

Analysis of the Effect of Intercultural Communication on the Quality of Internal Audit: A Literature Review

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Abstract: In a globalized economic context, the quality of internal auditing has become a cornerstone of corporate governance, helping organizations effectively manage risks, make informed decisions, and maintain regulatory compliance. However, within international structures, cross-cultural communication emerges as a significant factor that significantly influences this quality of internal auditing. This article presents a comprehensive literature review that explores the complex relationship between cross-cultural communication and internal auditing in an international context. By analyzing and summarizing previous research, this study aims to highlight the critical role of cross-cultural communication in enhancing the quality of internal auditing, while identifying the key mechanisms and factors at play. The article proposes a research model that will serve as a starting point for studies aiming to analyze the impact of cross-cultural communication on audit quality.

Keywords: Cross-cultural communication; audit quality; internal audit; cross-cultural differences; international organizations

1. Introduction

In an increasingly globalized world, international organizations face complex challenges, especially in the field of internal auditing. The quality of internal auditing plays a crucial role in risk management, informed decision-making, and ensuring regulatory compliance. However, there's often an underestimated but essential element in this context: cross-cultural communication. Internal audit teams often work with colleagues, clients, and stakeholders from diverse cultures, which can significantly influence the quality of the auditing process.

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This literature review aims to explore and synthesize previous work on cross-cultural communication as a variable that positively and significantly impacts the quality of internal auditing. By examining existing research, this article seeks to develop a research model that will highlight the underlying mechanisms and essential factors related to this relationship. The main question this paper aims to answer is: Can cross-cultural communication be considered a variable that can affect audit quality?

2. Literature Review:

Global audit missions inherently present complexity due to persistent variations in quality, even when international audit standards are in place. This observation may seem paradoxical, especially in cases where major audit firms, commonly known as the "big four," apply standardized methodologies across all their global branches.

Audit quality can vary from one location to another, primarily due to cultural differences existing in each region or country. Cultural factors, such as values, social norms, stakeholder expectations, and even the perception of the auditor's role, can have a significant influence on how audits are conducted and evaluated in terms of quality.

In other words, while auditors may apply the same methods and standards in different regions of the world, these standards may be interpreted and implemented differently based on the local cultural context. Therefore, it is essential for auditors to consider these cultural differences to ensure that their audit missions meet the specific expectations and quality standards of each geographical environment. This may require increased cultural sensitivity, adaptation of audit approaches, and effective communication with local stakeholders to ensure a relevant and context-specific assessment of quality. Ultimately, acknowledging cultural differences is crucial to maintaining the quality and relevance of audits in an increasingly globalized world.

Several studies have shown that national culture and, consequently, cultural differences can directly and/or indirectly influence audit quality. For instance, Bouziane et al. (2023) argue that cultural elements impact audit quality, and Naslmosavi et al. (2014) contend that cultural differences affect audit quality through their influence on auditor independence.

Internal auditing is not exempt from these considerations, and it is likely to be impacted by cultural differences, especially in the case of international internal audit missions, where the field of internal auditing may be more sensitive to cultural disparities. In this context, Alzeban (2015) and Fath et al. (2013) conducted studies based on Hofstede's (1980) cultural dimensions to affirm that cultural elements have an impact on the quality of internal auditing.

Issues related to audit quality cannot be resolved solely through training or improved standards; culture also plays a significant role, as it fundamentally shapes how things are done and what is valued within an organization. This includes creating a culture of psychological safety where people are not afraid to express their opinions. Such an environment should be cultivated throughout the organization by leaders,

managers, and teams. It is crucial for companies to understand that a focus on culture ultimately benefits their business because a healthy culture means happier, more motivated, and more loyal employees, which creates a more resilient and sustainable organization. Cross-cultural communication is now a better solution for addressing the possibility of poor-quality internal audit missions.

Cross-cultural communication is the process of interacting and exchanging information between individuals or groups from different cultures. It involves understanding, appreciating, and managing cultural differences that influence how people communicate, interact, and perceive the world. Cross-cultural communication aims to foster better mutual understanding, minimize cultural misunderstandings, and promote cooperation and respect among individuals from diverse cultural backgrounds. Cross-cultural communication plays a crucial role in creating a conducive climate, a collaborative environment, and effective communication, all of which are essential for the success of internal audit missions.

