

What makes audit partners' and their teams successful?

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Project 2019 E01 – Meet the Team



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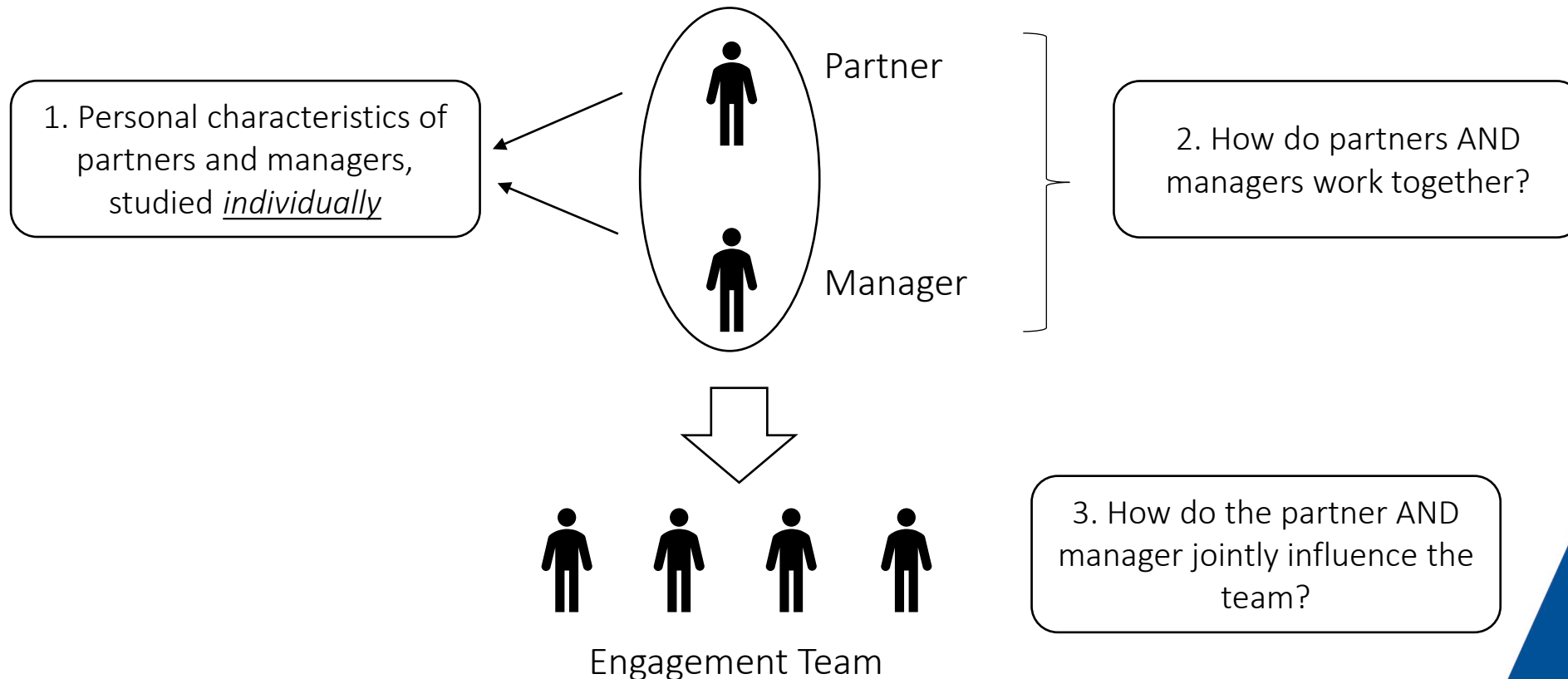
Lena Pieper
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Prof. Ann Vanstraelen
Maastricht University

Purpose of our project

- The overall research question of our project is to understand **what makes an engagement partner and his/her team successful**. We rely on insights from the Organizational Behavior and Psychology Literature to study this question across three levels:



Relevance to the Auditing Profession



We hope that combining the findings of all our studies can help audit firms to **manage and compose** their **audit teams** in a more scientific way to improve the **performance** of the audit teams, and ultimately **audit quality**.

