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MASTER THESIS

The role of Internal Audit in supporting the competitive strategy of Greek companies and organizations. The case of differentiation strategy.

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Abstract

Strategy is a key ingredient of success for organizations since it is the benchmark that guides a company in achieving its long-term goals gradually. Meanwhile, Internal Audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The present quantitative research wishes to examine, with the use of a questionnaire, the participation of the IA department of companies and organizations in Greece, in the formulation and implementation of their strategy. We explore how important and to what extent is the role of IA in this process and whether IA is part of the team of strategic planning. Apart from that, this dissertation includes useful guidelines for Greek companies and organizations that follow a differentiation strategy, as it further delves into the participation of IA in this strategic choice.

Key words: Internal Audit (IA), Competitive Advantage, Strategy, Differentiation, Questionnaire, Quantitative Research

Περίληψη

Η στρατηγική αποτελεί βασικό συστατικό της επιτυχίας, καθώς αποτελεί οδηγό για την σταδιακή εκπλήρωση των μακροπρόθεσμων στόχων των οργανισμών και των επιχειρήσεων. Παράλληλα, ο εσωτερικός έλεγχος βοηθά τους οργανισμούς να εκπληρώσουν τους στόχους τους, μιας και εισάγει μια συστηματική και δομημένη μέθοδο για την αξιολόγηση και τη βελτίωση της αποτελεσματικότητας της διαχείρισης κινδύνων, του ελέγχου και των διαδικασιών εταιρικής διακυβέρνησης. Η παρούσα ποσοτική έρευνα επιδιώκει να εξετάσει, με τη χρήση ερωτηματολογίου, τη συμμετοχή του τμήματος εσωτερικού ελέγχου στη διαμόρφωση και την εφαρμογή της επιχειρησιακής στρατηγικής σε εταιρίες και οργανισμούς που βρίσκονται στην Ελλάδα. Διερευνάται η σημασία και το μέγεθος του ρόλου του τμήματος εσωτερικού ελέγχου στη διαδικασία της στρατηγικής και το κατά πόσο αυτό αποτελεί μέρος της ομάδας στρατηγικού σχεδιασμού. Εκτός αυτών, η διπλωματική αυτή περιλαμβάνει χρήσιμες οδηγίες για τις ελληνικές επιχειρήσεις και οργανισμούς που ακολουθούν στρατηγική διαφοροποίησης, καθώς επικεντρώνεται περαιτέρω στη συμμετοχή του εσωτερικού ελέγχου σε αυτή τη στρατηγική επιλογή.

Λέξεις κλειδιά: Εσωτερικός Έλεγχος, Στρατηγικό Πλεονέκτημα, Στρατηγική, Διαφοροποίηση, Ερωτηματολόγιο, Ποσοτική Έρευνα

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Introduction

This dissertation combines the concepts of Internal Audit and Competitive Strategy and aims to set the profile of IA departments in supporting the competitive advantage of Greek companies and organizations. A further focal point of this dissertation, in the form of a case study, is the relationship between IA and differentiation strategy.

At first, theoretical aspects, such as Internal Audit and Strategy, are explored in order to form the foundation of the empirical research. A strong emphasis is given in the sources of competitive advantage and differentiation, as well as the bibliography connecting the role of IA with strategy. The present research is descriptive and of quantitative nature. The information to be collected refers exclusively to Greek companies and organizations and wishes to depict the current picture of the IA environment in Greece in matters of its involvement in business strategy. A questionnaire was handled to a sufficient sample of IA professionals that were retrieved through a social network of professional purpose. The questionnaire is divided into sections and respects the personal data of its respondents. Apart from introductory questions that wish to provide statistical results for the sample profile, it includes questions about the competitive strategy of the company / organization, the relationship between the IA department and the strategic plan, and the choice of differentiation strategy for achieving competitive advantage, if applicable of course. The analysis of the collected quantitative data will be conducted statistically and will be depicted with the visual aid of charts.

Interesting results are expected to come up, such as statistics regarding the profile of Greek IA professionals, the competitive strategy of Greek companies, the extent of IA participation in all steps of the strategic management process, the hierarchy of IA tasks based on the everyday workload and the management expectations from IA regarding strategy. At the same time, the last part of the questions that comprises the case study of this research deals with the internal and external competitive values of the companies / organizations and the participation of IA in the differentiation strategy. The findings of the data analysis will be a snapshot of the Greek professional IA environment that may be used in order to further explore the current and potential

role of IA in the business strategy and to see whether there is a need for a deeper professional analysis and academic focus in the field of strategy.

Theoretical part

Internal audit and its functions

The definition of Internal Audit (IA), according to the Institute of Internal Auditors (IIA), identifies Internal Auditing as an independent, objective assurance and consulting activity, designed to add value and improve an organization's operations. Internal Audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA Research Foundation, 2013).

A dedicated, independent and effective internal audit activity assists both management and the oversight body (e.g. the board, audit committee) in fulfilling their responsibilities by bringing a step-by-step holistic approach to assessing the effectiveness of the design and execution of the system of internal controls and risk management processes. Because internal auditors are experts in understanding organizational risks and internal controls available to mitigate these risks, they assist management in understanding these topics and provide recommendations for improvements. As a result, IA function is valuable, due to its knowledge of the organization and its culture, operations and risk profile (Petrodaskalakis & Chrysosolouris, 2014).

The mission of IA is to enhance and protect organizational value (Bou-Raad, 2000). By providing a risk-based, independent, objective assurance, advice and insight, it assists management and governing bodies, with its assurance and consulting activity, based on strong data and business analyses. It also applies objectivity and accountability, with commitment to integrity, being an independent part of the organization. The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified and thus, expectations for stakeholders regarding IA are increasing (IIA Research Foundation, 2013). This already implies that part of the IA duties may involve

assessments and recommendations regarding already decided strategic ventures and potential risks, omissions or opportunities (Mavrelou, 2019).

A key element of the internal audit function is its independence and thoroughness. As a result, the department is widely recognized as an integral part of a company's strategic objectives, corporate governance and risk management and the potential for increasing IA's strategic relevance is great (IIA Research Foundation, 2013). The IA function might be amongst the top value-adding services available to a company's senior management and board of directors and it can become an integral part of overall strategy by assisting in the achievement of corporate objectives. In order to achieve the alignment between IA and strategy happen, a few steps need to be followed (Basioudis, 2009).

First of all, it is important to define the expectations that the stakeholders have from the IA department. Should the mission, structure, resource model, working practices, and communication protocols for the internal audit function are decided by the management and agreed by the IA department, there is a clear "contract" between the two parties and a well-defined roadmap for IA. The next step is the development of a formal strategic plan. If the plan is developed along with the help and insight of IA, the audit function will be even more aligned with the strategic objectives of the company, as its role in formulating the plan is decisive (Dittenhofer, 2001). Nevertheless, once the strategic plan is set, company risk analysis should be carried out in order to assess and prioritize the risks and opportunities of the strategy. What come next is the establishment of short-term and long-term budgets for the internal audit function and then the actual realization of IA fieldwork in order to assess any further needed skill sets. Consequently, the IA develops internally or acquires by outsourcing internal audit infrastructure, methodologies, and technologies. The results of the IA function should be communicated clearly by predetermined ways of communication regarding the material, data, time and means of addressing the findings to the all company stakeholders (primarily, however, with senior management and the audit committee). Last but not least, the aforementioned results should be measured so that the management can give a feedback based on the results and the recommendations given by the IA reports of findings (Basioudis, 2009).

Internal audit expectations and current environment

The expectations regarding the role of internal audit have evolved over time and vary among different stakeholders. Nevertheless, we may spot that in the past, there was a domination of financial reporting and compliance, especially after many scandals became public during the early years of 2000. Nowadays, internal audit is being challenged to not only help keep business out of trouble, but to help improve overall business performance. In order to meet the expectations from management as a trusted advisor on ways to improve business performance and from the audit committee to minimize risk, internal audit leaders need to continue to think differently and react quickly (Petrodaskalakis & Chryssolouris, 2014). As a result, the main focus has been shifted from legal obligations and strictly financial reports and as IA function is expected to be more involved both in strategy and operations of companies.

As companies achieve greater market leadership, it becomes increasingly important to maintain the proper balance between sustaining growth and innovation, while managing risk and building infrastructure (Gleim, 2001). The companies' ability to understand and manage this expanding and more complex risk profile stands out as a vital element of organizational success. Internal audit provides the company with an independent function aims to evaluate and improve the effectiveness of risk management, governance and control processes and also, it guarantees at a reasonable level that risk is being effectively managed and overall corporate governance and control is strong (IIA Research Foundation, 2013). Currently, the IA may turn its full attention from compliance that was dominating the field after the numerous scandals, as there is a need for a more involved, yet independent, advisor, with more weight given on operations and the inclusion of IA in the business strategy aspect of business.

The role of strategy in business

But why strategy is so important for companies and why IA should involve it in its activities? Strategy is a key ingredient of success both for individuals and organizations as it is the means by which they achieve their objectives. Strategy assists the effective management of organizations, first, by enhancing the quality of

decision making, second, by facilitating coordination, and, third, by focusing organizations on the pursuit of long-term goals (Grant, 2017).

In practice, strategy making involves both thought and action. This is typically through a process in which top-down rational design is combined with decentralized adaptation. At the same time, strategy is being continually enacted through decisions that are made by every member of the organization (Grant, 2017). A sound strategy cannot guarantee success, but it can improve the odds. Successful strategies tend to embody four elements: clear, long-term goals, profound understanding of the external environment, precise appraisal of internal resources and capabilities and effective implementation. As we may realize, the second and third factor may be enhanced with the aid of IA function.

