A cross-cultural comparative study of internal auditor skills: UK vs Korea

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Abstract

Purpose – Based on the theoretical development by House *et al.* (2004), the purpose of this paper is to investigate the cross-cultural differences of internal auditors' perceptions on the importance of internal auditor skills.
Design/methodology/approach – The authors developed a survey based on the competency framework for internal auditing and collected data from the UK (Anglo cultural cluster) and Korea (Confucian cultural cluster). In total, 231 internal auditors participated in the study.
Findings – The results showed that UK auditors perceived behavioral skills as more important than cognitive skills, while Korean auditors had an opposite perception. Not surprisingly, UK auditors rated each sub-category of behavioral skills higher than Korean auditors; Korean auditors gave higher scores than UK auditors for each sub-category of cognitive skills.
Research limitations/implications – One limitation of the study is that two different data collection methods were used for the study: online for the UK and paper-based for Korean auditors. Another limitation of the study is that the authors did not analyze the possible impact of each participating auditor's background knowledge.
Practical implications – The findings of the study contributes to professional practice by providing culturally adaptive criteria for regulators' policy-making, organizations' employee hiring and training, and educators' curriculum design across various cultural environments.
Originality/value – The findings of the study can provide some insights on cultural impacts to help academic researchers develop models regarding the internal auditor selection and training in different nations.

Keywords Cross-cultural, Skills, Internal audit, CFIA

Paper type Research paper

Introduction

Previous research has identified the importance of internal control systems for organizations to be successful (D'Silva and Ridley, 2007). As a part of effective internal controls, an organization should have competent internal auditors who have necessary knowledge and skills (Burnaby and Hass, 2009; Mitchell and Sikka, 2005). To maintain a high level of professional competence and to help identify the necessary knowledge and skills required by internal auditors, the Institute of Internal Auditors (IIA) has conducted a series of common body of knowledge (CBOK) studies. For example, the CBOK 2006 study surveyed more than 9,000 internal auditors from 91 countries to investigate various internal auditing issues including necessary skills for internal auditors to successfully perform their

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jobs (Burnaby and Hass, 2009). The IIA continues this study with a new 2015 CBOK study currently in process.

Nevertheless, the important questions that managers still face include understanding the relative importance of these skills, applying such skills practically for selection, hiring, training and promotion purposes, and considering other skills/factors that are not included in (or lack of conclusions from) the previous studies (Siegel and O'Shaughnessy, 2008; Kwon and Banks, 2004).

A factor that needs to be investigated further is the impact of cultural relativism since auditors' perceptions of the importance of the skills could be different across countries due to various cultural influences. For example, Abdolmohammadi (2012) examined the effects of cultural impacts on internal auditing practices and concluded that cultural values significantly influenced Chief Audit Executives' (CAEs) perceptions on the internal auditors' performance attributes. Thus, the investigation of cultural impacts on auditors' attitudes toward internal auditor skills is important, especially as education and experience in auditing have become global.

Research on cultural impacts on internal auditor skills has seen limited exposure in the accounting literature. The purpose of the current study, filling a current research gap, is to examine the cultural differences on perceptions of the importance of internal auditor skills between UK and Korean auditors. Results of this study suggest that UK auditors perceive behavioral skills as more important than cognitive skills, while Korean auditors perceive cognitive skills as more important than behavioral skills.

This study seeks to contribute to academic research by investigating cross-cultural differences of internal auditors' perceptions on the importance of the skills identified by the IIA and providing insights on cultural effects for academic researchers to develop decision models regarding the internal auditor selection and training in different nations. The study also contributes to professional practice by providing culturally adaptive criteria for regulators' policy-making, organizations' employee hiring and training, and educators' curriculum design across various cultural environments.

The rest of the paper is organized as follows. The next section introduces related literature and develops hypothesis. This section is followed by a discussion of research methods and presentation of results. Then the paper concludes with a discussion of implications and directions for future research.

Literature review and hypothesis

Internal audit quality and internal auditor skills

The quality of internal auditors plays a critical role for an organization to be successful. Recent corporate scandals like Enron and WorldCom and the enactment of Sarbanes-Oxley Act of 2002 emphasize board responsibility for the effectiveness of internal controls and further justifies the critical role of internal auditors (D'Silva and Ridley, 2007). The quality of internal audit is also important for an effective external audit. For example, Abbott *et al.* (2012) found that external auditors can significantly reduce audit cost and increase audit efficiency by seeking assistance from internal auditors. Thus, they concluded that higher levels of internal auditor quality could help improve external auditor's audit quality. In addition, through a review of the existing literature on the relationships between external and internal auditors, Bame-Aldred *et al.* (2013) argued that external auditors might rely heavily on internal auditors' work contingent on the audit environment and audit risks. Thus, internal auditor's quality is a key factor for maintaining a healthy business environment and an effective external audit.