Study 1: Personality Traits and Performance

Main Research Question:

Do audit partners' and managers' personality traits affect their overall job performance?

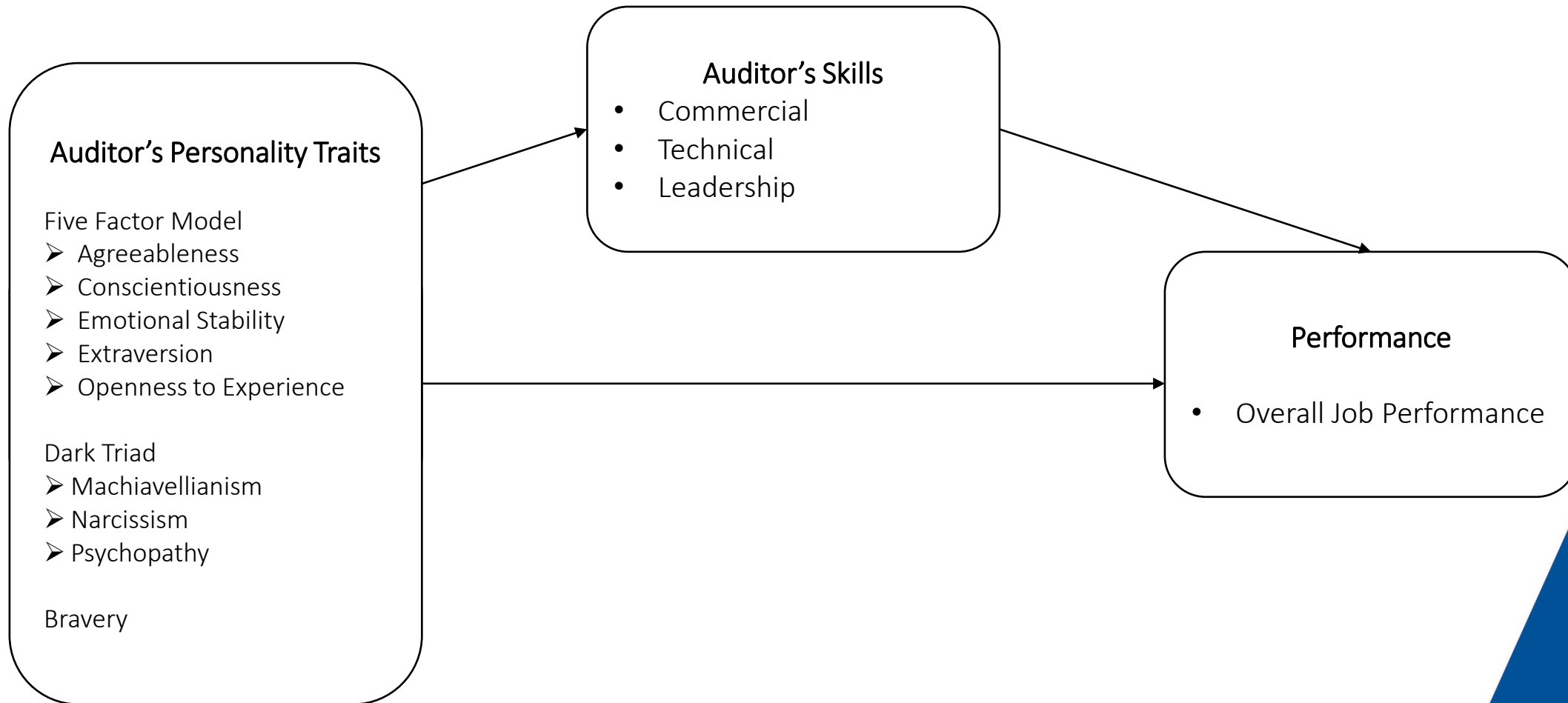
Why Personality?

- Prior audit research documents that **audit quality varies across individual auditors**, but demographic characteristics (age, gender, education, experience...) only explain very little of this variation.
- Understanding what drives these observed differences requires looking at **factors** that are more **deeply connected** to our **behavior**.
- Organizational Behavior and Psychology literature highlights the role of **personality**:

→ **Personality** = different traits that **influence behaviors** in a way that is **consistent** over **situations** and **time**.