To describe the strategy of a firm we need to recognize where the firm is competing, how is competing and the direction it is developing (Porter, 1996). Strategy is a very important aspect of decision making, as it enhances and improves it by building coherent plans. First of all, it simplifies decision making by limiting the range of decision alternatives and predicting the possible outcomes of each strategic move. Apart from that, following a strategy permits better allocation of resources via a proactive management that takes advantage of the available means, in order to realize the already predetermined plan as effectively as the information provided permits. Last but not least, strategy helps decision making, as it facilitates the use of analytic tools that can provide a weighted decision with less uncertainty and thus, less –or, at least, accepted- risk (Porter, 2008).

From the corporate strategy, we may understand an organization's mission, vision and goals. Essentially, strategy is the benchmark that guides a company in achieving its long-term goals gradually. Strategy also aims, among other things, in acquiring and maintaining competitive advantage for the corporation. An enterprise is considered to have a competitive advantage over its competitors when the sustainability of returns exceeds its industry average (Tsousi, 2018). The above characteristic makes an organization different from its competitors and can be crucial for its customers and their choice.

Sources of competitive advantage: Differentiation analysis

Competitive advantage arises where there are imperfections in the competitive process, which in turn result from the conditions under which essential resources and capabilities are available, such as imperfections in information, transaction costs, and behavioral trends. Competitive advantage emerges from internal and external sources of change. Internal sources of change include innovative capabilities, inspired creations and results of research and development. External sources of changes might occur from changes in customer demand habits, changing prices of inputs and technological change. Some firms are faster and more effective in exploiting and adapting to change while resource heterogeneity among firms creates winners and losers (Stalk, 1988).

Any change creates opportunities, should firms take advantage of them. It is thus essential to anticipate changes in the external environment and be able to adapt. Also, another important factor that enhances competitive advantage is speed. As markets become faster and more unpredictable, the ability to respond quickly and be well-informed of the external changes can add value and be important in manners of competition.

A firm can achieve a higher rate of profit over a rival in one of two ways: either it can supply an identical product or service at a lower cost or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation. In the former case, the firm possesses a cost advantage, in the latter, a differentiation advantage. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a low price (Grant, 1991). In the present dissertation, we are going to explore the competitive advantage created through differentiation.

A firm differentiates itself from its competitors “when it provides something unique that is valuable to buyers beyond simply offering a lower price”. Differentiation advantage occurs when a firm is able to obtain from its differentiation a price premium that exceeds the cost of providing the differentiation.

Every firm has opportunities for differentiating its offering to customers, although the range of differentiation opportunities depends on the characteristics of the product. Differentiation is not simply about offering different product features, it is about identifying and understanding every possible interaction between the firm and its customers and asking how these interactions can be enhanced or changed in order to deliver additional value to the customer, thus it is about how the firm competes. This requires looking at both the firm (supply side) and its customers (demand side). Thus differentiation strategies are not about pursuing uniqueness for its own sake. It is about understanding customers and how to best meet their needs by taking advantage of the assets that the company can offer (Cattin & Witting, 1982). On the supply side, the firm must be aware of the resources and the capabilities through which it can create uniqueness. Demand analysis identifies customers' demands for differentiation and their willingness to pay for it, but creating differentiation advantage also depends on a firm's ability to offer differentiation, which in turn depends upon the activities that the firm performs and the resources it has access to. On the demand side, the key is insight into customers and their needs and preferences. Analyzing customer demand enables us to determine which product characteristics have the potential to create value for customers, customers' willingness to pay for differentiation and a company's optima competitive positioning in terms of differentiation variables (Lancaster, 1971).

Differentiation includes both tangible and intangible dimensions. Tangible differentiation is concerned with the observable characteristics of a product or services that are relevant to customers' preferences and choice processes. It also extends to products and services that complement the product in question: delivery, after-sales services and accessories. Opportunities for intangible differentiation arise because the value that customers perceive in a product is seldom determined solely by observable product features or objective performance criteria. For consumer goods and services the desire for status, exclusivity, individuality, security and community are powerful motivational forces (Dickson & Ginter, 1987).

Chamberlain (1933) was the first economist to suggest that no two firms are likely to make precisely the same product, even though they operate in the same industry. Companies try to be different and offer to their customers a unique and special experience in regards of both services and products. According to Michael Porter,

uniqueness may be achieved firstly by the product features and product performance. Also, complementary services (such as credit, delivery, repair, after sales) can make the difference. At the same time, a strong focus on marketing activities and the procedures that influence the customer experience may add value to the firm's output. Apart from that, factors such as technology in design and manufacture, quality of purchased inputs and human resources are very important in creating uniqueness. In matters of company structure, differentiation may arise from the degree of vertical integration and the location of the company (Porter, 1985). Finally, a crucial factor for the differentiation is the integrity and reputation of the company, as well as aspects of corporate, social and environmental responsibility. As a rule of thumb, it is important to create a value chain among the drivers of uniqueness in each activity of the firm and then locate the linkages between the value chain of the firm and the values appreciated by the customers.

Nevertheless, differentiation is not a silver bullet in the competition for success in doing business. In fact, it adds cost, as it implies higher quality inputs, better-trained employees, higher advertising costs and better after-sales services. Not only that, but it also entails three main risks according to the theory (Porter, 1980). Firstly, the differential cost between low-cost competitors and the differentiated firm becomes too great for differentiation to hold brand loyalty, which means that buyers may sacrifice some of the features, services or image possessed by the differentiated firm for large cost savings, or that willing buyers may prefer in the end, a cheaper option and thus compromise for less. Also, buyers' need for the differentiating factor fails and this can occur as buyers become more sophisticated. Last but not least, imitation marrows perceived differentiation and this may redirect the potential buyers to a more affordable substitute.

The role of IA in shaping and meeting the strategic objectives

Goodwin (2004) states that the new definition of internal audit function has moved its focus from internal audit function to a function of adding value to the organization by improving the operations of the organization and by evaluating and improving the effectiveness of the organization's risk management, control and governance processes. There has been a shift in the expectations of internal audit over the past couple of years, moving from a focus on compliance to more of a balanced

compliance and advisory role with increased focus on operational and strategic risk. The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. Furthermore, there is a growing expectation from organizations and their shareholders that internal audit must deliver tangible commercial value, providing assurance against strategic risks and business performance targets in a cost-efficient manner (IIA Research Foundation, 2013).

As one of the aspects of IA is to identify and qualify key business risks in order to estimate probability of occurrence and impact on business, it is possible to focus on strategic risks, depending upon internal audit mandate. Internal audit is a dynamic profession involved in helping organizations achieve their objectives, including following a set strategy. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organization. Its role is to provide independent assurance and unlike external auditors, IA looks beyond financial risks and statements to consider wider issues such as the organization's reputation, growth, impact on the environment, and the way it treats its employees (IIA Research Foundation, 2012).

Strategic planning, by definition sets up guidelines for organizations actions in achieving goals, while internal audit is designed to help organization to reach these goals (Mintzberg, 1994). As a holistic and crucial department, internal audit should help management understand what the key risks are to the success of their strategy and should then provide assurance that the key controls to managing those risks are sound. Apart from the assurance in functioning of system of controls in organization, internal auditing should provide internal consulting services to all levels of the organization in terms of training, assistance, guidance and counsels, and in that way it helps organization in achieving its goals. The role of internal audit is rarely to help set a strategy, as this is generally the duty of management and the board. Rather than that, internal audit's role should be to audit processes for the development and implementation of strategy (Bosnjak, 2019). Strategy risk audits focus on the risks that could come from pursuing certain strategically important organizational goals. Strategy process audits assess the formulation, implementation, evaluation and control of the strategic management process or the formulated strategy (KPMG, 2017).

Internal audit's role in auditing strategy has been the topic of some industry debate, and is often questioned by boards. Some argue that strategy audits should simply focus on the processes for implementing strategy. Others argue that a strategy audit can apply to both the process and the content (Hill & Jones, 2007). Apart from that, the IA department might need to ensure that the board of directors is engaged in strategic planning (Young, 2019). Nevertheless, IA is not just there to find where attention must be focused, but it can also highlight areas that are over-controlled, showing where too much time and cost is going into a particular aspect of operations without benefit (KPMG, 2017). In conclusion, nowadays, the internal audit function is not only focused strictly on compliance, but also participates in many aspects of strategic planning in the modern corporate environment, either by helping in the shaping of strategy, or by assisting in many ways so that the strategic targets can be met.

Empirical part

Research scope and goals

After a thorough research of the literature, it is noted that there are no recent research results regarding the role of the Internal Audit department in the competitive strategy of the Greek companies and organizations. Moreover, there is no clear picture about the role of the IA regarding the competitive strategic choice of differentiation. As a result, the present study aims to provide an analysis about both the participation of the IA department of companies and organizations in Greece in the formulation and implementation of their strategy, and its role in the differentiation strategy of the company/organization, should there is one applied.

First of all, the research aims to verify whether the strategy of Greek companies and organizations is clearly defined and then, if it is well-known to the IA department. Another finding that is expected to occur is the relationship between Audit and the processes regarding the formulation, the implementation, the control and the evaluation of strategy processes, as well as its role in the content and progress of strategic planning. Furthermore, we aspire to deduce if there are expectations from the

IA by the management in terms of strategy and note the participants' opinions regarding the hierarchy of their tasks and also their current and ideal participation in the strategy of their workplace.

In terms of the choice that deals with the differentiation strategy, interesting findings are expected to come up. A goal of this section is to examine how familiar is the IA department with the internal and external competitive values of the company/organization. Moreover, we aim to define how systematic is the IA involvement in the differentiation strategy and the aspects of the IA participation in it.

The present research analysis would like to add value in the theoretical field of Internal Auditing based on practical results that derive from actual professionals of the IA occupation. The conclusions wish to be useful for academic purposes, in order to see if there is a need for a change or focus in IA curricula, as well as for new auditors, like the students that complete the current IA module, so as to be better prepared for our future working environment and the potential of a deeper focus in the field of strategy.

