on the similarity of actual culture profiles identified by the analysis to "ideal" culture profiles as described by Kabanoff (1992, 1993).

The method used in assigning actual value profiles into one of the four "ideal" culture profiles was cluster analysis.[8] To assist in clustering, the Quick Cluster procedure (SPSS for Windows, Professional Statistics Release 6.0) was employed. The aim was to calculate the distances between "actual" and "ideal" culture profiles. To accomplish this, initial cluster centres ere identified representing the four "ideal" culture profiles using the "Data Editor" within SPSS for Windows. The four "ideal" culture types were templated according to the nine value profiles.[9] For example, the initial centers for the "*elite*" culture profile were set as being: Affiliation (–1.00), Authority (–1.00), Commitment (–1.00), Normative (–1.00), Leadership (–1.00), Participation (–1.0), Performance (1.0), Reward (1.0) and Teamwork (–1.0). Each value was represented by one standard deviation above or below the sampling mean of 0.0.

The "ideal" value profiles for each culture type identified by Kabanoff (1992, 1993) are represented in figure 1.

Quick cluster proceeded by searching for firms whose actual value scores matched or most closely approximated the "ideal" profiles. As cases were added to each cluster, the program updated each value to the mean of cases selected into the cluster, resulting in centers migrating to concentration of observations (Kabanoff 1993, 13).

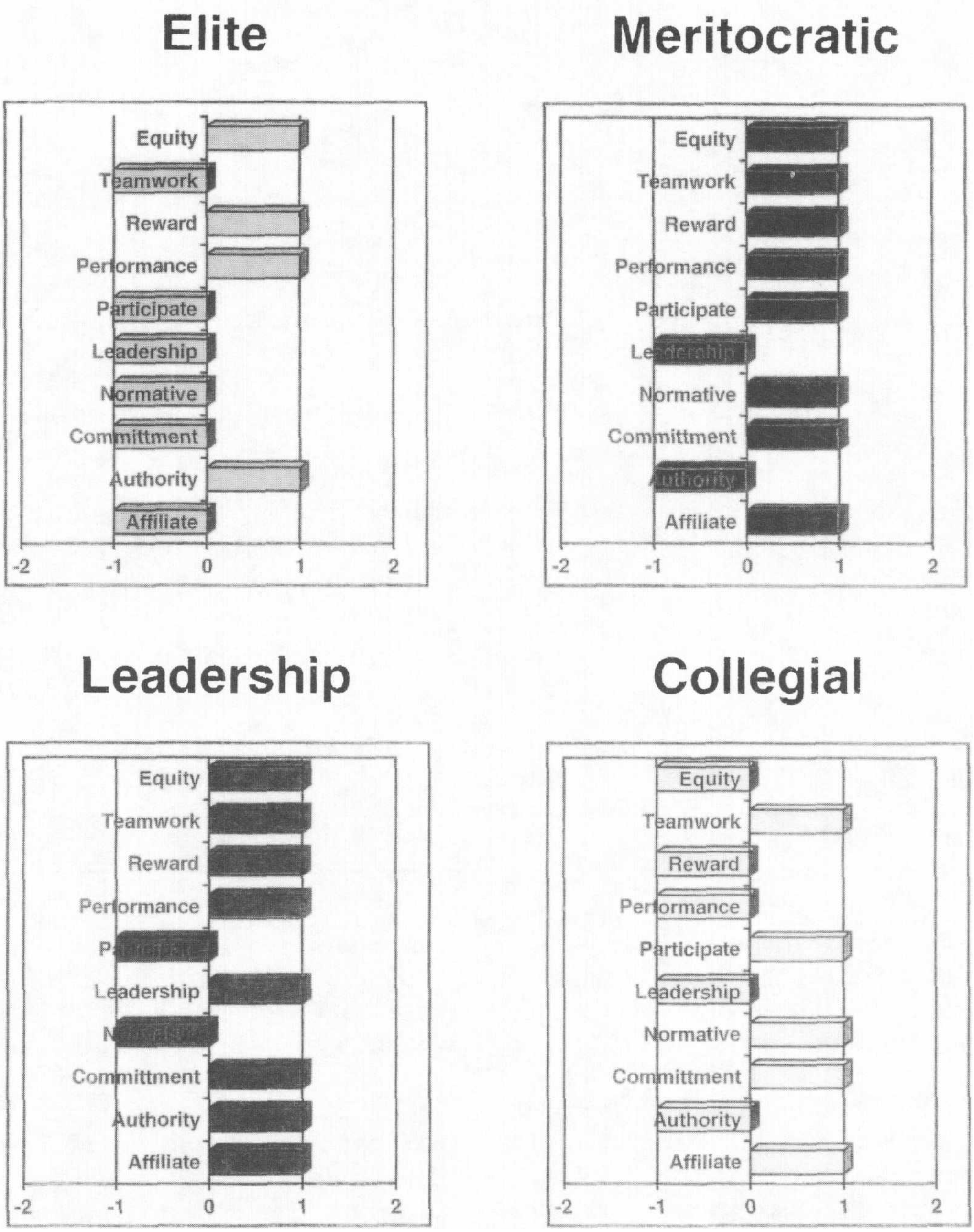
Each of the 21 organizational documents were assigned to the appropriate culture category based on the distance from the theoretical "ideal" culture profile. The smaller the distance, the closer that document matches the theoretical "ideal" culture type. The distance score is calculated based on the euclidean distance[10] between actual and theoretical value scores.

[8] Cluster analysis has been defined as a research tool which involves searching through data for similar observations which can be identified as forming part of a common cluster or group (National Research Council, 1989, 42). Cluster analysis has been used in this study to cluster or group each accounting firm's actual value profile based on statements made in both "internal" and "external" organizational documents, into one of the four "ideal" culture types.