→ Personality is **predictive of performance**, even after controlling for education and mental ability.

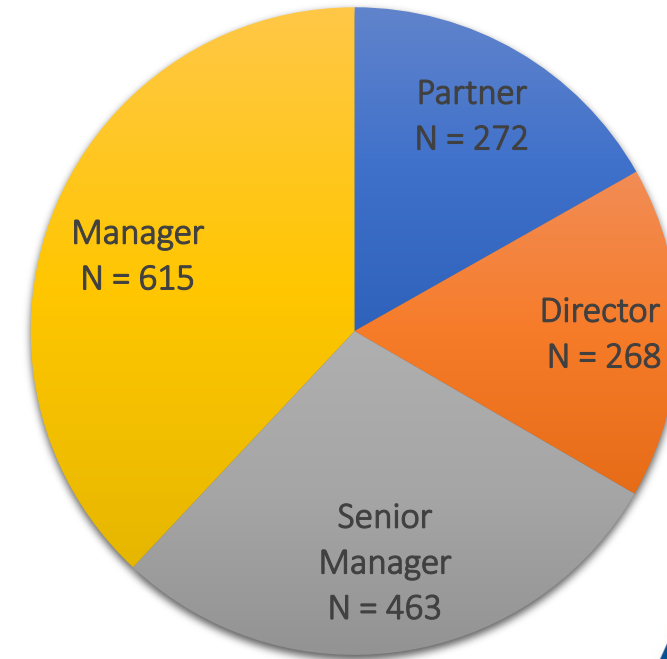
Conceptual Model



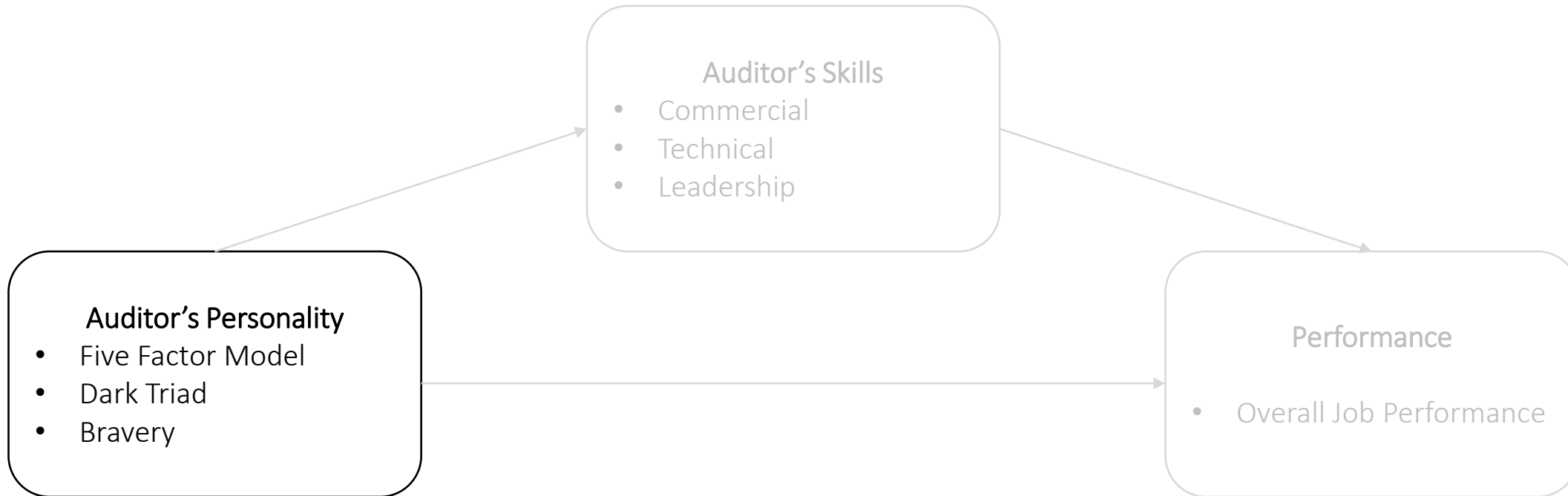
Data Collection

- Combination of **Survey Data** (in total three surveys) and **Internal Audit Firm Data**.
- Surveys were collected in 2019 – 2020 in cooperation with all **ten** participating audit firms.
- Overall sample consists of **1,618** auditors with an average professional experience of 16.1 years.