Taylor and Osland (2015) suggest that cross-cultural communication has an impact on organizational learning, as well as on the sharing and transfer of information and knowledge at both the individual and group levels within global organizations. The authors emphasize the importance of overcoming barriers to cross-cultural communication that members of the organization may face to promote the creation and transfer of knowledge. Internal audit missions rely on the sharing and transfer of information, which is essential for the development and production of quality audit reports, highlighting the significance of cross-cultural communication in influencing the quality of internal audits through its involvement in facilitating information sharing.

Furthermore, Froese et al. (2012) also investigated the impact of cross-cultural communication on the attitudes of employees within companies. They analyzed the impact of foreign workers' language proficiency in the host country and their cultural adaptation in South Korea on their intention to leave and job satisfaction among 125 foreign workers. The results showed that proficiency in cross-cultural communication was positively related to job satisfaction. This work leads us to affirm that encouraging cross-cultural communication in international organizations through training and international mobility programs will help internal auditors excel in their work, thus producing high-quality audit reports, especially in a context where cross-cultural communication is considered to have a positive impact on organizational resilience (Fietz et al., 2021). Cross-cultural communication serves as a remedy for the risks that can arise from cultural differences. Bensebaa et al. (2020) argue that cultural incompatibilities hinder the smooth operation of organizations, especially when it comes to international structures. Understanding cultural differences and promoting cross-cultural communication appear to be effective means of leveraging cultural diversity and addressing the risk of conflicts and cultural shock.

Ganapathi (2019) believes that cross-cultural communication is essential for effectively managing teams from different cultural backgrounds in a way that adds value to the company and eliminates potential risks. Communication is a symbolic

process through which individuals highlight common meanings. Similarly, diversity in communication occurs when individuals with different cultural and moral perspectives create shared resources. This contributes to building mutual trust and developing relationships with new clients that hold crucial financial importance for employers. It is essential for a lasting relationship. Nevertheless, it plays a central role in the success and failure of organizations. Cross-cultural communication is an effective tool for auditors conducting missions in different cultural contexts. Aburge et al. (2019) have asserted that cross-cultural communication competence positively influences the professional outcomes of employees working in foreign countries.

Cross-cultural communication plays a crucial role in the performance of organizations and businesses. It exerts a substantial influence on their overall success. Chaturvedi (2022) conducted a study to analyze the impact of cross-cultural diversity on organizations. The results have demonstrated that organizations can benefit from diversity, leading to increased productivity. Cross-cultural communication plays a pivotal role in harnessing the advantages of cultural diversity within the workplace, subsequently enhancing overall organizational efficiency. Several authors have conducted research to explore the influence of cross-cultural communication on factors affecting organizational efficiency.

Zhao and Pan (2017) revealed through their studies that effective cross-cultural communication and interaction significantly improve employee motivation, particularly in international organizations and companies with employees from diverse cultural backgrounds. These findings were corroborated by the research conducted by Himmouche and Abdelhak (2016), which demonstrated that intercultural communication enhances employee motivation by facilitating their integration.

In a similar vein, Bell and Riol (2017) conducted a study examining the impact of intercultural communication on organizational performance through its influence on personnel. Their research revealed that intercultural communication has a positive effect on collective performance. Furthermore, Sucher and Cheung (2015) also found that intercultural communication has a positive impact on employee competence and team management styles.

The significance of intercultural/cross-cultural communication as a key success factor for businesses is undeniable, and it manifests significantly across various facets of their operations, particularly in the domains of sales, procurement, and internal auditing. In the context of sales, effective communication with customers from diverse cultural backgrounds enables a deeper understanding of their needs, values, and expectations. This empowers the company to tailor its products, services, and marketing strategies to better cater to these diverse demands, potentially leading to market expansion and increased sales.