In order to maintain high internal audit quality, organizations attempt to select, train and promote internal auditors who are competent to perform qualified internal audit tasks (Mitchell and Sikka, 2005; Jackson, 2007). To be competent, internal auditors need to possess

necessary skills and the IIA has conducted a series of CBOK studies to help identify such skills. In 1999, the IIA Inc developed a general framework, known as the competency framework for internal auditing (CFIA), that specifies the competency standards for internal auditors. Within the framework, CFIA introduces the necessary skills required by all internal auditors to ensure a high level of professional competence and effectiveness.

According to CFIA, these necessary skills are categorized into cognitive skills and behavioral skills. Cognitive skills are further sub-categorized into technical, analytic/design, and appreciative skills; similarly, behavioral skills include personal, inter-personal, and organizational skills. Such skills are delineated for three different levels of internal auditors: entering internal auditor (56 skills), competent internal auditor (124 skills), and internal auditing management (19 skills). Table I shows a brief description and a few examples of each sub-category.

In 2006, the IIA conducted another CBOK study and part of the study was to identify necessary skills for internal auditors. This time, they categorized skills into technical skills (13 skills) and behavioral skills (12 skills) and asked participating auditors about the importance of each skill.

There are some important issues, however, that internal auditors should face in addition to the necessary skills identified in previous CBOK studies. On one hand, organizations should consider the practical applicability of those skills. In 2006, based on CFIA, Seol and Sarkis (2006) examined the usefulness of the framework in the selection of internal auditors by an organization. They investigated the perceptions of an experienced auditor on the importance of each attribute/skill proposed by CFIA, followed by an actual application of such skills to a recent hiring experience using a multi-attribute model. They concluded that the characteristics identified in CFIA were comprehensive and useful in the hiring process of new internal auditors.

On the other hand, organizations should also consider other skills/factors that are not included in (or lack of conclusions from) the previous studies but might generate significant impact on the application of the skills (Siegel and O'Shaughnessy, 2008; Kwon and Banks, 2004). A factor that needs to be investigated further is the impact of cultural relativism. The investigation of cross-cultural differences is especially important in the current globalized business world because national cultural value influences the mental states and the behavior of accountants/auditors and the application of audit skills found in one country might not be applicable to another (Fanning and Piercey, 2014; Hughes *et al.*, 2009; Abdolmohammadi *et al.*, 2006; Palmer *et al.*, 2004). For example,

Cognitive skills	
1. Technical skills (e.g. using information technology, using relevant statistical method)	Following defined routines with some mastery
2. Analytic/design skills (e.g. logical reasoning, problem analysis, research skills)	Problem identification or task definition and the structuring of prototype solutions or performances
3. Appreciative skills (e.g. recognize importance of/in data, sorting out the relevant, critical thinking)	Making complex and creative judgments, often in situations of ambiguity
Behavioral skills	
4. Personal skills (e.g. honesty, integrity, intelligence, objective)	Handling oneself well in situations of challenge, stress, conflict, time pressure, and change
5. Inter-personal skills (communication, presentation skills, a team player)	Securing outcomes through inter-personal interactions
6. Organizational skills (e.g. finding way around organizations, attaining a knowledge of the business, adapting internal audit work to a wide range of organizational systems, methods, and standards)	Securing outcomes through the use of organizational networks

Table I.
Skills required of internal auditors

Fanning and Piercey (2014) found that internal auditors from the USA generally lacked inter-personal skills that might influence their job performance, but the results may not be applicable to other countries where inter-personal skills are not deemed to be as important. Hughes *et al.* (2009) examined the analytical skills of entry-level auditors in Mexico and the USA and found that cultural values influenced entry-level auditors' ability to predict balance changes and risk assessment. Palmer *et al.* (2004) reviewed previous competency studies and found that most of the studies were centered on developed countries. Thus they proposed that more studies should be conducted to examine the competency issues in countries with different cultural backgrounds. They argued that the cultural studies are needed due to the evolution of the accounting profession which had created new challenges and opportunities. Abdolmohammadi *et al.* (2006) reviewed previous studies on CBOK and argued that such studies should be ongoing research to broaden the understanding of how internal auditing is practiced throughout the world since cultural differences influence the development of internal auditing systems in different countries. Thus the current study tries to understand the impact of cultural relativism on auditor professionals' perceptions of the importance of internal auditor skills. The next section discusses cultural relativism literature in detail.