Research methodology

Research design

The present research is descriptive and of quantitative nature. The research is preplanned and structured in design, so the information collected can be statistically inferred on a population. The main idea behind choosing this type of research is to better define the attitude and behavior held by a group of people, i.e. the IA department, on a given subject, i.e. their contribution on business strategy, considering the previous gap in literature in terms of studying the Greek companies and organizations' IA departments and their involvement in strategy. This may allow us to measure the significance of our results on the overall population under discussion, as well as the changes of respondents' opinions, attitudes, and behaviors over time.

The data of the present research will be of primary source. Respondents will be contacted via the social network LinkedIn, based on their profession (Internal Auditor) and their place of employment (companies and organizations based in

Greece). The type of question is mostly closed-ended, with open-ended questions in case the respondent would like to add an option that is not included or to clarify their answer.

Research method

The present research is quantitative, comprised by a sampling frame of 125 sent questionnaires. We have decided to follow a descriptive study, as our primary goal is to define what currently exists in the Greek IA environment. The present hypothesis may not follow a causal approach at this level of data, as we are not aware up to now of the dynamics of variables. Thus, we are not in a place to predict the relationship and dependence of variables “strategy” and “IA”, as firstly, we have to gather measurable data concerning the aforementioned elements. Our data collection will be cross-sectional, since we attempt to give a snapshot of data at a certain moment in time, i.e. the professional environment in Greece in 2021. The survey will be communicated via the sending of a structured questionnaire addressed to IA professionals, traced via LinkedIn and official company pages for a two-month period. We aspire that the structure of the questionnaire will enhance the reliability of the answers as the responses are limited to the alternatives stated and the standardization of the questionnaire will reduce the variability of the results.

Sampling design

The research population of this research is Internal Auditors that are currently employed in Greek companies and organizations. The sampling frame will be the list of professionals with a LinkedIn account, stating in their profile that they are currently employed in a Greek company or organization. The sampling method of the research is non-random, as a convenience sample will be chosen. As part of the research, we have sent invites to numerous Internal Auditors that are users of LinkedIn and we selected those that accepted our invitation and became accessible for including them in our research. Our survey method collection is conducted online via an internet survey provided by Google Forms and designed according to the needs of the research questionnaire. The sample size is determined from all the answers that are received within a predetermined time frame, i.e. two months (5/2/2021-5/4/2021). In fact, 125 questionnaires were sent and 66 professionals responded and replied totally or partly

to the questionnaire. Nevertheless, out of the 66 replies, 6 replies will be excluded (9.1%), as the respondents replied that they are not currently occupied as Internal Auditors. As a result, the response rate is 52.8% (66/125) and the accepted response rate is 48% (60/125).

Questionnaire design

The response format of the questionnaire will be mostly of multiple choice. The questions were formally structured and their answers were usually either dichotomous, with the option of “Other”, if the question demands an alternative answer, or structured on the Likert scale, so that the respondents may indicate their agreement or disagreement with a series of statements.

The present questionnaire is comprised of 6 sections. The first section is introductory and constitutes the consenting form for the beginning of the survey. The second section refers to the respondent’s personal background. The third section includes questions about the competitive strategy of the company / organization, whereas the fourth section examines the relationship between the IA department and the strategic plan. The fifth and sixth sections refer to the case study of the research and are dealing with the competitive advantage via the differentiation strategy. In total, the questionnaire asks 34 questions, including the general personal and professional information. The full questionnaire is provided in the Appendix.

Analytical issues

The analysis of the present research was conducted statistically for the collected quantitative data. The analytical software used are Google Spreadsheets and Microsoft Excel.

Research results

It is important to note that at the beginning of the questionnaire, all participants were informed that their responses will be will be anonymous and will never be linked to them or their company, as the data will be used exclusively for the current university research project.

Sample profile

The second question clarified whether the respondents were currently employed in an Internal Audit department (Chart 1). Out of the 66 responses, 6 were negative (9.1%) and thus excluded from the continuation of the questionnaire. As a result, the response rate is 52.8% (66/125) and the accepted response rate is 48% (60/125).

Do you work in the Internal Audit department of a company / organization?

66 responses

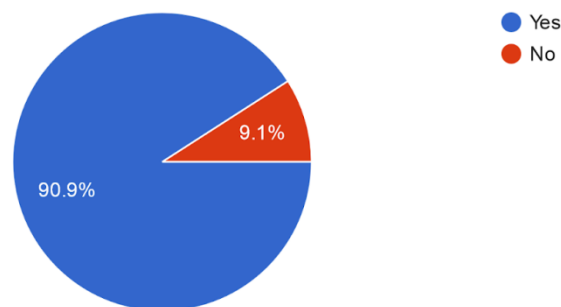


Chart 1 - Employment in IA department

Moreover, we asked in which sector each respondent works and the following chart shows the results, depicted in detail in the next table.

In what sector is the company you are currently working functioning?

60 responses

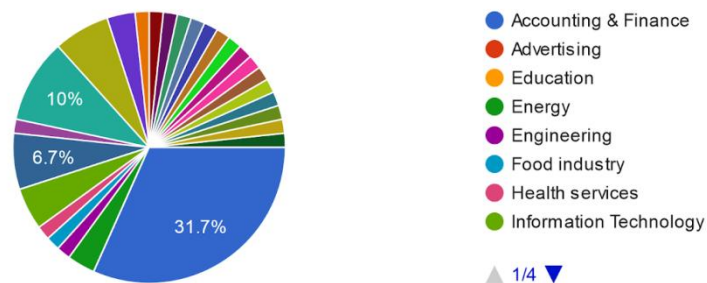


Chart 2 - Sector of employment

Sector of employment	Respondents	Percentage (%)
Accounting and finance	23	38.3
Commerce	1	1.7
Construction	2	3.3
Consulting	7	11.7
Education	1	1.7
Energy	2	3.3
Engineering	1	1.7
Food industry	1	1.7
Health services	1	1.7
Information technology	4	6.7
Insurance	2	3.3
Law	1	1.7
Public sector	4	6.7
Real estate	1	1.7
Shipping	1	1.7
Tourism	6	10
Transportation	2	3.3
Total	60	100

Table 1 - Sector of employment

As the allocation of the above table shows, about 50% of the sample works in the fields of finance, accounting and consulting. Other important groups include tourism (10%), information technology and the public sector. Most of the remaining respondents are employed in different sectors stated above. It should be noted that some responses were merged with bigger categories, as they were too specific (e.g. airline company and transportation).

The next question asks about the years of employment in the current IA department. Out of 60 answers, 35 answers stated less than 5 years (58.3%), 15 answers were 5-10 years (25%), 8 replies were 10-20 years (13.3%) and only 2 answers were more than 20 years (3.3%). As a result, we realize that the current IA departments usually

employ new employers and maybe are newly-formed, as the majority of auditors work in their current workplace for less than 10 years (83.3%).

How many years do you work in the current IA department?

60 responses

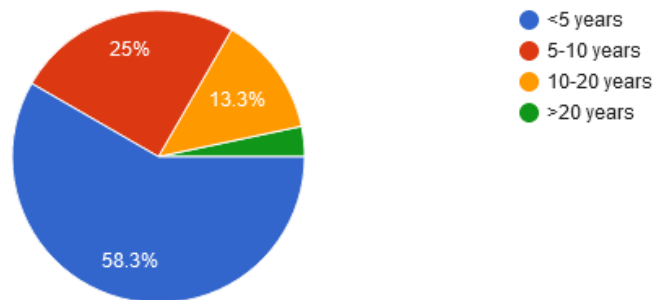


Chart 3 - Years in current IA position

The next question is relevant to the previous one, as it refers to the age of the respondents. Most of them are 35-50 years old (50%), whereas only 1 respondent is over 50 years old (1.7%). The next age group is 28-35 years old, as 17/60 respondents belong to it (28.3%). Finally, the rest 20% of the sample population is less than 28 years old (12 answers). Thus, the Greek IA departments are mostly occupied with new employees, who are most likely between the age of 35 and 50 years old (Chart 4).

How old are you?

60 responses

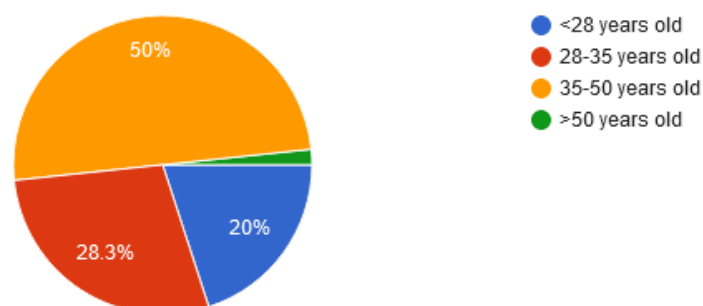


Chart 4 - Age of respondents

The following question refers to the educational background of the respondents.

Was Internal Auditing part of your studies?
60 responses



Chart 5 - Educational IA background

The sample responded regarding their educational relationship with Internal Auditing. Three persons (5%) attended IA courses in their undergraduate studies, whereas 15 persons (25%) received IA courses in a postgraduate level of studies. So, a total of 30% of the current internal auditors of the sample attended IA curricula in both undergraduate and postgraduate level of studies. The remaining 70% is allocated as per following: 20% took IA seminars and 30% replied that did not attend an IA course, but has a financial background of studies. Ten persons (16.7%) have a completely different background and the remaining two respondents are certified auditors via a CIA certification. The following table depicts the findings in detail:

IA in Education	Respondents	Percentage (%)
Undergraduate level	3	5
Postgraduate level	15	25
IA seminars	12	20
No education - financial background	18	30
No education – different background	10	16.7
CIA certification	2	3.3
Total	60	100

Table 2 - Educational IA background

The final question of the personal background section is also interesting, as it explores the previous IA experience of the current auditors (Chart 6).