[9] It will be noted from table 4 that there are ten value attributes. For the purposes of cluster analysis, the "*equity*" value category was not included. As Kabanoff (1992, 18) explains, this was because *equity* was defined in the initial content dictionary as a co-occurrence of the reward and performance categories, and was therefore correlated within these two categories, which posed problems associated with multicollinearity. The *equity* score was included in each firm's culture profile *after* each document had been assigned to a particular culture type. Kabanoff (1992, 19) maintains that this provided a useful, *post hoc* way of checking the theoretical consistency of the clusters identified.

[10] Distance scores measure the distance between variables or objects. The distance calculation performed by Quick Cluster within SPSS for Windows was based on the euclidean distance between the actual and theoretical value profiles. The euclidean distance is calculated as the square root of the sum of the squared distances between the actual and ideal profiles for each of the nine value categories.

**FIGURE 1**
**Ideal Value Profiles of the Four Culture Types**




In other words, the lower the score, the more closely a firm's actual value profile matches the "ideal" profile. If the distance score is zero, this indicates that the actual and "ideal" profiles are identical.

Table 5 summarizes each of the 21 organizational documents and their respective culture classifications, indicating distances from the "ideal" profile.

As Kabanoff (1993, 13) maintains, most organizations' actual value profiles will seldom correspond exactly to any one of the four "ideal" culture profiles. Instead, most organizations' actual profiles will overlap to some extent.

**TABLE 5**
**Classification of Culture Types Allocated by Cluster Analysis**

| Culture Type | Firm | Document Type | Size of Firm | Distance from Ideal type |
|---|---|---|---|---|
| | Firm F | External | Second Tier | 2.340 |
| Elite | Firm E | External | Second Tier | 2.774 |
| | Firm A | External | Big 6 | 2.925 |
| N = 6 | Firm L | External | Small Firm | 3.018 |
| | Firm H | Internal | Second Tier | 3.497 |
| | Firm B | Internal | Big 6 | 3.563 |
| | Firm G | External | Second Tier | 2.657 |
| Leadership | Firm A | Internal | Big 6 | 2.941 |
| | Firm C | Internal | Big 6 | 3.454 |
| N = 5 | Firm H | External | Second Tier | 3.780 |
| | Firm C | External | Big 6 | 3.987 |
| Meritocratic | Firm G | Internal | Second Tier | 3.912 |
| N = 2 | Firm E | Internal | Second Tier | 4.115 |
| | Firm F | Internal | Second Tier | 2.718 |
| Collegial | Firm B | Internal | Big 6 | 2.782 |
| N = 4 | Firm J | Internal | Small Firm | 3.144 |
| | Firm B | External | Big 6 | 3.891 |
| | Firm K | External | Small Firm | 2.357 |
| Non-Classifiers | Firm J | External | Second Tier | 2.502 |
| N = 4 | Firm M | External | Small Firm | 2.675 |
| | Firm L | Internal | Small Firm | 4.118 |

Figure 2 presents the aggregated actual value profiles for the 11 participating firms. As expected, actual value profiles of accounting firms were different from the "ideal" value profiles.

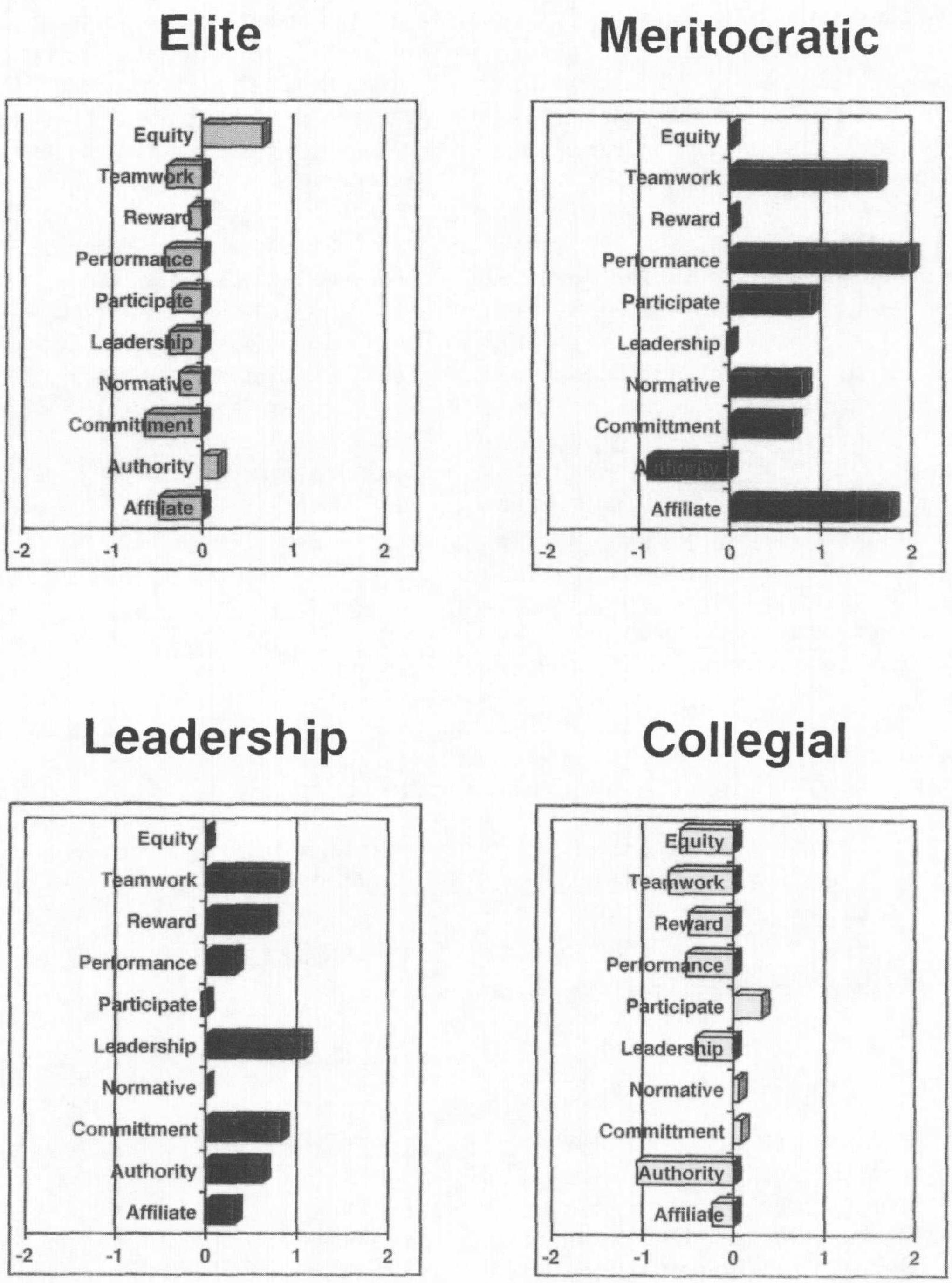
It should be noted that if a particular firm is labeled as having an "elite" culture, this is a description ***relative*** to the value profiles of other firms included in the present sample. In other words, the actual scores are sample specific, determined by the average scores and standard deviations for each firm included in this study. Hence, if a sample were comprized of a wide diversity of organizations, drawn from several industries, an accounting firm classified as having an "elite" culture in this study, may be classified as having a "collegial" culture compared to other organizations included in another study.