Cultural relativism

The concept of cultural relativism was initiated by Hofstede (1980, 1991, 1994) who constructed five distinctive cultural dimensions (individualism, uncertainty avoidance, power distance, masculinity and long-term orientation) to identify the differences of thinking and behavior among different groups of people. Since then, many empirical studies have tested the relationships between the cultural dimensions and management practices and concluded that cultural values held by managers have significant impacts on the design and implementation of management control systems, commitment to failing projects, and financial reporting and auditing practices (Chanchani and MacGregor, 1999; Kirkman *et al.*, 2006; Lau and Caby, 2010; Salter *et al.*, 2013).

For example, Gray (1988) applied Hofstede's cultural value theory in accounting and argued that cultural values influenced nations' accounting systems and practices, and in turn, corporate internal controls (Salter and Niswander, 1995; Perera *et al.*, 2012) and managers' perceptions toward unethical reporting behavior (Geiger and van der Laan Smith, 2010). In addition, Abdolmohammadi and Tucker (2002) examined internal auditing development worldwide and found that internal auditing practices and development were different across nations.

Recently, House *et al.* (2004) conducted the GLOBE study to examine cross-cultural differences on leadership styles. They expanded Hofstede's original five dimensions to nine (power distance, uncertainty avoidance, institutional collectivism, in-group collectivism, assertiveness, gender egalitarianism, future orientation, humane orientation, and performance orientation) to better reflect the similarities and/or differences in management leadership styles across nations. They grouped 60 countries and regions into ten cultural clusters (Anglo, Germanic, Latin-European, African, Eastern European, Middle Eastern, Confucian, Southeast Asian, Latin American, and Nordic) that have distinct characteristics in terms of the cultural values. Then they linked the ten cultural clusters with six leadership styles: performance-oriented style that emphasizes high standards and pursue performance excellence, team-oriented style that promotes collaboration and team cohesiveness, participative style that encourages employees to participate in management decision making, humane style that cares about the well-being of members of organizations, autonomous style that stresses self-centered management approach, and self or group-protective style that tends to adopt formal management procedures and protects each other's "face."

Recently Abdolmohammadi (2012), using CBOK 2006 survey results, clustered Chief Audit Executives responses into five cultural groups (Anglo-Saxon, East-European,

Germanic Europe, Latin American and Latin-European) and tested the differences of CAEs' perceptions on the internal auditors' performance attributes among these cultural clusters. He concluded that cultural values significantly influenced CAEs' perceptions on the internal auditors' performance attributes which were measured by the professional skills identified by the CBOK studies.

The results, however, may not be applicable to other cultural clusters that have not been examined in Abdolmohammadi (2012) but have been found to have distinct differences (Sarens and Abdolmohammadi, 2011; Nisbett, 2003). In the CBOK 2006 study, 9,366 auditors participated from 91 countries with a majority of the participants from Anglo and other European countries (e.g. 3,139 from the USA, 271 from the UK) but only a few participants from Confucian countries (e.g. 62 from China, one from Korea).

To fill this gap, the current study compares UK (Anglo cluster) and Korean internal auditors (Confucian cluster). This approach is in line with the study by Sarens and Abdolmohammadi (2011) and Cooper *et al.* (2006). Sarens and Abdolmohammadi (2011) compared a sample of developed and emerging countries in terms of their internal audit practices and called for more field studies in which data are collected from actual practices of different countries. Also, Cooper *et al.* (2006) reviewed literature on internal auditing in the Asia Pacific region and found that most empirical studies are from Australia, New Zealand, Hong Kong and Singapore but not many from Korea. They asked for more research on internal auditing in the Asia Pacific region to examine the difference in internal audit practices.

According to House *et al.* (2004), there are no significant differences between Anglo and Confucian clusters with regard to four styles: performance oriented, team oriented, humane, and autonomous. However, managers from the Anglo cluster (e.g. UK) tend to be more participative than managers from the Confucian cluster (e.g. Korea). According to House *et al.* (2004), UK audit managers are more likely to encourage lower level auditors to participate in organizational decision making and allow more delegation, while Korean managers are more likely to use a top-down approach and expect less involvement from their subordinates in decision making. Thus, managers from the UK should emphasize behavioral skills that indicate employees' abilities of conducting effective inter-personal communication and handling social pressure. Alternatively, Korean managers are reluctant to consult their subordinate, especially entry-level auditors, for decision making. Thus lower level auditors would expect to focus more on technique-related cognitive skills.