Did you have IA work experience in the past?
60 responses

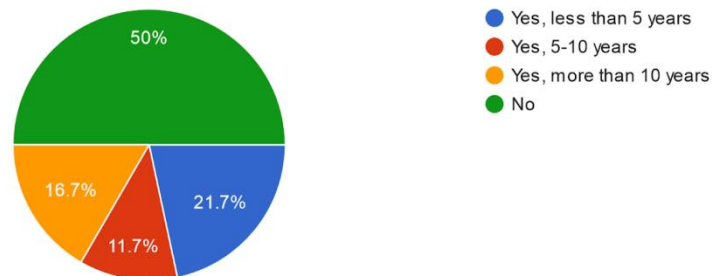


Chart 6 - Prior IA experience

As the answers reveal, half of the population did not have any previous work experience in the field of Internal Audit. Also, thirteen persons have the minimum previous experience (21.7%), whereas about 28% of the sample belongs in the range of >5 years. More specifically, 7 people noted a 5-10 years IA professional experience and 10 persons answered that their IA experience is more than 10 years.

Bearing in mind all previous personal answers, we may deduce that the most common profile of an Internal Auditor, based on the present questionnaire, depicts a professional of 35-50 years of age, with financial but not necessarily auditing educational background, employed in the broad sector of banking, finance or consulting, relatively new in the IA department of their company / organization, with minimum or no previous occupation in an auditing post.

Strategy of Greek companies

The next section in question refers to the strategy of the Greek companies / organizations. The first question, answered by 60 persons, asks whether there is a clear strategy for achieving a competitive advantage. The results may be shown at the chart N_o 7:

Does your company have a clear strategy for achieving a competitive advantage?

60 responses

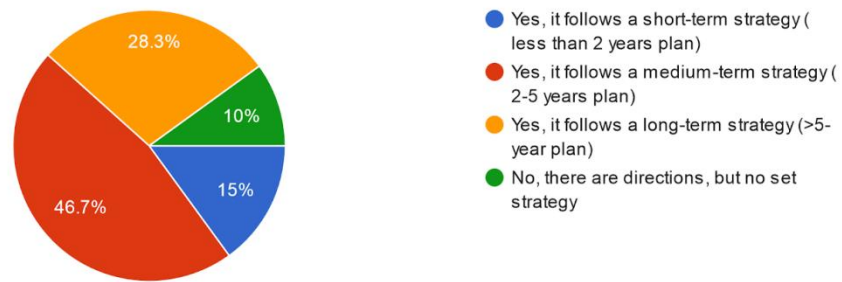


Chart 7 - Strategy for competitive advantage

Out of 60 respondents, 10% answered that there is no set strategy in their company or organization. A medium-term strategy (2-5 years) is dictated by the majority of the answers (46.7%), whereas a long-term strategy (more than 5-year plan) is also strong, with 28.3% of the answers. Last but not least, a short-term strategy (<2 years) is followed by 15% of the participants. To conclude, it seems that most of the Greek companies / organizations follow a clear strategy regarding their focus on competitive advantage, mostly with a medium-term plan, or even a long-term plan. Nevertheless, there is still 25% of the answers, that either does not have a clear plan -even though there are strategic directions- or has a short-term plan for up to two years (Table 3).

Clear strategic plan	Respondents	Percentage (%)
<2 years plan	9	15
2-5 years plan	28	46.7
5-10 years plan	17	28.3
No set strategy	6	10
Total	60	100

Table 3 - Strategy for competitive advantage

The next question tries to delve into the familiarity of the IA department with the competitive strategy of the workplace. The results are quite positive, as the majority of the participants (93.3%) declare that the IA department is familiar with the company's / organization's competitive strategy. The remaining 4 answers (6.7%)

responded negatively, that the IA department is not familiar with the competitive strategy.

Continuing the section of strategy, we asked the participants how familiar is the IA department with the markets within which the company / organization competes. For this type of question, a Likert scale was used from 1 up to 5, with 1 signifying “Unaware” and 5 signifying “Updated”. The results are quite promising as respondents did not chose neither 1 nor 2. Thus, 5 persons marked 3 as their answer (8.3%), 33 marked 4 (55%) and lastly, 22 responded that they are up-to-date with the markets within which their company / organization competes. The mean value reported is 4.28 and it seems that the majority of the Internal Auditors that participated (55 or 91.7%) is confident of their knowledge regarding the competitive markets.

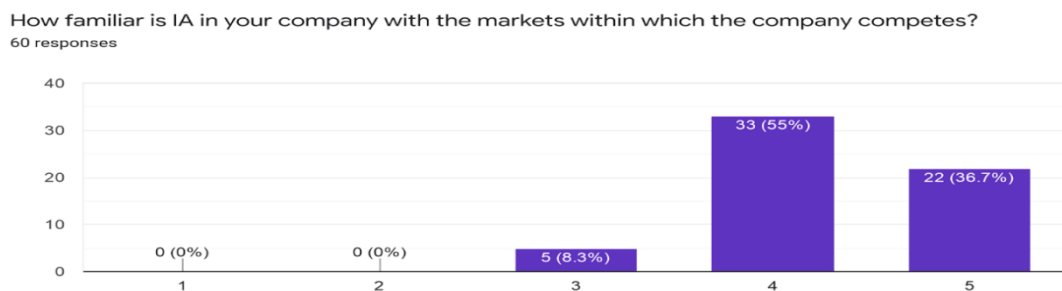


Chart 8 - Competing markets and IA

The last question of this section asks where the company / organization wishes to achieve a competitive advantage, based on its strategy. The results may be viewed in Chart N_o 9:

According to its strategy, your company wishes to achieve a competitive advantage in...
59 responses

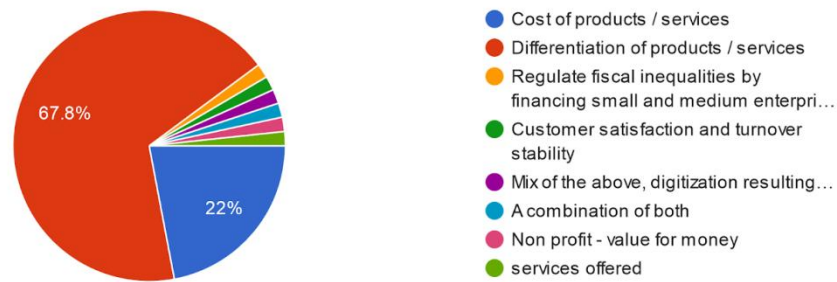


Chart 9 - Competitive advantage of the company

In detail, most of the replies testify a wish for a competitive advantage in differentiation of products / services (67.8%). The next biggest group of answers is the competitive advantage via cost (22%). There are some answers that are more specific, as the respondent was able to clarify their answer, via an “Other” option, that will not be categorized in the two main options, as the respondents did not choose either. Also, there are two persons that answered “A combination of cost and differentiation”, whereas one respondent chose not to answer to this specific question. The process and merge of data shapes the following table:

Competitive advantage in	Respondents	Percentage (%)
Differentiation	40	67.8
Cost	13	22
Both	2	3.4
Other	4	6.8
Total	59	100

Table 4 - Competitive advantage of the company

To sum up, the respondents revealed that most Greek companies / organizations have a clear competitive strategy, usually medium-term or even long-term, and their IA department is familiar with it. Furthermore, the auditors respond positively regarding their knowledge of the markets within which their company competes. Finally, the majority of the respondents aspire to be competitive via the differentiation of their products or services.

Internal audit and Strategy of Greek companies

The next section of the questionnaire combines the general questions of strategy with the Internal Audit and thus is categorized as “Internal Audit and Strategy”. Its first part tries to dig into the processes of the strategy and the IA involvement in them. For this purpose, a Likert scale was used, in order to have a clear visual depiction of the answers.

The first question refers to the audit mechanisms that the company / organization has regarding the formulation of strategy. The smallest number of the scale means that there are no audit mechanisms, whereas the largest number (5) means that all audit mechanisms exist. All of the respondents answered this question and revealed that the majority (60%) follow all or most of the audit mechanisms for the formulation of the strategic management process. About one fourth (26.7%) chose the number “3” of the scale, pointing that there are some basic mechanisms applied. The mean value is 3.56.

Does your company have audit mechanisms regarding the processes for the **formulation** of the strategic management process?
60 responses

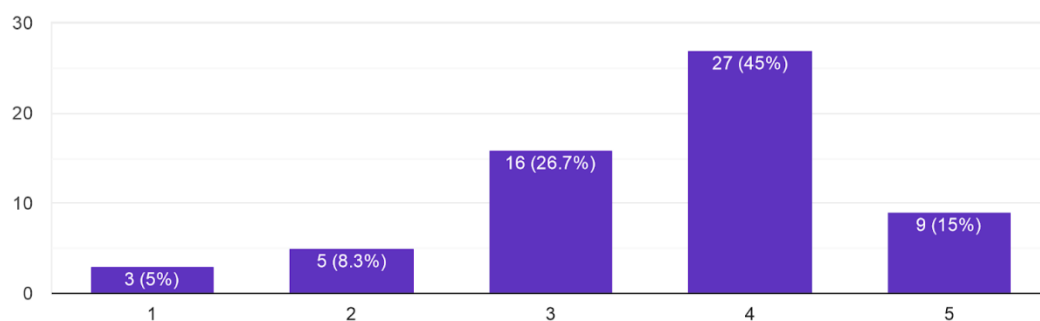


Chart 10 - IA and formulation of the SMP

1: No – 5: All of them

Moving on to the implementation of the strategic management process, the results are leaning more to the inclusion of audit mechanisms. More specifically, half of the answers were “4” on the scale, revealing that most of the audit mechanisms are applied. Also, 14 persons answered that all mechanisms are used and 13 persons that some of the audit mechanisms are used. In total, the highest answers, 4 and 5, are used

more than the relative question of strategy formulation (73.3% or 44 answers in comparison with 60% or 36 answers). The mean value for the implementation is 3.9.