Sample Composition



Conceptual Model



Prior to the main analysis, we asked ourselves two questions:

- (1) Do personality profiles differ across audit firms, specifically between the Big 4 and non-Big 4 firms?
- (2) Do personality traits differ across the different function levels?

Comparison Big 4 and Non-Big 4 firms

Big 4



vs.

Non-Big 4



Auditors at Big 4 firms are (on average):

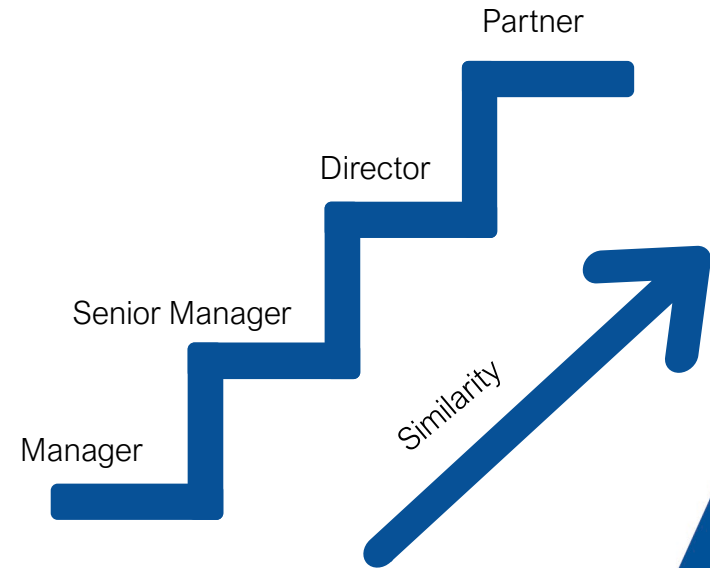
- More outgoing & open to new experiences
- More diligent and thorough
- More agreeable
- Assess themselves higher on Technical and Leadership Skills

Auditors at non-Big 4 firms score (on average):

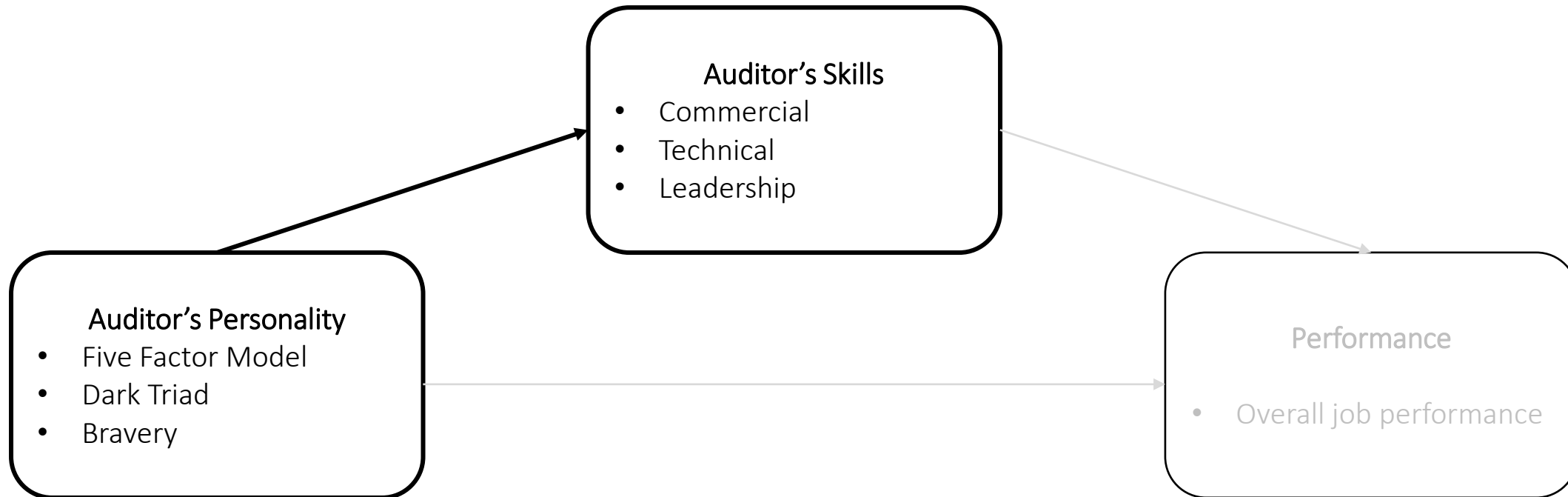
- Higher on the 'Dark Triad'
- More committed towards the organization & higher job satisfaction
- Assess themselves higher on Commercial Skills