In addition, UK and Korean managers also possess significant difference with regard to the self-protective leadership style. Specifically, Korean managers tend to utilize formal procedures to handle organizational issues and maintain their prestigious status. Thus, Korean audit managers require fewer interactions with the lower level auditors. The UK audit managers pursue flexible interactions by adopting less formal procedures and rely more on communications with their subordinates. These cultural differences between UK and Korean managers reflect the differences of managers' perceptions on the importance of cognitive and behavioral skills for entry-level auditors. This discussion leads to the following hypothesis:

H1. UK (Korean) auditors perceive behavioral (cognitive) skills as more important than cognitive (behavioral) skills.

Research methods

Survey instrument

We developed a survey instrument based on the CFIA framework. Within this framework, CFIA focuses on the necessary skills required by all internal auditors to ensure a high level of professional competence. Such skills are categorized by CFIA as either cognitive skills or behavioral skills. Cognitive skills are sub-categorized into technical, analytic/design, and

appreciative skills, while behavioral skills are sub-categorized into personal, inter-personal and organizational skills. Such skills are delineated for three distinct levels of internal auditors: entering, competent, and management.

We designed the questions by referring to the entering level internal auditors because we believe auditors' perceptions on the importance of these skills are important for the selection and hiring of entering level internal auditors. The CFIA framework has identified 56 skills for entering level internal auditors including 22 cognitive skills and 34 behavioral skills. The 22 cognitive skills are further categorized into eight technical skills, six analytical skills and eight appreciative skills. Similarly, the 34 behavioral skills are further categorized into 21 personal skills, 13 inter-personal skills but zero organizational skills for entering level auditors.

The specific question asked to each participant by the survey instrument was: "For each attribute given below, and based on your experience, please indicate how important each attribute is for an entering level internal auditor to be successful in your organization." The participants were instructed to use a five point Likert-type scale to indicate the importance (5 being extremely important; 1 being not important at all) for each of the 56 attributes. The presentation of the skills was randomized to minimize possible order effects. The final part of the survey consisted of demographic questions.

The original survey questionnaire was developed in English. We used a double translation procedure to translate English into Korean for Korean participants. First, one of the authors who is an English-Korean bilingual translated the survey into Korean. Then, another bilingual translator in Korea translated the same English questionnaire into Korean. The two Korean versions were compared, revised, and arrived at the final survey instrument for Korean auditors.

We first administered an online survey to UK auditors with the help of the IIA-UK. Then one of the authors solicited the survey participants from Korea in person during the annual meeting of IIA-Korea, with some additional responses from one of the authors' personal contacts.

Subjects

In total, 231 internal auditors participated in the project: 127 UK auditors (83 male and 44 female) and one hundred and four Korean auditors (98 male and 6 female). The mean years of work experience was 9.30 years for UK auditors, that is significantly higher than 6.73 years for Korean auditors ($t = 2.860$, $p < 0.01$). Table II presents the results of the descriptive analysis of the respondents.

Regression models

We ran the following linear regression models for the analysis. First, we compared the relative importance of cognitive vs behavioral skills in Model 1. The dependent variable, ImportanceRelative, was calculated by subtracting the average score of behavioral skills from the average score of cognitive skills. The independent variable was country, and the subjects' working experience and gender were control variables. We also controlled

		No. of respondents	Years of experience (mean)	SD	Min.	Max.
Country	UK	127	9.30	6.165	1	30
	Korea	104	6.73	7.485	1	40
	Total	231	8.14	6.895	1	40

Notes: $T = -2.860$; df = 229; $p = 0.005$

Table II.
Descriptive statistics: auditor experience

participants' highest degree and the size of their firms:

$$\text{ImportanceRelative} = \text{Country} + \text{Experience} + \text{Gender} + \text{Highest Degree} + \text{Firmsize} \quad (1)$$

Second, we created a binary variable representing auditors' perceptions on the relative importance of the skills in Model 2. The dependent variable was auditor's perceptions of more important skills (1 if auditors perceive cognitive skills as more important than behavior skills, 0 otherwise). The independent variable was country and the control variables were subjects' working experience, gender, highest degree and the size of the firms they work for measured by the total number of employees:

$$\text{ImportanceMore} = \text{Country} + \text{Experience} + \text{Gender} + \text{Highest Degree} + \text{Firm Size} \quad (2)$$

Then, we tested auditors' perceptions using the importance of the five sub-categories (i.e. technical, analytic/design, appreciative, personal and inter-personal skills). As presented in Model 3, the dependent variables represent one of the five sub-categories and the independent variable and control variables were the same as in Model 1 and 2:

$$\text{ImportanceSubCategory} = \text{Country} + \text{Experience} + \text{Gender} + \text{Highest Degree} + \text{Firm Size} \quad (3)$$

Adjustments for cultural response bias

Previous studies found evidence of response biases in cultural studies and recommended data adjustments (Fischer, 2004; Matsumoto and van de Vijver, 2011). Response bias is the systematic tendency that distorts observed scores by either selecting extreme or modest answers (extreme or modesty response bias) or a shifting of responses to either end of the scale (acquiescence response bias) (Fischer, 2004). To control for such biases, Matsumoto and van de Vijver (2011) recommended ipsatization as a data transformation method that needs to be done before formal data analysis.