Does your company have audit mechanisms regarding the processes for the **implementation** of the strategic management process?

60 responses

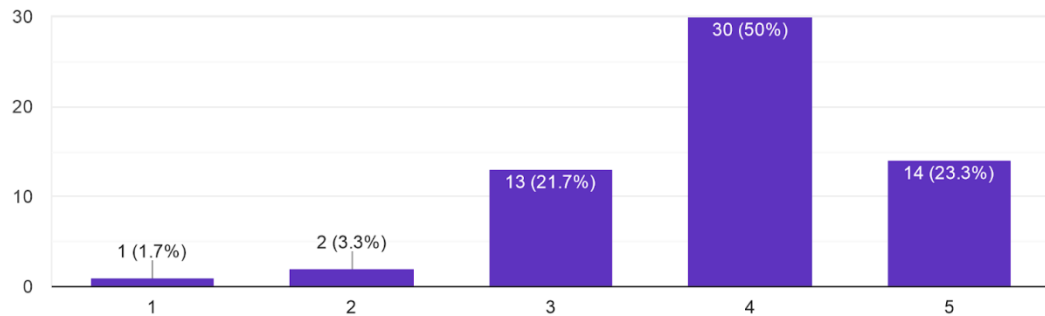


Chart 11 - IA and implementation of the SMP

1: No – 5: All of them

The next question refers to the connection between audit mechanisms and the evaluation processes of the strategic management process. The results reveal that more than half of the answers (51.7%) have most of the available audit mechanisms for this step of the strategic management. On the contrary, there is only one answer stating that no mechanisms exist regarding the evaluation and three answers (5%) claiming that only a few mechanisms are applied (Chart 12). The mean value for the evaluation is 3.9.

Does your company have audit mechanisms regarding the processes for the **evaluation** of the strategic management process?

60 responses

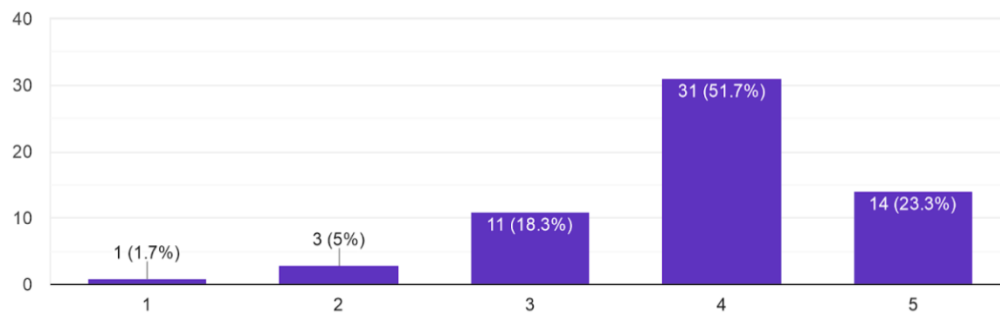


Chart 12 - IA and evaluation of the SMP

1: No – 5: All of them

Lastly, the same type of question was formed, this time regarding the control of the strategic management process. Out of the 60 respondents, the vast majority (57 out of 60) chose the answers 3 to 5 on the Likert scale. More specifically, 8 persons (13.3%) answered that some of the audit mechanisms exist, 32 (53.3%) that many of the mechanisms exist and 17 persons (28.3%) replied that all of the audit mechanisms exist for the control processes of the strategic management process. The mean value is 4.03.

Does your company have audit mechanisms regarding the processes for the **control** of the strategic management process?

60 responses

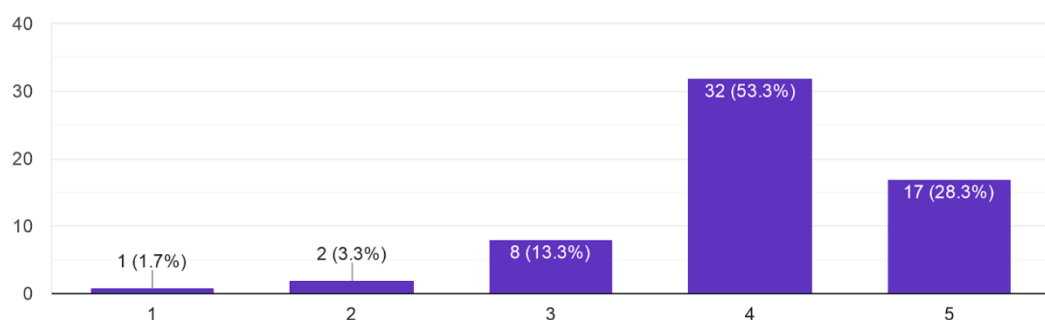


Chart 13 - IA and control of the SMP

1: No – 5: All of them

The aforementioned questions are of the same nature. By using the Likert scale, they aspire to measure the volume of audit mechanisms that are applied regarding the processes of formulation, implementation, evaluation and control of the strategic management process. In order to examine if the results are reliable, Cronbach's alpha was decided to be used. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. The formula for the Cronbach's alpha is:

$$\alpha = \frac{Nc}{v + (N - 1)c}$$

Here N is equal to the number of items, c is the average inter-item covariance among the items and v equals the average variance. It is noted that a reliability coefficient of 0.70 or higher is considered "acceptable" in most social science research situations (UCLA, 2021).

The result from the four previous questions that examine the aspects of strategic management process show a Cronbach's alpha of 0.873. This figure demonstrates a high interval consistency among the answers of the respondents, thus their answers may be considered reliable and consistent.

The following question wishes to identify the nature of audit that the IA department conducts. Sixty respondents answered it and the results show a clear tendency regarding the object of IA in Greek companies / organizations.

To be more precise, based on the answers provided, the IA department audits both the content and the progress of the strategic planning, in a percentage of 61.7%, i.e. 37 answers out of 60. Another 16.7% (10 persons) stated that the IA audits the progress of strategic planning, whereas only the content received just 4 answers (6.7%). On the contrary, there is still a 15% or the answers (9) stating that the IA does not audit neither the content nor the progress of strategic planning. Nevertheless, it is important

that not just the progress, but also the content of strategic planning is being audited in the majority of the cases (41 out of 60).

Regarding strategy, does the IA department audit...
60 responses

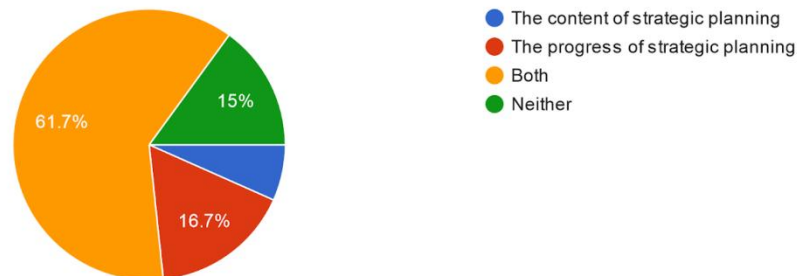


Chart 14 - IA in strategy

Apart from the relationship between IA and strategic planning, the next question asked the respondents to prioritize the tasks of the IA. The following chart is revealing (Chart 15), as strategy, in green color, occupies the least of the work of IA department. The answers are clear, as strategy was marked mostly with “4” –least of IA work- and “3” –quite important-. Instead, the auditors have stated that the most important aspect of the department is compliance, marked with either “1” or “2” from 46 out of 60 respondents in total. Next in line of tasks come operations, as well as reports stated quite important as well. To sum up, among the four tasks mentioned, strategy occupies clearly the least of work for the internal audit.

What is the hierarchy of your tasks as an IA department?



Chart 15 - Hierarchy of IA tasks

Another question in the current section that uses the Likert scale asks the population how much the IA department participates in the formulation of the company's strategy (Chart 16). As we may see, the answers seem distributed almost equally towards the center, with "1" signifying "No participation at all" and "5" meaning "Very much". It seems that 7 out of 60 respondents do not participate in the strategy formulation, as opposed to 5 that participate a lot. Also, 13 persons chose "2" and "4" and the remaining 22 (36.7%) chose the medium answer. The mean value is 2.93.

The IA department participates in the **formulation** of the company's strategy...
60 responses

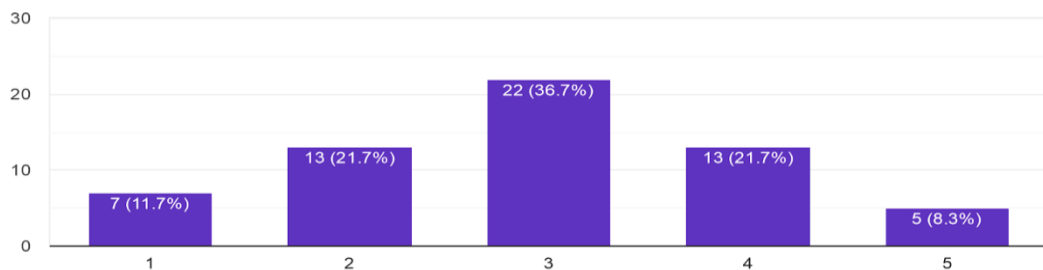


Chart 16 - IA participation in strategy formulation

1: Not at all – 5: Very much

As to how the IA participates in the strategy formulation, the majority of the answers revealed that it is done via the IA suggestions (45/60). About half of the respondents (31) answered that the participation is carried out via the IA reports and another 20.7% (12 respondents) via research for the strategy formulation.

