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Organizational legitimacy, conflict, and hypocrisy: An alternative view of the role of internal auditing

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ABSTRACT

This article provides a commentary on [Everett and Tremblay's \(2014\)](#) analysis of ethics and internal audit by further exploring the role of the internal audit function within Nils Brunsson's model of organized hypocrisy ([Brunsson, 1986, 1993, 2002](#)). Specifically, we extend Everett and Tremblay's discussion of internal auditors as 'moral' actors and propose that the counter-coupling of an organization's primary outputs–talk, decision and action–provides internal auditors with the necessary tools to carry out conflicting ethical roles within the organization.

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1. Introduction

[Everett and Tremblay \(2014\)](#) present a very thoughtful analysis of ethics and the internal audit function in business organizations. Through their use of in-depth interviews, an interpretive archival examination of an internal auditing exemplar's autobiography and selected Institute of Internal Auditors (IIA) association's documents, Everett and Tremblay explore the manner in which internal auditors are “asked by their professional association to embrace a moral will that is ambiguous, if not conflicted”. Deontic, teleic, and aretaic ethical principles provide the theoretical groundwork the authors use to dissect carefully the ethical stance of the internal auditing field, ultimately concluding that it is currently compromised.

Building on [Boyce's \(2014\)](#) critical examination of Everett and Tremblay's work and [Lehman's \(2014\)](#) discussion of the “phronemos” and the current state of accounting education, we comment on the conflicted role of the internal auditing function within organizations' quests for legitimacy. We believe that Everett and Tremblay's explication of the ambiguous and conflicting roles of internal auditors, especially in light of their professional association's efforts to expand internal

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auditing's jurisdiction to broader issues of corporate governance and risk management, opens a space to reflect critically on the field of internal auditing from multiple theoretical perspectives. As we studied Everett and Tremblay (2014) we immediately connected their work to Nils Brunsson's model of organized hypocrisy (Brunsson, 1986, 1993, 2002). The purpose of our paper is to provide a commentary on Everett and Tremblay (2014) that connects their work with the theoretical work in organized hypocrisy.

The model of organized hypocrisy challenges traditional, rational models of organizational decision making. Brunsson argues that an organization's three outputs—talk, decision, and action—are not coupled, even loosely, such that talk leads to decisions that lead to actions in a rational, consistent progression. He also argues that these three outputs are not de-coupled. Rather, Brunsson explains that under the model of organized hypocrisy talk, decision, and action are counter-coupled. Talk and decision are utilized to compensate for action, not predict it. This counter-coupling “makes it easier to maintain the legitimacy of organizations, even when they are subjected to conflicting [stakeholder] demands” (Brunsson, 2007, p. 116). Thus, for example, a mining company can talk about its commitment to protecting the environment in its sustainability report and increase its invasive techniques for strip mining in pristine wildlife areas.

Three specific insights forwarded by Everett and Tremblay (2014), taken together, convinced us that their paper can be related to Brunsson's model of organized hypocrisy. First, the authors locate the internal auditing field within its expressed role as a ‘moral’ market actor. They employ work by Fourcade and Healy (2007) to argue that “markets are ‘actively moralized’ by their participants, and this is done via definitions of good and bad, legitimate and illegitimate”. Similarly, Brunsson's work on organizational hypocrisy is grounded in businesses' need for societal legitimacy and in the moral dilemmas that management confronts when trying to satisfy conflicting stakeholder demands (Brunsson, 2002).

Second, Everett and Tremblay explain that internal auditors work within a field of weak autonomy. Internal auditors' position *within* business organizations makes them accountable to agents (i.e., management) or those closely associated with agents (i.e., audit committee members), and this structure undermines internal auditors' cultural and moral authority. In essence, an organization's internal audit function is, as Everett and Tremblay state, “deeply immersed in organizational politics.” According to Brunsson, hypocrisy flourishes in a political organization (Brunsson, 2002). Thus, the internal audit function can be examined effectively from Brunsson's analysis of hypocrisy in politicized organizations.

Third, Everett and Tremblay use Gramling et al. (2004) and others to argue that internal auditors, as ‘pillars’ of corporate governance, promote a professional sense of morality that provides them with choices regarding how best to exert their moral will. The authors remind us that virtue ethicists examine thoughts *and* actions, and that a “virtuous person is one who thinks, and more importantly, acts in a virtuous way.” Brunsson explores the ways in which organizational hypocrisy can be used to help us understand the counter-coupling of talk and decisions, and actions among organizational members as they attempt to manage conflicting stakeholder demands, and more broadly, their organizations' societal legitimacy. Internal auditors play a strategic role in the maintenance of organizational morality and legitimacy. Organizational hypocrisy can provide internal auditors with “moral cover” and also provide them with counter-coupled tools of talk, decisions, and actions that help them play out their conflicting roles as arbiter of organizational justice and internal management consultant.

In the remainder of our discussion we briefly explain Brunsson's theory of organizational and organized hypocrisy and use this theory to comment on the role of internal auditing within business organizations. We believe that Brunsson's work can further our collective understanding of internal auditing as an organizational response to the need for societal legitimacy and for balancing conflicting stakeholder demands. In the process, we hope to provide some additional insight into the precarious moral position of internal auditors.

2. Organizational legitimacy, stakeholder conflict, and organized hypocrisy

Organizations are dependent upon their environment for legitimacy and external support (Suchman, 1995). While organizations exercise some control over organizational values and norms, often by choosing the environment in which they operate, there are a multitude of ideologies to which they must cater. For instance, business organizations are expected to generate high profits, meet analyst expectations, satisfy regulators, and create jobs while simultaneously protecting the interests of shareholders, creditors, the natural environment, and other affected parties. Moreover, stakeholders are increasingly demanding transparency with regards to an organization's structures and processes. Maintaining societal legitimacy thus requires an organization to develop and execute strategies that assess and balance the conflicting demands of legitimate stakeholders (Mitchell et al., 1997). Brunsson's model of organized hypocrisy presents a two-pronged strategy for gaining and maintaining external support: (1) reflecting inconsistencies and (2) organizational action. In sum, conflicting ideologies can be reflected by how an organization structures and presents itself in the natural environment as well as by how it acts.

The use of hypocrisy to satisfy conflicting interests, norms and values among various stakeholder groups can most notably be observed within political organizations, which are generally characterized by conflict and structured to embrace multiple ideologies among members (Brunsson, 2002). Brunsson notes that “one way of reflecting inconsistencies is to create and maintain a conflictual structure” (Brunsson, 1986, p. 168), whereby organizations form separate organizational functions and departments meant to exploit goals that are incompatible with the core goals of the organization. Subgroups are designed to assist organizations in the procurement of external support and signal ethical intentions to the rest of the world. Members who consider themselves agents of the environmental constituency that they represent, rather than agents

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