By following Matsumoto and van de Vijver's (2011) recommendation, we conducted the following steps to ipsatize our sample data:

(1) we calculated means and standard deviations of responses for each participant;

(2) each participant's individual mean is subtracted from the participant's raw score to reach a basic ipsatized score to control for the bias arises from acquiescent response style; and

(3) the mean-adjusted score is then divided by the standard deviation for each participant to reach the final ipsatized score and control for the bias arises from extreme response style.

The final ipsatized data were used for further analyses on individual skills attributes.

Results

Within-cultural analysis

As presented in Table III, UK auditors perceived behavioral skills as more important than cognitive skills (0.057 vs −0.088, respectively, $t = 5.243$, $p < 0.01$). Further analysis showed that UK auditors perceived appreciative skills as the most important and technical skills as the least important skills for entering level internal auditors (0.152 vs −0.436, respectively). Korean auditors, however, perceived cognitive skills as more important than behavioral skills (0.095 vs −0.061, respectively; $t = 7.010$, $P < 0.01$). Further breakdown analyses showed that Korean auditors identified appreciative skills as the most important skills (0.280) and technical skills as the least important (−0.227). Table III summarizes the descriptive statistics.

Country	Skills		Mean	SD
UK $n = (127)$	Cognitive skills	Technical skills	−0.436	0.535
		Analytic skills	0.056	0.345
		Appreciative skills	0.152	0.303
		Total	−0.088	0.261
	Behavioral skills	Personal skills	0.063	0.219
		Inter-personal skills	0.047	0.265
		Total	0.057	0.169
Korea ($n = 104$)	Cognitive skills	Technical skills	−0.227	0.337
		Analytic skills	0.275	0.380
		Appreciative skills	0.280	0.257
		Total	0.095	0.191
	Behavioral skills	Personal skills	0.018	0.175
		Inter-personal skills	−0.189	0.230
		Total	−0.061	0.123

Table III.
Mean (SD) of cognitive and behavioral skills by country

Cross-cultural analysis

Multivariate analysis. The results of Model 1 and Model 2 showed that UK auditors perceived behavioral skills as more important than cognitive skills, but Korean auditors perceived cognitive skills as more important ($p < 0.001$). The results of Model 2 using binary variables were consistent with the continuous measure of relative importance. The results support our hypothesis and Table IV (Panel A) summarizes the results.

To examine the effect of cultural differences in each of the five sub-categories, we analyzed the survey responses by applying Model 3. The results showed that the country variable was significant in four out of the five sub-categories. Among them, analytic skills and appreciation skills were negatively related to country, suggesting that Korean auditors perceived these two skill categories as more important than other skills compared to UK auditors. Alternatively, personal skills and inter-personal skills were positively associated with country, indicating that UK auditors perceived these two skill categories as more important than other skills compared to Korean auditors. The last category, technical skills, was not significant. Table IV (Panel B) summarizes the results.

Rank of the importance of the skills. In order to identify the relative importance of each attribute, we ranked all 56 attributes within each cultural group. We used the original (raw) data for the ranking because the original scores were easier to interpret the relative importance of each skill within a cultural group, although the ipsatized data would still generate the same rankings.

The results showed that UK auditors gave high scores on behavioral skills. Specifically, UK auditors gave integrity, a part of personal skills, the highest score (4.78), followed by honesty (4.69, personal skills), communication – listening (4.44, inter-personal skills), communication – inter-personal (4.44, inter-personal skills), and linking evidence to arguments and conclusions (4.34, analytic/design skills). Of the top five important skills, four of them were behavioral skills. The five attributes that UK auditors gave the lowest scores included using relevant statistical methods (2.95, technical skills), using information technology – database systems (3.22, technical skills), sociable (3.27, personal skills), creativity (3.3, personal skills), and understanding of theories of organizational control (3.33, technical skills). Of these bottom five skills, three of them were cognitive skills and two of them were behavioral skills. The least important skill for entering level auditors, according to UK auditors, was technical skill.

