



## Shane Dikolli

Bank of America Associate Professor in Business Administration  
University of Virginia Darden School of Business

### *How did you get into academia?*

“After some time working as an accounting trainee, I accepted a position in the Budgets office of a large University. At the time, the academic Accounting department in the business school was short of instructors, and I decided to accept a part-time role teaching management accounting to undergraduates. I found it very enjoyable. My interest in research questions grew, and I ended up doing a Ph.D. at the University of Waterloo in Canada. In my thesis, I mainly focused on performance measures that incentive contract designers should use when a CEO has a short horizon. My current occupation in Virginia is a good fit. The Darden School of Business pays special attention to advancing practice. It’s very encouraging when the school expects faculty to engage with a practitioner audience.”

### *How did you get acquainted with the auditing field?*

“First, I worked on a project about how auditors perceive performance measures that their client’s managers use. These perceptions have an impact on how auditors assess client risk. We found that auditors perceived a client as riskier when the client’s managers faced riskier incentive contracts. In a recent paper, we studied the behavioral integrity of CEOs. Understanding the management team is important for auditors when assessing audit risk. A low integrity CEO, for example, could mean a greater chance of misstatement in the financial reports. We find that auditors respond to low-integrity CEOs by performing more audit work. As a consequence, clients with low-integrity CEOs appear to have higher audit fees.”

“We also see that access in practice to more detailed data is developing.

FOUNDATION FOR  
**AUDITING**  
RESEARCH

Data access will trigger many new opportunities for the management accounting field, for example, in the interaction between internal management accounting information and the application of internal audit processes. We could also exchange a lot of data-processing skills with practice. We, as academics, might have opportunities to help practitioners assemble large datasets designed for testing hypotheses.”

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

“I think the main thing is the continuing evolution of the profession in how it uses technology, without losing emphasis on the human factor. In some contexts, you might be able to do 100% population testing, but it’s humans who do the programming. You must be able to trust that the inputs are reliable and truthful and represent the economic transactions. I could see a shift away from an emphasis on *sufficient* evidence to more of an emphasis on *appropriate* evidence. Technology is taking over more standard work, so an increasingly important role of auditors will be in their ability to apply critical judgment.”

*How would that reflect in the auditor’s education?*

“This is a challenging subject. I believe a vital role of a University education is to teach their students to think conceptually about business problems which helps them operationalize solutions that ultimately depend on the context. For example, auditors can use many types of software to analyze and communicate information in performing audits. A conceptual framework for thinking about the role of the software would be constructive. Students can use such a framework to understand what the information reports might look like and what inferences they might be able to extract from the reports.”

*During the conference, what will be your main message?*

“I’m very much interested in this idea of integrity, of honoring your word. Integrity has economic consequences. The paper that I will present shows this by examining large samples of shareholder letters. We measure integrity by looking at words that CEOs use in shareholder letters. When a CEO does too much explaining relative to other CEOs facing similar circumstances, we conjecture that the market does not view the CEO as credible. I will be discussing some quite interesting anecdotes.”

*What would your ideal research look like?*

“I’d love to do a field experiment. A company would let us come in and implement both a treatment and a control group. It could be a way to see if we can improve how organizations share information among business units. For example, I’m curious about how to design information to make effective decisions more efficiently. With increasingly abundant sources of information, there’s a danger of information overload in organizations. How might it be possible to avoid information overload and do more with less information? What is the best information to use? These are important questions in both the auditing and management accounting fields.”