## Discussion of the Results

Before reporting the results, it should be noted that there were some documents analyzed whose $Z$ scores were consistently below the sampling mean of zero in respect of all nine value categories. Accordingly, assigning these firms into any of the four culture categories was not appropriate. Therefore, in addition to the four theoretical "ideal" culture types, a fifth category termed "*non-classifiers*" was added, with the nine value measures set at 1.5 standard deviations below the sampling mean.

Furthermore, given the relatively small number of documents (N = 21) and firms (N = 11) included in the study, meaningful statistical analysis was not possible. However, using the unadjusted results generated by Quick Cluster, inferences can be made from the culture classifications and associated evidence in re-

**FIGURE 2**
**Actual Value Profiles of the Four Culture Types**




viewing support, or otherwise, for the research issues identified.

Each accounting firm's espoused organizational culture was measured on the basis of value statements made in both "internal" and "external" organizational documents. Based on the classifications made by cluster analysis, six documents were classified as belonging to an "elite" culture type, five were assigned to the "leadership" culture type, four to the "collegial" culture type, two documents were assigned as being "meritocratic," and four were considered "non-classifiers".

Table 6 shows the degree of "*cultural synchronicity*" for each of the 11 accounting firms on the basis of the culture classifications made by Quick Cluster according to document type (both external and internal).

An analysis of table 6 indicates that, with respect to ***external*** documents, the majority of accounting firms are classified as either "elite" or "leadership" focused cultures. Both the *elite* and *leadership* cultures share similar characteristics, with an emphasis on concerns such as authority, performance and reward. The organizational typology presented by Kabanoff (1992), presented in appendix V, supports this association. In both culture profiles, participation and individual employees needs are not considered to be of significance to senior management. Performance is considered important primarily in terms of "*overall organisational performance*," rather than individual accomplishments. Based on these findings, the espoused cultures of accounting firms are characterized by a strong authoritarian organizational climate, whereby staff are rewarded on the basis of attainment of overall organizational objectives, rather than on individual performances. Resources and power are concentrated at the top of the organization (with the partners) and little concern is shown for individual employee's views. These findings are consistent with the assertions of a several organizational researchers who have maintained that large professional accounting firms are characterized by "a strong authoritarian style approach to management" (see for example, Goodbridge 1991, 75).

In contrast, when the results for the ***internal*** documents are reviewed, the organizational culture profiles contrasted significantly with the profiles assigned for external documents. The majority of accounting firms were classified as collegial or meritocratic.[11]

[11] One of the firms had a joint elite/collegial culture classification.

**TABLE 6**
**Cultural Synchronicity**

| Firm | External Documents | Internal Documents | Consistent Classification |
|---|---|---|---|
| A | Elite | Leadership | x |
| B | Collegial | Elite/Collegial | ✓/x |
| C | Leadership | Leadership | ✓ |
| E | Elite | Meritocratic | x |
| F | Elite | Collegial | x |
| G | Leadership | Meritocratic | x |
| H | Leadership | Elite | x |
| J | Non-Classifier | Collegial | x |
| K | Non-Classifier | —[a] | —[b] |
| L | Elite | Non-Classifier | x |
| M | Non-Classifier | —[a] | —[b] |

[a] No cultural assessment was made due to the absence of internal documents.
[b] No cultural assessment was able to be made due to lack of a particular document type.

According to the organizational typology presented by Kabanoff (1992), as shown in appendix V, these two categories share similar characteristics. These categories reflect a team-oriented culture, where emphasis is placed on "people" and rewards are evenly distributed. This result may reflect a unique feature of professional partnerships, in that a significant proportion of employees will aspire to partnership (ownership). As such, professional staff have a vested interest in the activities of the firm, and seek involvement in preparing strategic documents and in reviewing performance. Further, these firms tend to be divided into divisions, and the divisions into work groups; this assists in explaining the orientation toward team values within internal documents.

The first research proposition supported the view that accounting firms have common value sets. However, the analysis of this issue is intrinsically linked to the second, which focused on the dichotomy between values expressed in external, and internal documents. If external documents are the basis of evaluation, then the majority of accounting firms are classified as "elite/leadership" indicating a common authoritarian culture. However, if internal documents are used as the basis for evaluation, then the majority of accounting firms are classified into the team-oriented "collegial/meritocratic" culture sets.