Korean auditors' rankings, however, showed different results. Korean auditors gave honesty, which was part of personal skills, the highest score (4.64) followed by judging

Panel A: evaluation of the importance of cognitive skills and behavioral skills

Parameter	ImportanceRelative (Model 1)		ImportanceMore (Model 2)	
	Estimates	*p*-value	Estimates	*p*-value
Intercept	0.224	0.032	0.655	0.000
Country	−0.237	0.000	−0.373	0.000
YofExp	−0.001	0.904	−0.001	0.865
Gender	−0.130	0.091	0.066	0.516
HighD	0.000	1.000	0.104	0.097
Size	0.000	0.599	−0.001	0.465
Adj. R^2	0.064		0.121	

Panel B: evaluation of the importance of sub-categories (Model 3)

Parameter	TS	ADS	APPS	PS	IPS
	Estimates	Estimates	Estimates	Estimates	Estimates
Intercept	−0.099	0.470***	0.721***	0.094	−0.049
Country	0.012	−0.169**	−0.164**	0.135**	0.177***
YofExp	0.002	−0.003	0.008	0.000	−0.003
Gender	0.003	0.025	−0.190*	0.057	0.119
HighD	0.085***	0.022	−0.122*	−0.024	0.006
Size	0.000	0.000	−0.001	0.000	0.000
Adj. R^2	0.068	0.004	0.029	−0.001	0.035

Notes: Where: ImportanceRelative = importance of cognitive skills − importance of behavioral skills ImportanceMore = 1 if cognitive skill is more important than behavioral skills, 0 otherwise; Country = 1 if UK auditors; 0 if Korean auditors; YofExp = years of experience in audit industry; Gender = male or female; HighD = highest degree; Size = firm size measured by total number of employees; TS = 1 if technical skills are perceived as the most important skill, 0 otherwise; ADS = 1 if analytic/design skills are perceived as the most important skill, 0 otherwise; APPS = 1 if appreciative skills are perceived as the most important skill, 0 otherwise; PS = 1 if personal skills are perceived as the most important skill, 0 otherwise; IPS = 1 if inter-personal skills are perceived as the most important skill, 0 otherwise; Country = 1 if UK auditors; 0 if Korean auditors; YofExp = Years of experience in audit industry; Gender = male or female; HighD = highest degree; Size = firm size measured by total number of employees. The symbols in the table represent significant effects: * ⩽ 0.10; ** ⩽ 0.05; *** ⩽ 0.01, in two-tailed tests

Table IV.
Inter-country differences

whether information is sufficient, supportive of opinions (4.49, appreciative skills), discretion/tact (4.44, inter-personal skills), objective (4.35, personal skills), linking evidence to arguments and conclusions (4.22, analytic/design). Of the top five important skills, three of them were behavioral skills and two of them were cognitive skills. The five attributes that received the lowest scores by Korean auditors were empathy (2.68, inter-personal), diplomacy (3.0, inter-personal), culture sensitivity (3.01, inter-personal), presentation skills (3.16, inter-personal), and adapting to circumstances (3.26, personal). All five of them were behavioral skills.

Clearly, there was an impression that entering level internal auditors need to be analytically capable with high integrity or honesty regardless of the cultural clusters. In addition, Korean auditors perceived that inter-personal and other behavioral aspects played a less important role for entering level internal auditor than did UK auditors. Table V summarizes the results.

Organizational skills for entering level internal auditors

One behavioral skill that CFIA did not consider necessary for entering level internal auditors was organizational skill. In order to examine whether internal auditors agreed with CFIA, we asked participants two questions: whether they agreed with CFIA that organizational skills are not important for entering level internal auditors, and if not, how important the organization skills are for entering level auditors. The results of the first

Category	Sub-category	Attribute	Min.	Max.	Mean	SD	Rank
Panel A: top five attributes by UK auditors							
BEH	PS	Integrity	3	5	4.78	0.435	1
BEH	PS	Honesty	3	5	4.69	0.571	2
BEH	IPS	Communication – listening	2	5	4.44	0.613	3
BEH	IPS	Communication – inter-personal	2	5	4.40	0.646	4
COG	AS	Linking evidence to arguments and conclusions	2	5	4.34	0.715	5
Panel B: bottom five attributes by UK auditors							
COG	TS	Using relevant statistical methods	1	5	2.95	0.925	56
COG	TS	Using information technology – database systems	1	5	3.22	0.934	55
BEH	PS	Sociable	1	5	3.27	0.821	54
BEH	PS	Creativity	1	5	3.30	0.749	53
COG	TS	Understanding of theories of organizational control	1	5	3.33	0.976	52
Panel C: top five attributes by Korean auditors							
BEH	PS	Honesty	3	5	4.64	0.622	1
COG	APPS	Judging whether information is sufficient, supportive of opinions	3	5	4.49	0.574	2
BEH	IPS	Discretion/tact	3	5	4.44	0.636	3
BEH	PS	Objective	2	5	4.35	0.798	4
COG	AS	Linking evidence to arguments and conclusions	3	5	4.22	0.696	5
Panel D: bottom five attributes by Korean auditors							
BEH	IPS	Empathy	1	5	2.68	0.968	56
BEH	IPS	Diplomacy	1	5	3.00	0.788	55
BEH	IPS	Culture sensitivity	1	5	3.01	0.782	54
BEH	IPS	Presentation skills	1	5	3.16	0.893	53
BEH	PS	Adapting to circumstances	1	5	3.26	0.776	52