How does the IA department participate in the **formulation** of the company's strategy? (more than one answers possible)

58 responses

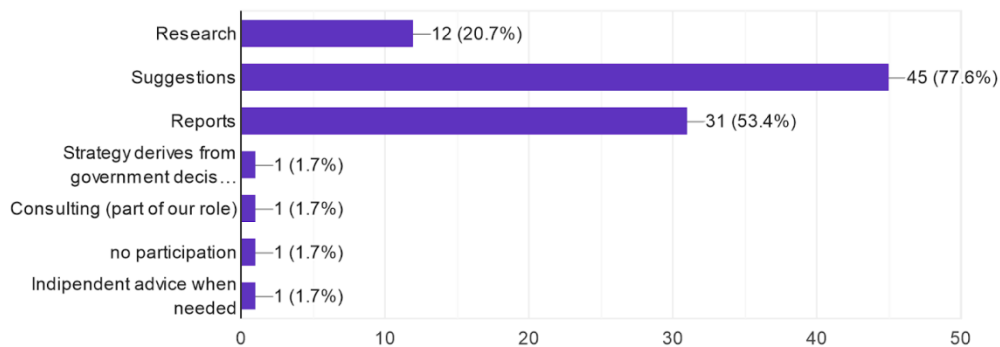


Chart 17 - IA way of participation in strategy formulation

The same pair of questions was also asked for the implementation of the company's strategy. This time, results lean more towards the participation of IA in the latter process, in comparison with that of formulation (Chart 18). Regarding the way the IA department participates in the implementation process (Chart 19), the results are quite similar with that of formulation, but a small increase in research is noted, with 18 answers in comparison with 12 (32.1% instead of 20.7%). The mean value for the implementation is 3.

The IA department participates in the **implementation** of the company's strategy...

60 responses

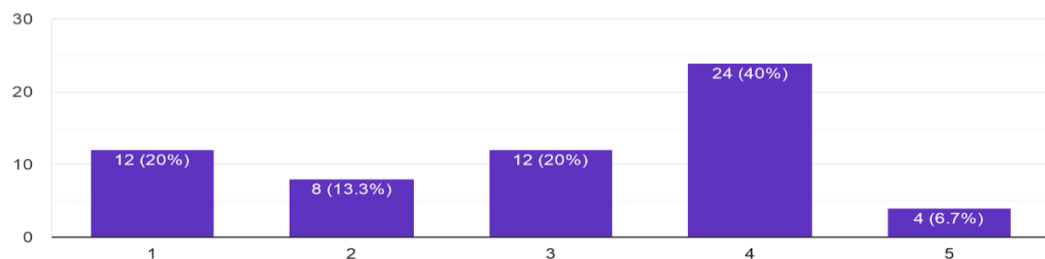


Chart 18 - IA participation in strategy implementation

1: Not at all – 5: Very much

How does the IA department participate in the **implementation** of the company's strategy? (more than one answers possible)

56 responses

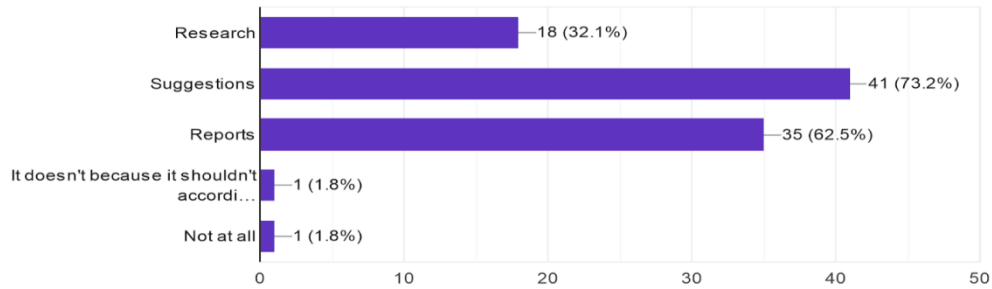


Chart 19 - IA way of participation in strategy implementation

The next question asked participants if the IA department is part of the strategic planning team (Chart 20). The majority of the respondents, with 60%, answered negatively, whereas the remaining 40% said that they take part in the team.

Is the IA department part of the team of strategic planning in your company?

60 responses

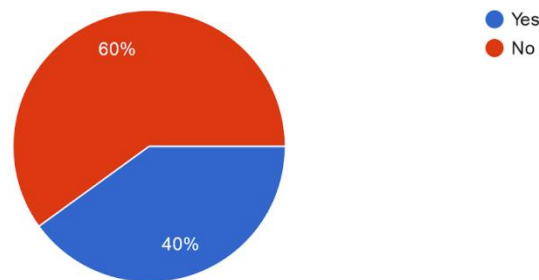


Chart 20 - IA in strategic planning

Regarding the role of IA in the competitive strategy of the company / organization, the answers show a clear tendency. More specifically, according to 23 out of 60 respondents, the role of IA is supportive, whereas 17 people stated that it is proactive. Another 12 persons (20%) said that it is necessary, whereas not important is for 5 professionals (8.3%). As a result, the role of IA in the competitive strategy is mainly supportive (Chart 21).

The role of the IA department in the competitive strategy of your company is...

60 responses

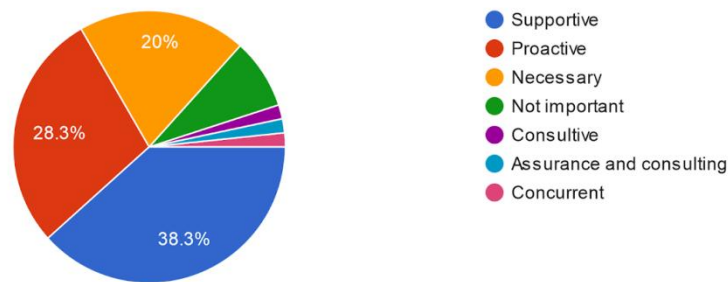


Chart 21 - Role of IA in competitive strategy

The next three questions are formed with the use of the Likert scale. First of all, the respondents answered how often they are asked about the strategy, with “1” equaling “never” and “5” equaling “always”. Most of the answers were 1-3, with only 8 answers choosing 4-5 (13.4%). The mean value of the answers is 2.75.

How often is the IA department asked about strategy?

60 responses

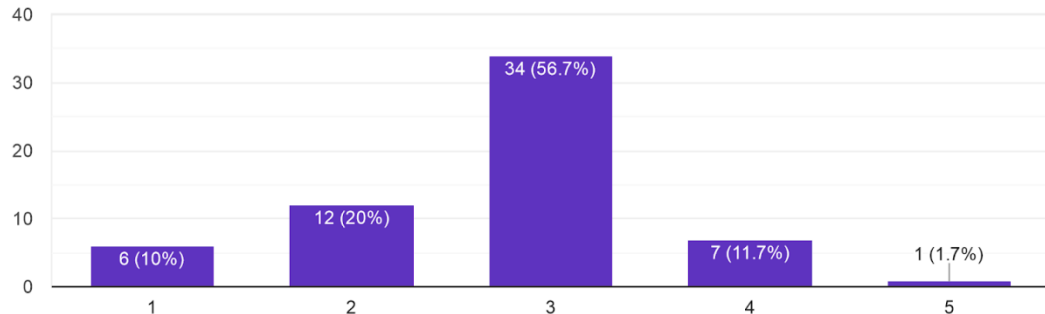


Chart 22 - Frequency of IA opinion on strategy

1: Never – 5: Always

Even though IA is not asked about the strategy most of the times, there seem to be management expectations from it, according to the following 23rd chart. As opposed to the 13.4%, 41.7%, i.e. 25 respondents chose 4 and 5, stating that there are almost significant expectations from the department regarding strategy (mean value is 3.05). Still, the majority of the answers were 1-3, signifying zero to some expectations.

Are there management expectations from IA regarding strategy?
60 responses

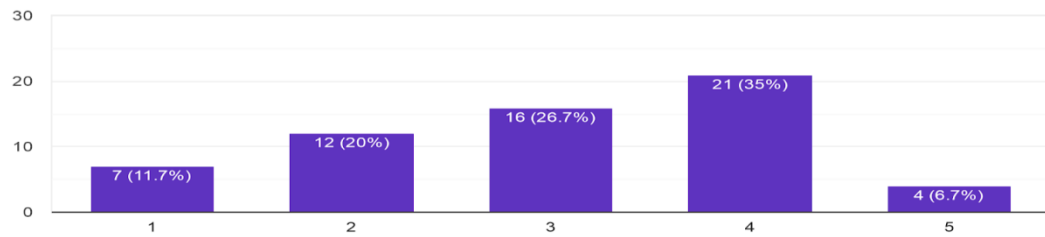


Chart 23 - Management expectations of IA on strategy

1: Not at all – 5: Significant expectations

Finally, according to most of the respondents, the role of IA in the competitive strategy is very important (Chart 24), as 3-5 answers received the strikingly high percentage of 90% (the mean value is 3.68, with “1” marked as “not important” and “5” marked as “essential”). It might seem that the reality contradicts the views of professionals regarding the role of IA in the competitive strategy, but by applying once again the Cronbach’s alpha among these three questions, we receive a 0.776 figure, which is acceptable and proves that there is consistency among the respondents’ results regarding the involvement of IA on strategy and the management expectations from it.

Do you think that the role of IA in the competitive strategy is important?
60 responses

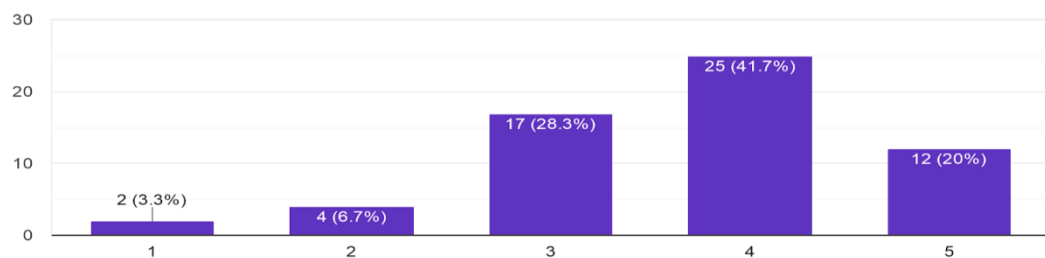


Chart 24 – Self-evaluation of IA in the competitive strategy role

1: Not important – 5: Essential

Finally, the last question of this section refers to an ideal professional environment and asks the opinion of IA experts regarding the role that IA should have in the competitive strategy. Without a doubt, the IA professionals that wish for a bigger role are considerably more (68.3%) than those who prefer the current situation (30%) and

far above the slight percentage (1.7%) of those who would prefer a more limited role in the competitive strategy. We may conclude that IA professional would like to expand their support to the competitive strategy of their company / organization, which is a logical result, bearing in mind the management expectations that already exist regarding strategy.