Results – Across Function Levels

- Similarity between auditors is increasing when moving higher up the hierarchy
- Certain personality traits become more pronounced → these traits are beneficial for the auditor-client relationship
- Team-oriented and commercial skills are what differentiates a partner from the lower ranks
- Satisfaction and organizational/professional commitment increase with function level



Conceptual Model



The Relationship between Personality and Skills

- Our results highlight that **different personality traits matter** for the different skills factors.

Commercial

Extraversion, **Agreeableness**, and **Dark Triad** are positively related with commercial skills.

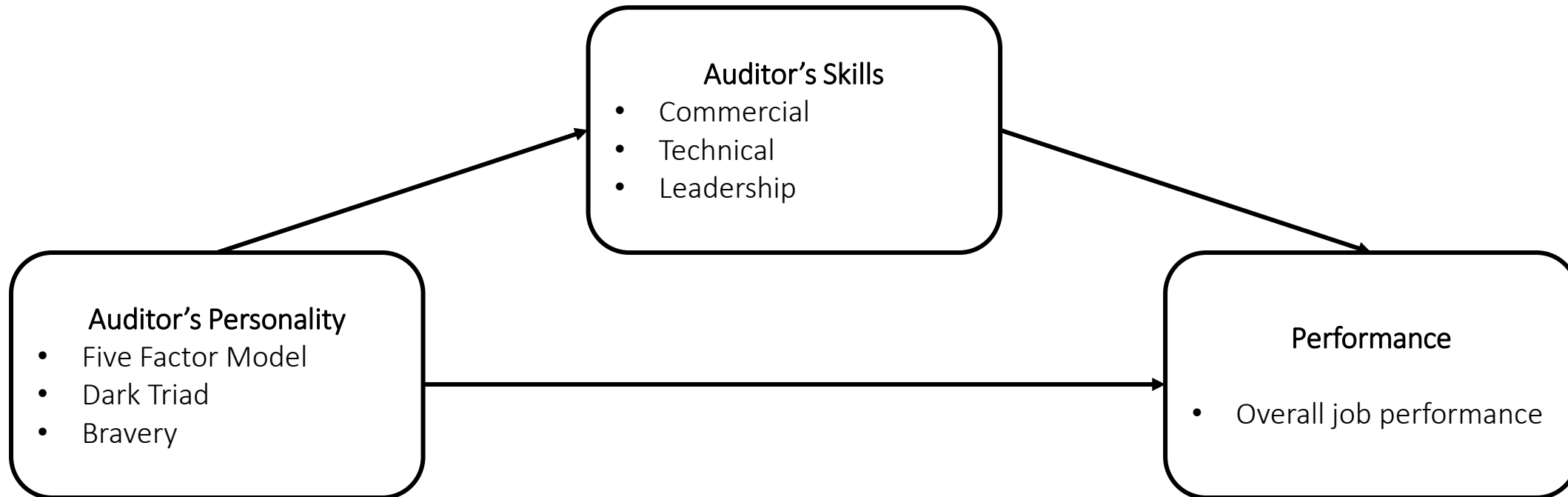
Technical

Conscientiousness and **Openness to Experience** are positively associated with technical skills, while **Agreeableness** has a negative relation.