Notes: BEH, behavioral skills; COG, cognitive skills; PS, personal skills; IPS, inter-personal skills; AS, analytic/design skills; TS, technical skills; APPS, appreciative skills

Table V.
Ranking of each attribute for internal auditors

question showed that 36 percent (83 auditors; 61 UK and 22 Korean) agreed, 60 percent (138 auditors; 66 UK and 72 Korean) disagreed, and four percent (10 auditors; all Korean auditors) did not answer.

To analyze the responses to the second question and to determine the cultural differences of the responses between the two countries, we ipsatized their responses by following the same procedures described earlier in the research methods section. The 65 UK auditors (one UK auditor did not answer the question) who disagreed with CFIA (i.e. those respondents who considered that the organizational skills were important for entering level internal auditors) had a mean score of −0.52 (SD of 1.214); while 72 Korean auditors had a mean score of −0.03 (SD of 1.002). The difference was statistically significant ($t = 2.632$, $p < 0.01$). We also compared the rank order of the organizational skills with the other 56 attributes. The rank was 40 (out of 57) for UK auditors and 31 (out of 57) for Korean auditors. In sum, more Korean auditors considered organizational skills as necessary skills for entering level internal auditors relative to UK auditors, and Korean auditors perceived organizational skills to be more important relative to UK auditors. One possible explanation for this difference might be the traditional tenure systems in Korean companies that motivated Korean employees to consider their company as a permanent place to work. When an employee expects to stay with a company for a long time, the employee needs to possess good organizational skills to survive and to contribute to the organization. Tables VI and VII summarize the results.

Conclusion and discussion

This study examines the cultural impacts on internal auditors' perceptions on the importance of skills and attributes identified by CFIA. Based on the theoretical framework developed by House *et al.* (2004), we compared internal auditors' perceptions toward the importance of internal auditor skills from two different cultural backgrounds: the UK (Anglo cultural cluster) and Korea (Confucian cultural cluster).

The results showed that UK auditors perceived behavioral skills as more important than cognitive skills while Korean auditors had an opposite perception. Consistently, UK auditors' scores were higher than Korean auditors for each sub-category of behavioral skills; Korean auditors gave higher scores than UK auditors for each sub-category of cognitive skills except technical skills in which no significant differences between Korean and UK auditors were found (See Table I for categorization).

When rankings of all 56 attributes for entering level auditors were compared, four of the top five important skills perceived by UK auditors were behavioral skills. For Korean auditors, three of the top five important skills were behavioral skills and two of them were cognitive skills. The comparison of the bottom five skills showed clearer differences between the internal auditors from the two countries. For the bottom five skills for UK auditors, three of them were cognitive skills and two of them were behavioral skills. However, all five bottom skills for Korean auditors were behavioral skills. The specific results suggested that UK auditors in general ranked quantitative and technical capabilities very low while Korean auditors ranked "soft skills" very low.

Such results can be explained by the theoretical development in House *et al.* (2004). As discussed previously, managers from the Anglo cultural countries (e.g. UK) show more participative and less self-protective behavioral patterns compared to their counterparts from the Confucian cultural countries (e.g. Korea). Thus, UK auditors emphasize necessary inter-personal skills that they need to socialize and communicate with their colleagues, while Korean auditors are more likely to "mind their own business" and not to interact with other colleagues. This could lead Korean auditors to perceive cognitive skills (i.e. the skills auditors need to have to ensure a high quality performance) as more important.

The perceptual differences regarding the importance of cognitive and inter-personal skills between the two nations also have practical implications. First, given the significant differences across countries, cultures and regions, professional organizations and regulators should take into consideration the differing levels of perceived importance in further revision of recommendations for inclusion or exclusion of various internal auditor skills.