The information presented in table 6 indicated that in seven[12] of the 11 instances, "external" documents projected a relatively "elite/leadership focused" culture. If the three non-classifiers are excluded, elite/leadership focused cultures accounted for seven out of the eight firms. By contrast, in five[13] out of nine cases, "internal" documents reflected a typically "meritocratic/collegial" culture. If the one non-classifier is excluded, meritocratic/collegial cultures accounted for five out of the eight firms. On the basis of these results, evidence is found to suggest that the cultural messages or signals communicated to various parties appears to be a function of the document type.

As the same method was used to classify both "internal" and "external" documents, the fact that different culture classifications occurred in seven of the nine[14] instances leads to the conclusion that the majority of accounting firms reviewed are transmitting different signals (in the form of value concerns) to insiders (staff members), compared to outside parties (clients, potential recruits, other firms).

External documents appeared to project messages or concerns exemplified by relatively "elite/leadership focused" culture profiles. These culture profiles are characterized by strong concerns with authority figures, and in many cases, the reward of authority figures. External documents (projected to outside parties) generally tend to emphasize "*power*" characteristics (such as authority, strong management and leadership themes). Clients and other outside parties are not so much interested as to how rewards are distributed within the firm itself (i.e., "*rewards*" theme). Elite cultures are highly concerned with overall organizational performance (rather than individual concerns) coupled with strong leadership. Power is concentrated at the top of the organization (the partners) and directives from these levels typically govern organizational members' activities.

In other words, through their "external" documents, accounting practices are projecting themselves to outside parties as organizations which are performance driven and reward on the basis of delivering quality services to clients. They are characterized by high authority, strong management and leadership and strict organizational controls over staff members.

By contrast, the cultural analysis of the same firm's "internal" documents, revealed that one-half of accounting firms studied signal messages to insiders (staff within the organization) representative of *collegial* and *meritocratic* cultures. These culture profiles

[12] Based on the four *elite* cultures, plus the three *leadership* classifications.

[13] Based on the two *meritocratic* cultures, plus the three *collegial* classifications. The two firms which did not have internal documents were not included.

[14] As two of the Small Firms included in the study did not supply any internal documents (Firms K and M), they could not be included in the internal document analysis.

are characterized by warm and supportive working atmospheres, with concerns shown for individual staff members.

Both of these culture types emphasize a shared commitment and teamwork approach, while de-emphasizing references to authority figures. Internal documents (aimed primarily at parties within the firm, including staff) are primarily concerned with themes incorporating distribution of rewards and equity (i.e., "rewards" theme). It is not surprising that less emphasis would be placed on power, and authoritarian qualities (i.e., "power" themes) within the internal documents.

The conclusions drawn from this analysis are that the public accounting firms transmit different qualities to both staff members and clients. In other words, there appears to be, as Kabanoff (1993, 22) describes, a "*misfit*" or "*misalignment*" where distinct *signals* are transmitted to various parties.

It should be noted that all of the third tier (i.e. small firms) had relatively few documents. Accordingly, this did not facilitate an analysis of their espoused organizational culture. Instead, as the actual Z scores were well below the mean for all of the ten value measures, Quick Cluster classified these four firms into the "non-classifier" category for various internal and external documents. Hence, given this classification, it was not possible to draw any conclusions or inferences about the espoused organizational cultures of the four local firms included in this study.

An additional observation is warranted in interpreting the results presented. As indicated by a number of organizational researchers, there is no such thing as a "*superior*" organizational culture (see for example Tayeb 1986; Schein 1985; and Kabanoff 1992, 1993). Instead, as Johnson and Scholes (1988) have stated, in determining whether an organizational culture is "right" for a particular firm, compatibility should be assessed in light of an organization's structure, size, environment and strategies adopted. Some authors have maintained that "*collegial*" organizational cultures are most suited to professional accountancy practices. For example, according to Bonsignore (1989, 36):

> More emphasis is being placed on teams as opposed to structured hierarchies as the best vehicles for delivering services to clients. This requires preparing our people to deal with a different set of dynamics—less hierarchal, more collegial.

However, the purpose of the present study was not to determine whether there is a "correct" organizational culture for chartered accounting firms, or whether the organizational culture of Firm A is "*better*" than organizational culture of Firm C.

Instead, the purpose of the present study was to analyze and describe prevailing organizational cultures within a sample of accounting firms, and to make a cultural determination based on such variables, including size of the professional practice and document type.

## CONCLUSIONS

The analysis conducted, revealed that in all but two instances, signals *transmitted* by partners to professional staff (via "internal" documents) were different to signals *projected* to outside parties (via "external" documents). External documents portrayed concerns for such qualities as authority, leadership and performance-based outcomes. By contrast, internal documents tended to a greater extent to reflect signals characterised by concerns associated with teamwork, commitment and participation, with less emphasis on references to authority figures. In other words, partners are "*signaling*" to staff members, that the firm is a "*warm and friendly*" place to work, where individual needs and concerns are highly regarded by the partners, and where rewards are fairly and equitably distributed throughout the firm. Differing messages reflect the complexity in determining a broad classification for firm culture and the manner in which these firms seek to be perceived by external, compared to internal parties.

In interpreting the behavior of accounting firms, this cultural split, between internal values and externally presented values should be considered. What impact does the maintenance of this dichotomy have with respect to the staff attracted to the firm from external recruitment documents, or on the behavior of firms in the marketplace? How does this cultural "misalignment" effect responses by firms to technical and associated issues, and participation in the public debate which often surrounds them? What is the impact these differences in values have on employees behavior, including employee commitment, motivation, job satisfaction and reasons motivating ownership aspirations, compared to a decision to leave the firm?

