



Eddy Cardinaels

2018B01 – How auditors' internal and external interactive relationships impact their judgement and decision making

How did you get into academia?

"I'm a professor in management accounting. I am very much interested in how people make decisions in organizations. We know people do not always have all the necessary information to make optimal decisions. There are biases that affect decision making and human interaction can affect those biases. That sparked my research interest."

How did you get acquainted with the auditing field?

"In auditing, a lot of decision making takes place under pressure. Auditors have a lot of responsibilities: they must think about many different aspects that affect their job. I realized our fields have a lot in common. Then, I met Kristof Stouthuysen, who was working on imitation biases in the area of buyer-supplier contracting. We decided to work together on this topic in the context of financial auditing."

"At first, I didn't know much about auditing, so I started doing interviews with people in practice. We talked about current issues, and whether our research was making sense to them. I find it important that my research has impact on practice, talking to people helps a great deal with this. I really value the insights; they lead to good research ideas."

What does your research focus on?

“Most junior auditors learn on the job. We are focusing on imitation behavior as a means to learn. Sometimes, imitation behavior seems to be beneficial for your performance rating, especially when pressuring conditions are in place, like a ranking system. People then tend to behave in favor of the ranking system, while you would want to foster creative thinking. Our study shows that imitation does not help auditors to get better in their work, which is not a satisfying conclusion. Thus, imitation is not necessarily beneficial for the quality of the audit. Imitation does work well when people are somewhat familiar with the topic. It helps them to imitate the good practices. It might become problematic when you imitate without critical thinking. Investing in training to reach familiarity with the topic is an important factor here.”

What would you consider to be the biggest challenges in the audit profession?

“From a research perspective, I believe that cross-field examination can help, for example from management accounting. We could think about how auditor’s incentives relate to compensation and critical thinking. Another important topic would be workload management, on which we have started a second FAR-study. We see some variations in the number of clients that auditors serve. How can this be explained, and does it affect audit quality, for example? We tend to think about audit quality at office or team levels, but on the level of individual auditors, we can study what thrives or diminishes individual performance. What role do incentives play here? I think that studying audit quality on the individual auditor level is very beneficial in answering those questions.”

During the conference, what will be your main message?

“We will mainly share our insights on imitation behavior, but foremost we like to emphasize the human factor in auditing. We know that people make mistakes, it’s part of human nature. If we can document the biases which affect the way we make decisions, then we can think of solutions. But first, we need to understand those biases. Working together with adjacent fields such as psychology and management accounting can lead to some very useful research ideas.”