

Foreword

This book has been developed in association with the Center for Financial Reporting & Management (CFRM) at the Haas School of Business, University of California, Berkeley. As Jan Pfister's sponsoring faculty member at the Haas School of Business, I take great pride in contributing the opening piece of his publication. To my knowledge, this is the first in-depth interdisciplinary and theory-building study that addresses how organizational culture can be managed to enhance effective internal control.

Having served as senior finance officer at several major corporations for more than 14 years, it is clear to me that organizational culture needs to be addressed, particularly from an accounting and control perspective. As a native of India, I believe the need for considering cultures is accentuated even further in the internal control of international and global companies, where different national cultures come together. Thus it is the role of the control environment to address these issues in light of the internationalization of corporations.

Being on the cusp of current issues in practice and research, Pfister's work makes a significant leap in this direction, emphasizing the control environment. In any organization, the *culture* influences our behavior to some extent, which accounts for how the design and execution of internal control is encouraged. An example is the current financial crisis, which demonstrates clearly the need to develop cultures in which long-term rather than short-term thinking is ingrained. Pfister's approach distinguishes itself from other accounting and control research efforts as culture here is seen as a social "construct" that can be influenced by control. Hence, in this study, not only does culture provide the context for control, but any control mechanism also influences organizational culture.

This study is an excellent example of the thesis that accounting and control research can and should go beyond numbers and formal systems, and that there is a need to accept the study of accounting and control, not only in quantitative but also in qualitative terms. In fact, many senior corporate officers of large corporations contributed willingly and shared their valuable experiences through private interviews, which are incorporated within this book. The qualitative data provides unique evidence that many quantitative accounting studies cannot match. In addition, the

interdisciplinary aspect of this study is so relevant and so timely that the theoretical grounding of Pfister's work was awarded "Best Paper by a PhD Student" at the 12th Annual Ethics Research Symposium of the American Accounting Association in 2007. The theory and the interviews form an original bridge between innovative academic research and professional practice to respond effectively to a current need.

I am convinced that awareness of organizational cultures with regard to internal control adds value to the quality and performance of every business. This book offers valuable new insights for academics, professionals and many other groups. I enthusiastically recommend this book to you.

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