The results presented in this paper compound the analysis of such issues, indicating the limitations associated with classifying firms according to solely external documents. Given the result that the external documentation indicated a common culture profile for public accounting firms, it is not surprising that researchers to date have assumed such a situation. The results presented in this paper question this assumption. This should be considered in future research which aims to measure and/or explain the motivations and behavior of accounting firms, their owners and employees.

## APPENDIX I
### Kabanoff's Culture Classification Types

The present study employs the same research method and the four organizational culture types, adopted by Kabanoff (1992, 1993), in measuring *espoused* organizational culture will be used: namely *elite, leadership, collegial* and *meritocratic*.

A brief description of each "ideal" culture type is provided below:

**1. Elite**

According to Kabanoff (1993, 10), the elite culture is the least integration-orientated, most differentiated culture type. Power, resources and rewards are concentrated at the top of the organization. Elite cultures do not emphasize cohesion, participation and solidarity, while stressing performance and economic rewards. Authority acts as the basis for co-ordination and control.

| | |
|---|---|
| **Strong espoused values are:** | equity, authority, performance and reward. |
| **Weak espoused values are:** | teamwork, participation, leadership, normative, commitment and affiliation. |

**2. Leadership**

The leadership culture type, while unequal in its distribution of power, rewards and resources (as in the elite culture) seeks to build integration through the creation of a system of leadership and teamwork throughout the organization by having a loyal band of leaders below the apex, who are delegated some of the elite's power. The leadership culture type does not emphasize individual participation or normative control (Kabanoff, 1993, 10).

| | |
|---|---|
| **Strong espoused values are:** | equity, teamwork, reward, performance, leadership, commitment, authority and affiliation. |
| **Weak espoused values are:** | participation and normative. |

**3. Collegial**

According to Kabanoff (1993, 10), the collegial culture profile is the most integration-orientated culture, in which power, rewards and resources are evenly distributed throughout the organization. The collegial culture relies upon a commitment to shared values and individual responsibility for actions as the basis for task achievements, rather than upon more tangible rewards. The collegial culture is the purest, egalitarian type, where the organization exercises little direct control over people's activities. Participation, cohesion and solidarity are emphasised. In a collegial environment rewards are distributed from an overall organizational viewpoint, rather than on individual excellence or performance.

| | |
|---|---|
| **Strong espoused values are:** | teamwork, participation, normative, affiliation and commitment. |
| **Weak espoused values are:** | equity, reward, performance, leadership and authority. |

**4. Meritocratic**

The meritocratic culture profile shares many of the integration-orientated qualities of the collegial culture, but with increased emphasis on performance and rewarding people for performance. Equity-orientated policies and processes are emphasised, and rewards are based on past performances (Kabanoff 1993, 10).

| | |
|---|---|
| **Strong espoused values are:** | equity, teamwork, reward, performance, participation, normative, commitment and affiliation. |
| **Weak espoused values are:** | leadership and authority. |

## APPENDIX II
## Comparison of Organizational Culture Types

Although there are numerous classifications of organizational cultures, essentially, these cultural profiles overlap. The table below compares culture classifications adopted by several organizational behavior researchers, and attempts to equate them with the four *"ideal"* culture classifications used in this study.

| Kabanoff (1992, 1993) | Hood and Koberg (1991) | Handy (1978) | Deal and Kennedy (1982) | Description of Culture Classification Type |
|---|---|---|---|---|
| **Collegial** | Innovative | Task culture | Work hard/Play hard | This culture type is characterized as being project orientated. It is essentially a team culture where the outcome is the most important. Emphasis is placed on groups and rewards are evenly distributed. |
| **Meritocratic** | Supportive | Person culture | Process | This culture type emphasizes that people are the most important attribute of an organization, and that people are rewarded on performance. |
| **Elite** | Bureaucratic | Power culture | Bet your company | This culture type is characterized by power based at the top of the organizational hierarchy. Power, resources and rewards are concentrated at the top. Characterized by low morale and high turnover. |
| **Leadership** | Bureaucratic | Role culture | Tough guy/Macho | This culture type is based on a strong leadership style where power is delegated to other leaders below the apex. |

## APPENDIX III
### Overview of the Eleven Public Accounting Firms

| Firm | No. of Partners | No. of Staff | Client Service Divisions |
|---|---|---|---|
| A | 10 | 204 | BUS, AUD, TAX, RRI, MCS |
| B | 31 | 308 | BUS, AUD, TAX, RRI, MCS, IT, HR, O/S |
| C | 15 | 182 | BUS, AUD, TAX, RRI, MCS, IT |
| E | 10 | 68 | BUS, AUD, TAX, RRI, MCS, FIN |
| F | 5 | 35 | BUS, AUD, TAX, FIN, MCS |
| G | 12 | 77 | BUS, AUD, TAX, RRI, MCS |
| H | 7 | 65 | BUS, AUD, TAX, MCS, IT, HR O/S, FIN, MARK, SHRE |
| J | 3 | 29 | BUS, RRI |
| K | 1 | 3 | BUS, MCS, FIN |
| L | 3 | 38 | AUD, RRI, FIN |
| M | 2 | 8 | BUS, SUPER, TAX, RRI |

LEGEND (of Divisions):

AUD = Audit
BUS = Business Services
FIN = Financial Services and Planning
HR = Human Resource Consulting
IT = Information Technology
MARK = Marketing
MCS = Management Consulting Services
O/S = International/Overseas Services
RRI = Reconstruction, Recovery and Insolvency
SHRE = Share Registry Services
SUPER = Superannuation Advice
TAX = Taxation Consulting