Do you think that the support of IA to the competitive strategy ideally should be...
60 responses

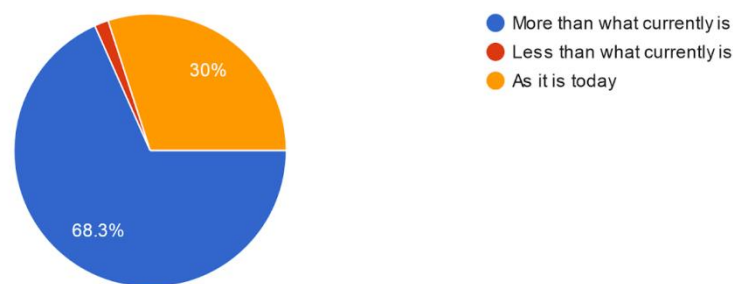


Chart 25 - Ideal IA role in competitive strategy

Differentiation Strategy of Greek companies

The last section of the present questionnaire deals with the competitive strategy via differentiation and forms the case study of this research. As a result, out of the 60 original respondents, 2 chose not to continue, as there was a note next to the questions (“for relevant companies ONLY”). The first question asked if there is clear competitive strategy based on differentiation for the experts’ company / organization. Out of 58 answers, 10 of them (17.2%) responded negatively and were then excluded from the continuation of the questionnaire, leaving 48 respondents to continue with the differentiation case study (80% of the original acceptable sample population). It is noted that not all respondents answered all the answers regarding the differentiation strategy of their company / organization, even though the questionnaire is anonymous and their answers cannot be linked neither to their names, nor their companies.

The next pair of questions asks the auditors how updated they are in matters of the company / organization’s competitive values. Regarding the internal competitive values (innovative capabilities and R&D), the majority of the answers stands on the

knowledge of internal values. With the use of a Likert scale from 1 to 5, with 1 indicating no knowledge and 5 indicating an updated IA department, 30 persons out of 48 answered “4” and “5” (62.5%). Another 25% chose “3” and only 6 persons chose either “1” or “2”. The mean value of the answers is 3.66. As a result, it seems that the IA department of the sample population is up-to-date with the internal competitive values of the company.

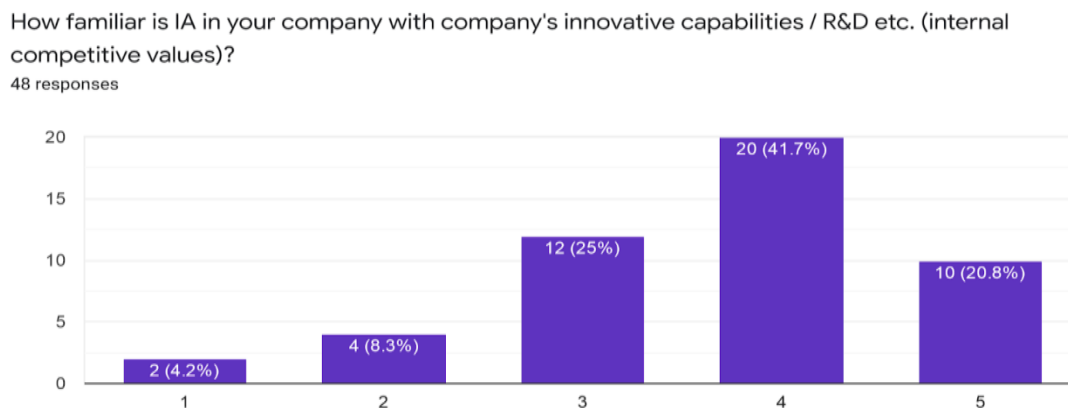


Chart 26 - IA and internal competitive values

1: Unaware – 5: Updated

On the opposite side, we wish to measure the familiarity of IA with company’s external competitive values. The question asked the auditors how familiar they are with concepts such as customer demand habits, technological changes, price trends etc., always in term of their company / organization. First of all, no person answered negatively. Four persons chose “2”, as it happened with the internal competitive values. A total of 10 persons (20.8%) chose “3”, in comparison with the respective 25% above, which means that more answered were concentrated on “4” and “5”, compared with the internal competitive values. In fact, 52.1% chose “4”, as opposed to 41.7%, whereas the acknowledgement of complete familiarity with the external competitive values, “5”, received one answer less than that of the internal values. The mean value of responses is 3.81. To sum up, it seems that the majority of respondents is updated regarding both internal and external competitive values, but feels more

confident regarding the latter.

How familiar is IA in your company with customer demand habits / technological changes / price trends (external competitive values)?

48 responses

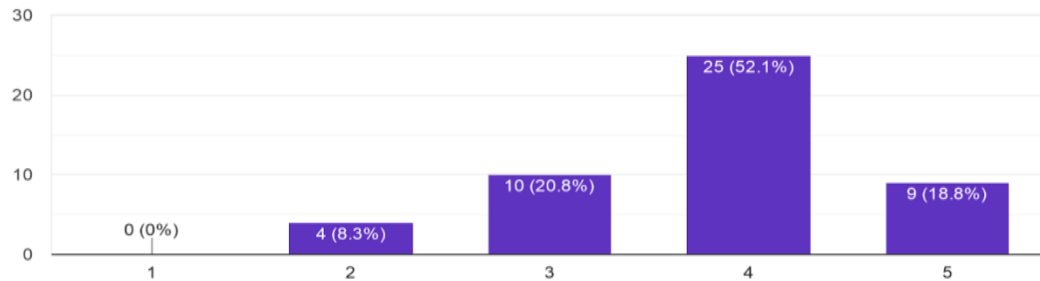


Chart 27 - IA and external competitive values

1: Unaware – 5: Updated

The next question referred to the participation of IA in the differentiation strategy (Chart 28). There, 31 out of 48 respondents replied positively, whereas the remaining 17, or 35.4%, stated that they do not participate. Thus, it seems that it is quite common for the companies / organizations that wish to offer differentiated products or services and have IA departments to include the latter in their differentiation strategy. We then asked the professionals to define how they participate in it, by offering them multiple options. The persons that already replied positively, i.e. that they participate, said that mostly, they assist the management's decision and they prepare reports for the strategy status and the company's departments that apply the strategy. About 20% answered that their role also includes research before the strategy is decided.

Does the IA participate in the differentiation strategy of your company?

48 responses

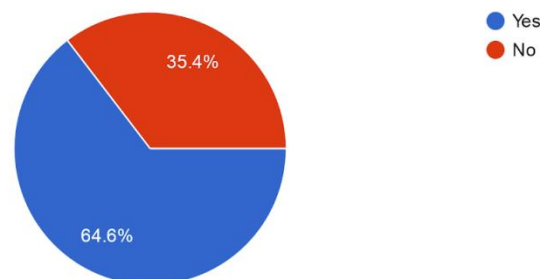


Chart 28 - IA participation in differentiation strategy

We then asked the internal auditors what they try to identify, as part of their role in the differentiation strategy (Chart 29). Out of 47 responses that are depicted in the following chart, 9 of them said that they are working on the identification of threats for new markets and competitors. A minority of 5 answers (10.6%) is dealing with identifying opportunities for new markets and competitors. The combination of them was the choice of about 30% of the respondents that chose the option “Both”, thus stating that they try to identify both threats and opportunities for new markets and competitors. Nevertheless, a significant minority of 40.4% (19/47) said that they identify neither threats nor opportunities. Generally speaking, it seems that about 60% of the sample population is occupied at least with threats and/ or opportunities for new markets and competitors.

Regarding differentiation strategy, does the IA department identify...
47 responses

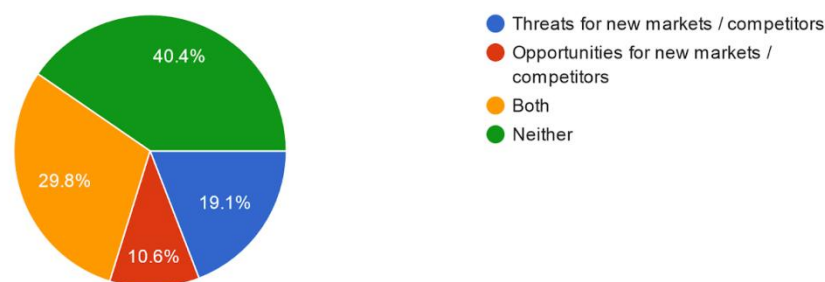


Chart 29 - IA way of participation in the differentiation strategy

Finally, the last question of the current question and the questionnaire attempts to examine how systematic is the role of IA in the differentiation strategy. The results (Chart 30) reveal that in all, its role is not systematic. In most of the cases (58.7%), it depends on the project and one more answer stated that the IA involvement is haphazard and based on the risk assessment. The remaining 39% claims that it participates in the differentiation strategy systematically. More specifically, 4.3% states that it is involved only in the launching of differentiated products or services and a significant minority of 16 professionals (34.8%) declares its involvement in the whole process of differentiation. To sum up, the answers to this last question reveal that the role of IA experts is usually not systematic but dependable on the projects, whereas the holistic involvement of IA in the differentiation process happens in about one out of three Greek companies / organizations.