Table VI. Opinions on organizational skill requirements

	UK		Korea		Total	
	Number	%	Number	%	Number	%
Agree with CFIA	61	48.0	22	21.2	83	35.9
Disagree with CFIA	66	52.0	72	69.2	138	59.7
Missing	0	0	10	9.6	10	4.3
Total	127	100.0	104	100.0	231	100.0

Table VII. The importance of organizational skills

Country	Number	Raw mean	Rank	SD	Ipsatized mean[a]	SD
UK	65[a]	3.66	40	0.644	−0.52	1.21
Korea	72	3.69	31	0.685	−0.03	1.002

Note: [a] $t = 2.632$, $p = 0.009$

Moreover, with greater internationalization of graduate and undergraduate student bodies in some regions of the world, e.g. Australia, the USA, and Europe, the eventual work location of students may influence their personalized curriculum. For example, if students plan to work in Korea, technical and analytical cognitive skills will need to be emphasized and developed. The students may be advised to take quantitative analysis and critical analysis courses focusing on logical and analytical skills. In terms of preparing students to work in the UK, managerial, group, and inter-personal development will likely be more critical in their initial hiring. Thus, courses that relate to inter-personal skills development and management and group work should be emphasized. Schools that wish to customize their programs to benefit their students for future career development should pay heed to these cross-country differences. Individually, students who are choosing career paths should also emphasize a particular skill set when applying or interviewing for auditor jobs.

Another interesting practical finding of the study is that internal auditors in both cultural contexts perceived organizational skills as important skills for entering level internal auditors. As aforementioned, the organizational skills were not recognized important by CFIA for entering level internal auditors. However, altogether about 60 percent of the participating auditors agreed that organizational skills were important for entering level auditors. A practical implication from this finding is that the CFIA may need to revisit its recommendations and further emphasize the need to consider organizational skills development for entering level internal auditors, and include them in recommendations for schools and training institutions. From an educational perspective, although foundational technical skills would be expected and usually maintained objectively in educational programs, organizational skills to help graduating students navigate organizations (e.g. organizational charts, bureaucracy, structures) need to be further emphasized. This type of result should further encourage schools and students to have broader managerial and organizational processes and routine experiences.

The data obtained in this study provide us with significant practical insights into what would be perceived as a successful internal auditor from both the practical and academic perspectives. There are, however, several limitations that need to be noted. One limitation of the study is that two different data collection methods were used for the study: online for UK and paper-based for Korean auditors. Different data collection methods can affect the participants' responses. But Bryant *et al.* (2004) argue that web-based and paper-based administration of the same survey typically do not generate differential responses. Moreover, we controlled for the cultural response style by using within cultural ipsatization. Thus, we believe that the responses from both UK and Korean participants are reliable. Another limitation of the study is that we did not analyze the possible impact of each participating auditor's background knowledge. For example, internal auditors with accounting background could respond differently than those of other majors such as operations, law, information systems, etc.

As discussed earlier, the IIA has conducted a series of CBOK studies to identify necessary knowledge and skills that internal auditors should possess to be successful. One of the main remaining tasks, however, is the actual practical application of the findings. Recently there has been some efforts on this issue. For example, Seol and Sarkis (2006), using the CFIA, developed a multi-attribute model and applied to a real life company that hired entering level internal auditors. They concluded that the results were promising since the actual decision made by the company correlated with the results of the model.

Nevertheless, one of the primary concerns in the application of such a model is the onerous number of potential factors to consider. Thus, reducing the number of factors while maintaining the overall significance of the original framework can be beneficial to improving the practical applicability of the findings. Recently Seol *et al.* (2011), using factor analysis, reduced the number of skills required for entering level internal auditors to 11 new

skill factors, each of which had significant reliability score. More future broader empirical studies need to be done on the practical applications of the findings of CBOK studies.

Future studies should also investigate the impacts of other factors that are not included in CFIA. For example, organizational culture and/or size may play a role to influence internal auditors' perceptions on these skill sets. Larger globalized organizations may wish to have internal auditors who have strong cognitive skills and can grasp the complexities of larger organizations. Smaller domestic institutions, on the other hand, may need to have internal auditors who are aware of the inter-personal relationships. For example, Hu *et al.* (2013) suggest that individual cultural values may change in the globalized business environment and conclude that internal auditors in multinational companies may display different patterns of perceptions and judgments because of the acculturation. Also, industry differences (e.g. heavily regulated vs less regulated) may find variations into the skills they wish to see in their internal auditors. Clearly, there is significant room for the further understanding of these factors and their relationships for hiring, promoting and evaluating internal auditing employees.

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