## APPENDIX IV
## The Computer-based Content Analysis Dictionary

| Category | Words used to identify or "tag" category | Interpretation |
|---|---|---|
| **001 Authority** | Engagement partner,[a] senior partner, (manage **),[b] planning committee, senior management, executive. | Concern with authority figures and regulations |
| **002 Leadership** | Lead, leader (**not** market leader, world leader),[c] leadership. | Concern with leadership |
| **003 Team** | (Team **), teamwork, group, harmonious, co-operation, cooperation. | Concern with teams and teamwork |
| **004 Employees** | Employee, staff, professional staff. | Concern with non-partner level roles (used in conjunction with participation category) |
| **005 Participation** | (Partic **), consult, consultation, co-occurs with staff (**not** consultants or consulting). | Concern with involvement and participation at non-partner levels |
| **006 Commitment** | Commitment, committed, (dedicat **), foster, (loyal **), (cohes **), (support **), helpful. | Concern with organizational commitment and loyalty |
| **007 Performance** | Achievement, achievers, performance, initiative, (excel **), (productiv **), best, (efficien **), merit, talent. | Concern with organizational performance |
| **008 Reward** | Bonus, (compensat **), reward, salary, (apprais **), (incentiv **), (remunerat **), recognition, **with** employees or professional staff. | Concern with reward system within the organization |
| **009 Equity** | Performance category with reward category. | Concern with equity (i.e., linking reward to performance) |
| **010 Affiliation** | All words with connotations of affiliation or supportiveness. Enthusiasm, (encourage **), (appreciat **), (support **). | Concern with interpersonal warmth and solidarity |
| **011 Normative** | All values invoking in the final analysis the social order and its demands as the justification. (Responsi **), (obligat **), (accountab **). | Concern with normative control over actions |

[a] All words expressed in the singular also imply their plural form (eg. "partner" and "partners" will both be tagged by Textpack V PC.

[b] Words in ( **) are word roots that count all words containing this root. For example, (manage) includes manager, managers, management.

[c] Exclusion words or phrases are those that are incorrectly identified by Tagcoder, in the context of the content theme being analyzed. These excluded words or phrases are, therefore, excluded from the frequency count of the tagged category.

## Examples of Sentences Extracted Containing Words Included within the Eleven Content Categories

### 001 Authority

We encourage **partners**[d] and staff to share in determining the future direction of the firm.

Since the inaugural **partners** meeting in late 1988, the key business of those meetings has concentrated largely on issues associated with practice structure and practice **management**.

Notwithstanding the delegation of day to day responsibilities for **practice management** and practice development, the **senior partners** as a group will continue to set firm policy.

The **engagement partner** actively supervises every aspect of the audit in close consultation with **senior management** maintaining regular progress briefings and advising on any significant issues.

The **engagement partner** will continue to be lynch pin of our operations.

### 002 Leadership

Positive **leadership** demonstrating a clear purpose and direction at all levels will be welcomed and encouraged.

Our future services will require people who demonstrate **leadership** skills as business managers, professionals and business developers.

Strategic **leadership** is critical to success—at every level of the firm, our **leaders must** demonstrate a capacity not only to do the things right, but also to do the right things.

**Leaders** throughout the firm must **lead** by example—involve, inspire and motivate while implementing our clear vision for the firm.

Our quality management team will aim to provide strategic management and effective **leadership** to achieve the firm's objectives and goals.

### 003 Team

We promote a **team** approach—an effective due diligence review requires the skills of a varied **team**.

In developing all areas of our business, we have placed a premium on technical skill, initiative and **teamwork** in order to consistently and expeditiously fulfil our clients' objectives.

Our vision is to build strong relationships, to create a culture of effective **teams** delivering quality services.

### 004 Employees[e]

### 005 Participation[f]

The engagement partner actively supervises every aspect of the audit in close **consultation** with senior management maintaining regular progress briefings and advising on any significant issues.

For many of you, there will be an opportunity for direct involvement through focus groups where we look forward to initiative and active **participation**.

All staff are encouraged to actively **participate** in professional associations.

Our people are professionally or technically qualified and **participate** in structured education training and development programs.

---

[d] Words that are shown in **bold** are those "tagged" by Textpack V PC.

[e] Not a separate category.

[f] In order for a sentence to be scored as expressing a Participation theme, it had to contain the combination of words referring to employee (or staff) and participation.

**006 Commitment**

Here you will find that we are **dedicated** to **supporting** your career development by providing the environment opportunities and training necessary for you to acquire the skills and knowledge to advance.

In keeping with a history of **dedicated** client service, we have re-affirmed our **commitment** to client satisfaction by implementing a total quality improvement initiative aimed at providing unrivaled standards of service and quality in all that we do.

Through our **commitment** to innovation, responsiveness, and quality, we strive to produce practical recommendations for improving our clients' business operations.

Our firm is **committed** and **dedicated** to serving the interests of emerging and owner-managed businesses.

**007 Performance**

Today our professionalism and **performance** differentiate and distinguish us in all that we do with and for our clients.

We have a commitment to the people we employ, to the organizations we advise, and to the promotion of **excellence**.

Our culture is one of a quality firm with a reputation for constantly providing service **excellence**.

One of our goals is to maximize the **productivity** of the partners and staff in an overall environment which provides an adequate level of job satisfaction.

A standard of service we believe can only be achieved by maintaining our high level of professional knowledge and insisting on a high standard of **performance**.

We encourage you to be committed to quality professionalism and **excellence** in serving clients and in our relationships with each other.

The manner of our provisions of services should demonstrate **excellence** of performance as complimentary to the product delivered.

**008 Reward**[g]

**Compensation** and other **rewards** to **staff** are to be fair in relation to job requirements, experience and quality of work.

We aim to provide satisfying careers and attractive **rewards** to our **people**.

Through your commitment and contribution to the strategic plan, your efforts will be **rewarded** both financially and through increased career opportunities.

All **staff** are regularly **appraised** because our **reward** system and promotion decisions are performance based.

**Reward** structures for **staff** will emphasize profitable achievement and success in client service and new business gains.