In the sphere of procurement, intercultural communication is equally pivotal. It assists businesses in establishing robust relationships with international suppliers, negotiating advantageous agreements, and mitigating cultural misunderstandings that could jeopardize product quality or delivery timelines. Transparent communication

fosters mutual trust, which is essential for sustaining enduring procurement partnerships.

Regarding internal auditing, intercultural communication is essential for ensuring compliance with international standards and regulations. Audit teams must be capable of comprehending local business practices, accounting systems, and tax laws in various countries. Effective communication between audit teams and local employees facilitates the accurate collection of information and early detection of any risks or non-compliance issues.

Intercultural communication transcends borders and becomes a central pillar of a company's overall success. It enables seizing opportunities in international markets, maintaining fruitful relationships with business partners, and ensuring global regulatory compliance, all of which significantly contribute to the growth and stability of the company.

3. Methodology

This article takes the form of a conceptual work based on a literature review to establish a research model linking cross-cultural communication to audit quality. To do this, we searched for the following two keywords: "Audit Quality" and "Cross-Cultural Communication" in the following databases: Scopus, Springer, Taylor and Francis, and Wiley. No articles matching our research theme were found. We then proceeded to search for a single keyword: "Cross-Cultural Communication," and approximately 50 articles were found. After reading the abstracts, we retained only those articles that discussed and asserted the existence of a link between cross-cultural communication and an organizational factor related to the success of internal audit. For example, the work of Taylor and Osland (2015) asserts that cross-cultural communication promotes information sharing. This is essential for the success and assurance of quality internal audit. In this context, only 12 articles were analyzed.

We also referred to studies that link national culture to audit quality. We have kept the articles discussing the relationship between culture and audit quality. In this context, 4 articles were analyzed.

4. Proposition of a research model

Based on the objectives of our research and the literature review conducted, it is important to note that our research model aims to explain the following variable: Internal audit quality. Several variables can explain the dependent variable. These factors were identified from the literature review conducted, including:

- Dimensions of national culture (Individualism - Uncertainty Avoidance - Power Distance): These elements are most characterized as factors influencing the quality of internal audit.
- Information sharing;
- Organizational resilience;
- Job satisfaction;

- Cultural differences;
- Effective team management;
- Proficiency in the host country's language;
- Auditor's professional outcomes.

Through multidimensional analysis of the various research variables, the research model aiming to investigate the impact of cross-cultural communication on the quality of internal audit (in international organizations with a centralized internal audit entity) can be proposed as follows:

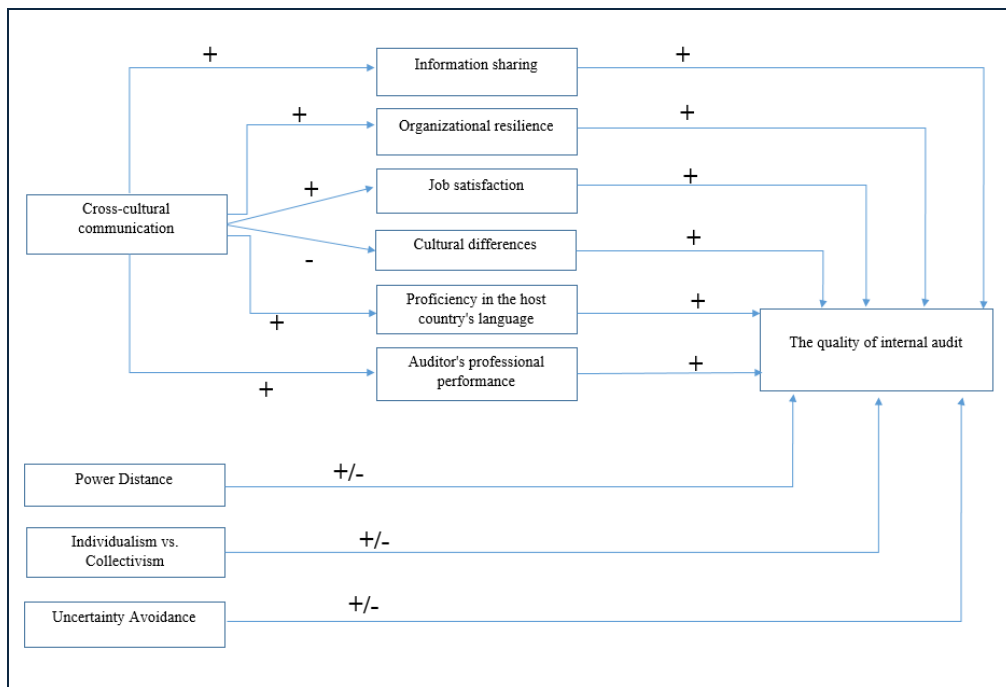


Figure 1. Research Model

As indicated in Figure 1, the research model emphasizes the various existing relationships. The direction of potential correlations is also indicated. The model proposes three types of relationships (based on the relevant literature): A positive relationship (+), meaning that the variables vary in the same direction; a negative relationship (-), indicating that the variables vary in opposite directions; and a third possibility represented by (+/-), signifying that some research suggests a positive relationship while others assert a negative relationship.

In summary, our study presents a research model based on 4 explanatory variables, 6 intermediary variables, and a single variable to be explained.

5. Discussion and Recommendations:

Audit quality, especially internal audit quality, is a highly complex concept that requires in-depth analysis. Factors influencing an internal audit mission in a small organization may differ from those in an international structure. Additionally, the factors depend on the status of the internal audit entity.

Leaders of international organizations operating in different countries consider internal audit structures as the key to providing assurance about asset control, evaluating the effectiveness of management procedures and processes, and helping achieve objectives (Hazami-Ammar, 2018). In the case of centralized internal audit management, internal auditors will need to interact with individuals from diverse cultures. Cross-cultural communication, therefore, becomes a critical element ensuring the success of any internal audit mission. Cross-cultural communication promotes job satisfaction, organizational resilience, information sharing and transfer, individual productivity, and addresses risks arising from cultural nuances, thus positively impacting the quality of internal audits.

Through this theoretical study, several recommendations aimed at improving internal audit quality and encouraging further research in the field can be made:

a. For international companies and internal audit professionals:

- Offer Cross-Cultural Communication Training:

Internal audit organizations should raise awareness among auditors about the importance of cross-cultural communication and provide training programs that include workshops dedicated to cross-cultural communication.

- Promote International Exchanges and Mobility:

International organizations should establish mobility and exchange programs for auditors and their employees, encouraging them to spend time in subsidiaries located in other countries.

- Encourage Openness and Acceptance of Differences:

Company cultures and value charters should emphasize the importance of open-mindedness, acceptance of differences, and acceptance of others.

- Provide Language Training:

Training programs in international organizations should include language training tailored to the languages spoken in the countries where their subsidiaries are located.

b. For the scientific community:

- Use the Proposed Model as a Starting Point:

Researchers focusing on cross-cultural communication and audit quality can use the research model proposed in this article as a basis to further explore the correlations between internal audit quality and the various influencing factors. The research model can be expanded with additional variables or used in its entirety.

- Conduct Research (Quantitative or Qualitative) or Case Studies:

Conduct empirical studies based on the research model proposed in this article, particularly within international organizations with centralized internal audit structures, to yield valuable insights when used as case studies.

6. Conclusion

In conclusion, in today's globalized economic landscape, internal audit plays a central role in corporate governance, enabling organizations to navigate the complex challenges of risk management, informed decision-making, and regulatory compliance successfully. However, it has become equally clear that cross-cultural communication plays a crucial role in determining the quality of internal audit, especially within international structures.

This comprehensive literature review has shed light on the complexity of the relationship between cross-cultural communication and internal audit, highlighting multiple mechanisms and factors at play. The research model proposed in this article provides a solid foundation for future studies aimed at further exploring the impact of cross-cultural communication on audit quality. It is imperative for organizations to recognize this critical dimension of their internal audit process and actively work to improve it. Ultimately, effective cross-cultural communication can serve as a bridge between different cultures and contribute to building trust, transparency, and the success of businesses on a global scale.

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