Leadership

Extraversion, **Agreeableness**, and **Bravery** are positively related with leadership skills.

Conceptual Model



The Relationship between Personality and Performance

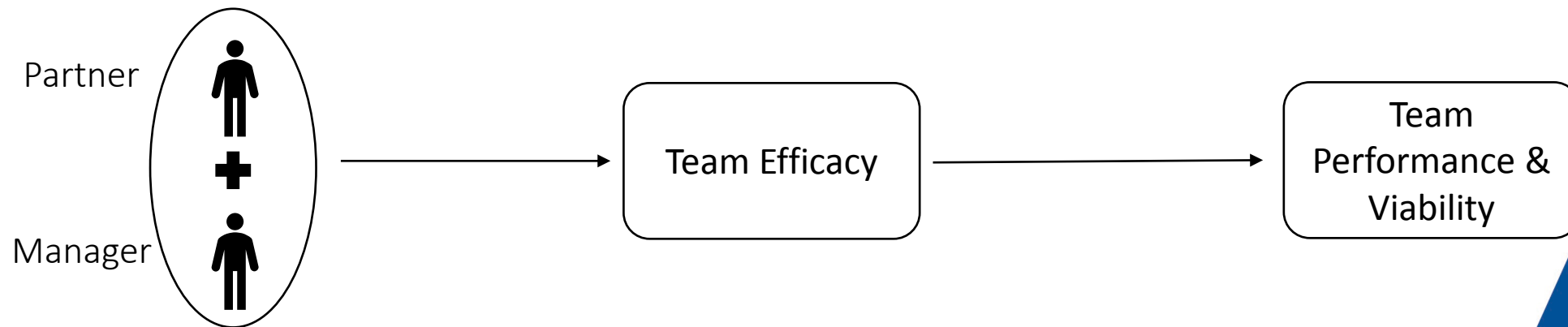
- Personality predicts an auditor's overall job performance, both directly and indirectly through the different skills
- Only the **commercial** and **technical** skills are rewarded in the current performance measure, not leadership skills (except for partners!)
- While **Agreeableness** is positively associated with commercial and leadership skills, it has a **direct negative** relationship with **performance**.
- **Extraversion** has a positive direct and indirect association with performance. Overall, this trait is the strongest predictor of performance.
- **Conscientiousness** and **Emotional Stability** have a positive effect on performance, too.

What can **you** learn from this?

Personality matters! While maybe intuitive, it is important to recognize that auditors are inherently different. This implies that certain auditors (i.e., the ones who are more extrovert, emotional stable and conscientious) will naturally do *better*. Others might require more targeted training to develop certain skills.

Brief Summary Study 2 – Dual Team Leadership

- Our first study considers the **partners and managers individually**, now we consider them **together as a *dyad***
- We specifically investigate how their **joint leadership** affects the **efficacy**, and **ultimately performance** and **viability** of the engagement **team**
- **Two leadership behaviors: *initiating structure vs. individualized consideration***



Brief Summary Study 2* – Findings

- We find evidence of a **complementary effect** of leadership behavior: When at least one leader exhibits high initiating structure, the highest levels of team efficacy occur when the other leader exhibits high consideration
 - Further evidence of a **supplementary rationale**: Team efficacy and performance is highest when the partner is a “*super partner*” who scores high on initiating structure AND consideration; paired with a manager who scores high on consideration.
- Overall, our study clearly highlights the “**power of consideration**”.

*This study is joint work with Brad Kirkman, North Carolina State University

Our next steps – knowledge dissemination

- Submission of both studies to academic conferences and eventually academic journals.
- Jere Francis' Inaugural Lecture "*Going Big, Going Small, Strategies for Researching Audit Quality*" September 15th 2022, 16.30h in Maastricht.
- FAR mini-conference on September 15th, 10.30 – 15.00 h in Maastricht.
- Publication of working papers on the FAR website.
- We continue working on our studies on the formation and consequences of how audit partners and managers are matched.

THANK YOU

Jere Francis

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Lena Pieper

PhD Candidate

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