---

[g] In order for a sentence to be scored as expressing a Reward theme, it had to contain the combination of a word referring to either employee or manager and a word referring to reward.

**009 Equity**[h]

Our firm fosters talent, **rewards** on **performance** and promotes on merit.

Everyone is regularly appraised because our **reward** system and promotion decisions are **performance** based.

Our firm **rewards** high **performers**, provides a stimulating and challenging environment, offers opportunities for professional and personal growth, and operates under the highest standards of business ethics.

To help us help you, we have both formal and informal **performance** feedback.

**Compensation** and other **rewards** are to be fair in relation to job requirements, employee **performance**, experience and quality of work.

**010 Affiliation**

In preparing and revising the strategic plan, we will need your **support** and enthusiasm, particularly with the practice development proposals.

We **encourage** partners and staff to share in determining the future direction of the firm.

High caliber people and resources, a **shared** quest for quality team work constantly seeking new and better solutions is the road to success.

Whatever your business requirements, we have the skills and the **enthusiasm** to provide the best service available.

**011 Normative**

The basic principle of this firm is that each person will be **responsible** to one supervisor

We maintain the highest professional technical and ethical standards in all activities. We observe our **responsibilities** to contribute to the work of professional, business and community groups.

While the partners accept the leadership **responsibilities** involved, the strategic plan also involves the co-operation of the firm as a whole.

The job must allow the person to feel personally **responsible** for a meaningful portion of their work.

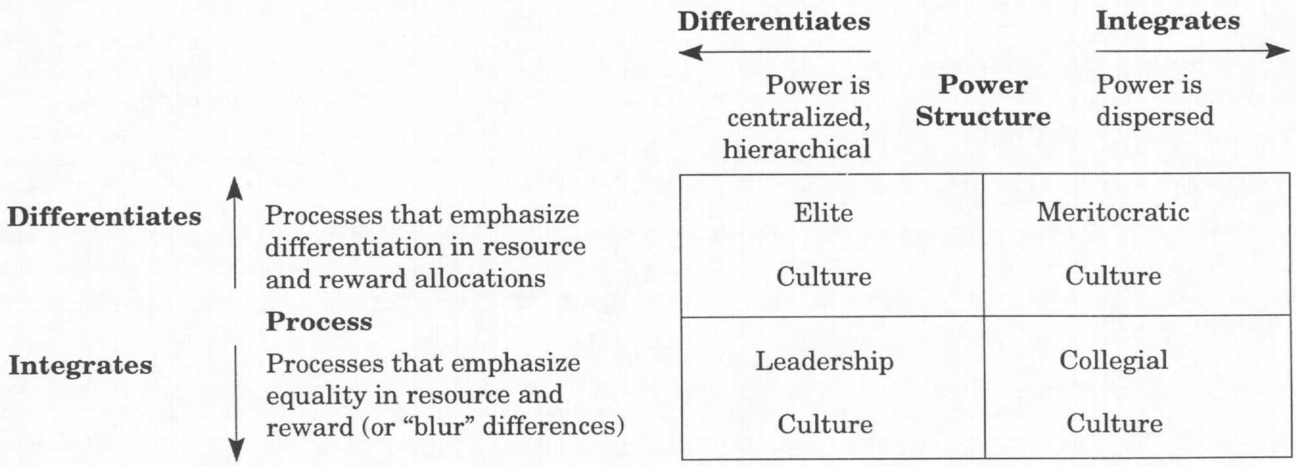
---

[h] In order for a sentence to be scored as having an Equity theme, it had to contain the combination of words referring to reward and performance.

## APPENDIX V
## Kabanoff's Two Dimensional Organizational Typology

According to several organizational researchers, one of the major factors influencing a firm's organizational culture is its organizational structure (see for example, Tayeb 1988; Johnson and Scholes 1988; Kabanoff 1992).

In other words, an organization where power is centralized at the top, and which has a centralized hierarchal structure in place, would tend to be characterized by either an "elite" or "leadership" culture profile. Conversely, an organization where power is widely dispersed and the organizational structure is relatively decentralized, would tend to be characterized by either a "meritocratic" or "collegial" culture type. The distinction between the two is the extent of resource allocations and the distribution of rewards (Kabanoff 1992, 8).



**REFERENCES**


Argyris, C., and D. A. Schon. 1978. *Organisational Learning: A Theory of Action Perspective.* Reading, MA: Addison-Wesley Publishers.

Bonsignore, F. N. 1989. Creating and changing a firm's culture. *The CPA Journal* (January): 34–38.

Buller, P. F. 1988. Successful partnerships: HR and strategic planning at eight top firms. *Organisational Dynamics* 17 (Autumn): 27–43.

*Business Weekly Review.* 1989. A merger that was destined to fail (October 6): 103–108.

Chen, C., and J. R. Meindl. 1991. The construction of leadership images in the popular press: The case of Donald Burr and People Express. *Administrative Science Quarterly* 26: 521–551.

Cooke, R. A., and D. A. Rousseau. 1988. Behavioural norms and expectations: A quantitative approach to the assessment of organisational culture. *Group and Organisational Studies:* 245–273.

D'Aveni, R. A., and I. MacMillan. 1990. Crisis and the content of managerial communication: A study of the focus of attention of top managers in surviving and failing firms. *Administrative Science Quarterly* 35: 634–657.

Daft, R. L. 1989. *Organisational Theory and Design.* St Paul, MN: West Publishing Co.

Deal, T. E., and A. A. Kennedy. 1982. *Corporate Cultures—The Rites and Rituals of Corporate Life.* Reading, MA: Addison-Wesley.

Desphande, R., and F. E. Webster. 1989. Organisational culture and marketing. *Journal of Marketing* 53 (January): 3–15.

Dillard, J. F., and K. R. Ferris. 1979. Sources of professional staff turnover in public accounting firms: Some further evidence. *Accounting, Organisations and Society* 4 (3): 179–186.