The role of IA in the differentiation strategy is systematic...
46 responses



Chart 30 - IA regularity in differentiation strategy

Conclusions

The answers of the questionnaire provide us with some interesting results. Regarding the common profile of an IT professional, we may deduce that it depicts a professional of 35-50 years of age, with financial but not necessarily auditing educational background, employed in the broad sector of banking, finance or consulting. When it comes to the strategy of Greek companies and organizations, it seems that most of them follow a clear strategy regarding their focus on competitive advantage, mostly with a medium-term plan, or even a long-term plan. The IA is almost always updated of the business strategy and audits both the content and the progress of the strategic planning. Apart from a consistent allocation of the IA involvement into the processes of strategy, the auditors have stated that the most important aspect of the department is compliance, next in line of tasks come operations, as well as reports. Even though strategy occupies clearly the least of work for the internal audit, IA professionals would like to expand their support to the competitive strategy of their company / organization, as management expectations from IA already exist regarding strategy. The final part of our study that focused on differentiation strategy revealed that the majority of auditors is updated regarding both internal and external competitive values of their workplace, but feels more confident regarding the latter. Finally, the research identifies the way with which IA participates in the differentiation strategy and concludes that its role is usually not systematic but dependable on the projects, whereas the holistic involvement of IA in the differentiation process happens in about one out of three Greek companies / organizations.

Theoretical & Managerial Implications

Since there are neither recent research results regarding the role of the Internal Audit department in the competitive strategy of the Greek companies and organizations, nor a clear picture about the role of the IA in the differentiation, the present paper aims to provide an analysis about the participation of the IA department of companies and organizations in Greece in the formulation and implementation of their strategy and its role in the differentiation strategy, should there is one applied. It is hoped that this research will be a snapshot of the current professional IA environment in Greece and will further trigger comparative research in the future.

On a practical level, the recommendations that may be deduced, based on the recent findings, refer mostly to strategy and IA. More specifically, it is firstly suggested that a clear strategy should be at place for the company and communicated to all departments, including of course IA, as just clear managerial directions do not suffice. At the same time, a clear message is sent from IA respondents that their role in strategy should be more active and systematic, especially in case of a competitive strategy through differentiation, since high managerial expectations already exist.

Additionally, the results of the responses show that a significant percentage of the IA professionals, even though they have a financial background, they do not have an IA-oriented education of any kind. It is, thus, also suggested that management encourages seminars, certifications and courses of IA nature for their personnel. Moreover, it is also highlighted that management should consider involving the IA systematically in the achievement of competitive advantage through differentiation and especially in the identification of threats and/or opportunities for new markets and competitors. Last but not least, it is recommended that management should update regularly IA regarding business strategy and shift their focus, apart from compliance and reports, at operations. In case of differentiation, IA should delve too into the threats and opportunities provided by the internal competitive values of their company/organization, as they often tend to neglect this aspect in favor of the external competitive values.

Limitations and suggestions for further research

As a first approach to this topic, with no previous research in order to be able to compare our results, the present dissertation begins at a primary theoretical level. Another limitation that might have affected our results is the chosen method of convenience sampling, with the parameter of a sample that was based exclusively in Greece. Nevertheless, it is hoped that its content will be a starting point for further periodic reviews in time, in order to depict the evolvement of the Greek professional environment of internal auditors generally and their role in business strategy specifically. As a result, we would like to suggest a research with the respective competitive advantage based on cost and a future research of a relevant quantitative nature, that would be either exploratory, in order to highlight other points of interest and take a deeper look into its results in comparison with the present, or causal, that would try to connect the variables of strategy and IA.

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Appendix

Questionnaire

The questionnaire of the present research was created with the aid of Google Forms and its structure is best viewed via the following link:

<https://forms.gle/wAq1iPEy3LCtLguT8>

Here follows a copy of the questions:

The role of Internal Audit in supporting the competitive strategy of companies and organizations

A questionnaire about Internal Auditing and its role in shaping and implementing the company's strategy. The following questions are in English.

Section 1

By completing this questionnaire, you acknowledge that the data will be used in a research project of the University of Athens. Your responses will be anonymous and will never be linked to you or your company.

- ☐ I agree
- ☐ I disagree

Do you work in the Internal Audit department of a company / organization?

- ☐ Yes
- ☐ No

Section 2

Personal background

Demographics about your professional background

In what sector is the company you are currently working functioning?

- ☐ Accounting and finance
- ☐ Advertising
- ☐ Education
- ☐ Energy
- ☐ Engineering
- ☐ Food industry
- ☐ Health services
- ☐ Information technology
- ☐ Logistics
- ☐ Public sector
- ☐ Retail & wholesale commerce
- ☐ Tourism
- ☐ Other

How many years do you work in the current IA department?

- ☐ <5 years
- ☐ 5-10 years
- ☐ 10-20 years
- ☐ >20 years

How old are you?

- ☐ <28 years old
- ☐ 28-35 years old
- ☐ 35-50 years old
- ☐ >50 years old

Was Internal Auditing part of your studies?

- ☐ Yes, in an undergraduate level of studies
- ☐ Yes, in a postgraduate level of studies
- ☐ Yes, I took IA seminars
- ☐ No, I have a financial background, but I did not have an IA course
- ☐ No, I come from a different background

Did you have IA work experience in the past?

- ☐ Yes, less than 5 years
- ☐ Yes, 5-10 years
- ☐ Yes, more than 10 years
- ☐ No

Section 3

Strategy

Questions about the competitive strategy of the company / organization

Does your company have a clear strategy for achieving a competitive advantage?

- ☐ Yes, it follows a short-term strategy (less than 2 years plan)
- ☐ Yes, it follows a medium-term strategy (2-5 years plan)
- ☐ Yes, it follows a long-term strategy (>5-year plan)
- ☐ No, there are set directions, but no set strategy

Is the IA department familiar with your company's / organization's competitive strategy?

- ☐ Yes
- ☐ No

How familiar is IA in your company with the markets within which the company competes?

1 up to 5 with 1 – Unaware and 5 – Updated

According to its strategy, your company wishes to achieve a competitive advantage in...

- ☐ Cost of products / services
- ☐ Differentiation of products / services
- ☐ Other

Section 4

Internal Audit and Strategy

The relationship between IA department and the strategic plan

Does your company have audit mechanisms regarding the processes for the **formulation** of the strategic management process?

1 up to 5 with 1 – No and 5 – All of them

Does your company have audit mechanisms regarding the processes for the **implementation** of the strategic management process?

1 up to 5 with 1 – No and 5 – All of them

Does your company have audit mechanisms regarding the processes for the **evaluation** of the strategic management process?

1 up to 5 with 1 – No and 5 – All of them

Does your company have audit mechanisms regarding the processes for the **control** of the strategic management process?

1 up to 5 with 1 – No and 5 – All of them

Regarding strategy, does the IA department audit...

- The content of strategic planning
- The progress of strategic planning
- Both
- Neither

What is the hierarchy of your tasks as an IA department?

Compliance – Operations – Reports – Strategy

1 – Most of my work up to 4 – Least of my work

The IA department participates in the **formulation** of the company's strategy...

1 up to 5 with 1 – Not at all and 5 – Very much

How does the IA department participate in the **formulation** of the company's strategy? (more than one answers possible)

- ☐ Research
- ☐ Suggestions
- ☐ Reports
- ☐ Other

Is the IA department part of the team of strategic planning in your company?

- ☐ Yes
- ☐ No

The IA department participates in the **implementation** of the company's strategy...

1 up to 5 with 1 – Not at all and 5 – Very much

How does the IA department participate in the **implementation** of the company's strategy? (more than one answers possible)

- ☐ Research
- ☐ Suggestions
- ☐ Reports
- ☐ Other

The role of the IA department in the competitive strategy of your company is...

- ☐ Supportive
- ☐ Proactive
- ☐ Necessary
- ☐ Not important

How often is the IA department asked about strategy?

1 up to 5 with 1 – Never and 5 – Always

Are there management expectations from IA regarding strategy?

1 up to 5 with 1 – Not at all and 5 – Significant expectations

Do you think that the role of IA in the competitive strategy is important?

1 up to 5 with 1 – Not important and 5 – Essential

Do you think that the support of IA to the competitive strategy ideally should be...

- ☐ More than what currently is
- ☐ Less than what currently is
- ☐ As it is today

Section 5

Differentiation Strategy (for relevant companies ONLY) ½

Please complete this section if your company wishes to achieve a competitive advantage through differentiation

Does your company / organization follow a clear competitive strategy based on the differentiation of products / services?

- ☐ Yes
- ☐ No

Section 6

Differentiation Strategy (for relevant companies ONLY) 2/2

Please complete this section if your company wishes to achieve a competitive advantage through differentiation

How familiar is IA in your company with company's innovative capabilities / R&D etc. (internal competitive values)?

1 up to 5 with 1 – Unaware and 5 – Updated

How familiar is IA in your company with customer demand habits / technological changes / price trends (external competitive values)?

1 up to 5 with 1 – Unaware and 5 – Updated

Does the IA participate in the differentiation strategy of your company?

- ☐ Yes
- ☐ No

How does the IA participate in the differentiation strategy? (more than one answers possible)

- ☐ Research before the strategy is decided
- ☐ Assistance to the management's decision
- ☐ Reports for the strategy status
- ☐ Reports about the company's departments regarding strategy implementation
- ☐ It does not participate
- ☐ Other

Regarding differentiation strategy, does the IA department identify...

- ☐ Threats for new markets / competitors
- ☐ Opportunities for new markets / competitors
- ☐ Both
- ☐ Neither

The role of IA in the differentiation strategy is systematic...

- ☐ In the whole process of differentiation of products / services
- ☐ Only in the launching of differentiated products / services
- ☐ It is not systematic, it depends on the project
- ☐ Other