Dunphy, D. C., C. G. Bullard and E. E. Crossing. 1974. Validation of the general inquirer Harvard IV dictionary. Paper presented at the Conference on Content Analysis, Pisa, Italy.

Goodbridge, M. 1991. Do accountants need a cultural revolution? *Accountancy* (May): 75–76.

Goodman, R. 1980. Annual reports serving a dual marketing function: Report as survey. *Public Relations Quarterly* 36 (Summer): 21–24.

Handy, C. B. 1978. *Understanding Organisations.* Middlesex, England: Penguin Books.

Harrison, J. R., and G. R. Carrol. 1991. Keeping the faith: A model of cultural transmission in formal organisations. *Administrative Science Quarterly* 36: 552–582.

Harvey, D. F. 1982. *Strategic Management.* OH: Charles E. Merrill Publishing Co.

Holsti, O. R. 1969. *Content Analysis for the Social Sciences and Humanities.* MA: Addison Wesley Publishing Co.

Hood, J. N., and C. S. Koberg. 1991. Accounting cultures and creativity among accountants. *Accounting Horizons* (September): 12–19.

Jiambalvo, J. 1982. Measures of accuracy and congruence in the performance evaluation of CPA personnel: Replication and extensions. *Journal of Accounting Research* 20 (1) Spring.

———, and J. Pratt. 1982. Task complexity and leadership effectiveness in CPA firms. *The Accounting Review* 62 (4) October: 734–750.

Johnson, G., and K. Scholes. 1988. *Exploring Corporate Strategy,* 2nd Edition. Hertfordshire, UK: Prentice Hall International.

Kabanoff, B. 1991. Distributive cultures in organisations and their relation to strategy, compensation and change. Working Paper 91-020, University of New South Wales, Australian Graduate School of Management: 1–36.

———. 1992. Identifying organisations' distributive culture using content analysis. Working Paper No 92-023 University of New South Wales, Australian Graduate School of Management: 1–45.

———. 1993. An exploration of espoused culture in Australian organisations (with a closer look at the banking sector). *Asia Pacific Journal of Human Resources* 31 (1): 1–29.

Marsden, S. J. 1993. Strategic planning and organisational culture in chartered accounting firms: A case study analysis. Unpublished masters dissertation, Queensland University of Technology.

Mohler, P. P., and C. Zuell. 1990. Textpack V PC, Release 4.0, Computer-Aided Text Analysis Software Package, Issued by ZUMA. The Centre for Surveys, Research and Methodology, Mannheim 1, Federal Republic of Germany.

Moizer, P., and J. Pratt. 1988. The evaluation of performance in firms of chartered accountants. *Accounting and Business Research* 18 (71) Summer.

Namenwirth, J. Z., and Weber, R. P. 1987. *Dynamics of Culture*. Winchester, MA: Allen and Unwin.

National Research Council, Committee on Applied and Theoretical Statistics. 1989. Report on discriminant analysis and clustering. *Statistical Science* 4: 34–69.

Pascale, R. 1984. Fitting new employees into the corporate culture. *Fortune* (May 28): 28–41.

Peirson, G., and R. Simnett. 1989. Evaluating the performance of employees of chartered accounting firms in Australia. *Accounting and Finance* 29 (2) November: 19–29.

Peters, T., and R. Waterman. 1982. *In Search of Excellence.* New York, NY: Harper and Row.

Pfeffer, J. 1981. Management as symbolic action: The creation and maintenance of organisational paradigms. In *Research in Organisational Behaviour* 3, edited by L. L. Cummings and B. M. Staw, 1–52. Greenwood, CT: JAI Press.

Ramanathan, K. V., R. B. Peterson, and M. W. Maher. 1976. Strategic goals and performance criteria in CPA firms. *Journal of Accountancy* (January): 56–64.

Reynolds, P. D. 1986. Organisational culture as related to industry, position and performance: A preliminary report. *Journal of Management Studies*: 333–345.

Ross, T. L., and E. Bomeli. 1971. A comment on accountant's job satisfaction. *Journal of Accounting Research* (Autumn): 383–388.

Sackmann, S. A. 1992. Culture and sub-cultures: An analysis of organisational knowledge. *Administrative Science Quarterly* 37: 140–161.

Sathe, V. 1983. Some action implications of corporate culture: A manager's guide to action. *Organisational Dynamics* 12: 4–23.

Schein, E. 1985. *Organisational Culture and Leadership—A Dynamic View.* San Francisco, CA: Jolley-Bass Publishers.

Scholz, C. 1987. Corporate culture and strategy—The problem of strategic fit. *Long Range Planning* 20 (4).

Schneider, B. 1990. The climate for service: An application of the climate construct. In *Organisational Climate and Culture,* edited by B. Schneider, 383–410. San Francisco, CA: Jossey-Bass Publishers.

Siehl, C., and J. Martin. 1990. Organisational culture and counterculture: An uneasy symbiosis. *Organisational Dynamics—Special Reports.*

Stevens, M. 1991. *The Big Six.* New York: Simon and Schuster Publishing Co.

Tayeb, M. H. 1986. *Organisations and National Culture.* London, UK: SAGE Publications.

Trice, H. M., and J. M. Beyer. 1984. Studying organisational cultures through rites and ceremonials. *Academy of Management Review* 9: 569–576.

Wallach, E. J. 1983. Individuals and organisations: The cultural match. *Training and Development Journal* (February): 29–36.

Weber, R. P. 1985. *Basic Content Analysis.* Beverly Hills, CA: Sage Publishers.

Zuell, C., P. W. Weber, and P. P. Mohler. 1989. Computer-Aided Text Classification for the Social Sciences. The General Inquirer, ZUMA. The Centre for Surveys, Research and Methodology, Mannheim 1, Federal Republic of Germany.