

## Practice Note\*

### Leadership Behaviors by Partners and Managers, and Audit Team Performance \*\*

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#### Executive Summary

Leadership research in the organizational behavior (OB) literature has generally focused on single-leader teams. Yet many organizations, including audit firms, have more complex dual leader structures in which leadership duties are shared between two team leaders. We study this in the context of audit teams in which the dual leaders are the audit partner and the audit manager. We find some evidence that division of labor in leadership behaviors is effective. However, the most effective audit teams are those in which both the partner and manager have what are called “consideration” behaviors that exhibit a concern for the welfare of team members. We call this “the power of consideration.” This finding makes sense given that audit teams come together for short periods of time, and there is a need for the audit team to feel confident in order to be effective. The other condition in which audit teams perform well is when the partner exhibits strong leadership behaviors for both *initiating structure* (defining goals, communication channels, time-lines) and *consideration*, irrespective of the manager’s leadership behaviors. We call this the “super partner” effect. Overall, the results point to active engagement by partners and managers with the audit team as being the most effective leadership behaviors. While *initiating structure* behaviors are important, *consideration* behaviors are far more important in audit teams, a finding which differs from prior OB research. Finally, the results underscore the importance of training partners and managers in the effective use of *consideration* behaviors to build team confidence and to ensure the best audit team performance.

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\*\*The full paper is available on request:

M. Barrick, O. Bik, J. Francis, B. Kirkman, L. Pieper, and A. Vanstraelen. “It Takes Two to Make a Team Go Right: The Impact of Dual Team Leader Consideration and Initiating Structure Behaviors on Team Efficacy, Performance and Viability.” Working Paper (Maastricht University).

## Leadership Behaviors by Partners and Managers, and Audit Team Performance

### Introduction

In many organizations today, teams often rely on two different leaders, yet prior research has almost exclusively examined effects of single-leaders to motivate team members and ensure successful team outcomes. This is problematic because this research cannot unequivocally be applied to the more complex dual leadership structures that are increasingly being used by organizations.

Using 93 Dutch audit teams with 448 team members, we examine the effects of partners and managers exhibiting the two behaviors that are necessary for successful teams: *initiating structure* behaviors and *consideration* behaviors. *Initiating Structure* (also called taskwork) describes how a leader assigns group member roles and channels of communication, initiates action, defines how tasks are to be accomplished by the group and the time-line for doing so. This leadership behavior is task-oriented, getting the job done. *Consideration* (also called teamwork) is the extent to which a leader exhibits concern for the welfare of the members of the group. This factor is oriented towards interpersonal relationships: building mutual trust and team confidence. This leadership behavior is people-oriented.

We examine the effects of these two leadership behaviors on audit team efficacy, and, ultimately, audit team performance and team viability. By *team efficacy* we mean the team's shared belief in its capacity to achieve a high-quality audit. Prior organizational behavior (OB) research shows that efficacy directly affects team performance. *Team performance* is measured as the partner's assessment of the team's overall performance, and *team viability* is the self-assessed willingness of team members to work together again in the future, which is another indicator of team success. Our results show that the two leadership behaviors affect team performance and team viability through the mediating effect of efficacy. That is, the leadership behaviors have a direct effect on efficacy (the team's belief in its capability to do good audits), which in turn is positively related to audit team performance and team viability.

The empirical question in our study is how do different strategies for implementing shared leadership behaviors affect audit teams? Conventional wisdom is that auditor partners handle *Initiating Structure* behaviors, while managers handle the more internally focused *Consideration* behaviors. However, it turns out this does not necessarily lead to the best audit outcomes.

## Key Results

Our study uses 93 audit teams from the 10 largest Dutch audit firms. See the Appendix for detail on the sample, and the surveys used to develop the measures used in the study. The primary findings are as follows:

- First, we find that when at least one of the leaders exhibits high *initiating structure*, a higher level of team efficacy occur when the other leader exhibits high *consideration*. This is a complementary effect, reflecting a division of labor in how the partner and manager allocate the two leadership behaviors. The *consideration* behavior by one leader enables team members to accept and follow the strong directive and demanding aspects of taskwork in the *initiating structure* of the other leader. This finding would not have been revealed using a single leader analysis.
- Second, we find that when both leaders exhibit high levels of *consideration*, team efficacy is even greater. This is a supplementary effect in which in which *consideration* by one leader is reinforced by the other leader. Across all analyses, we consistently find evidence for what we call the “power of consideration.” Team efficacy is stronger when both the partner and manager exhibit have high use of *consideration* behaviors, irrespective of initiating structure behaviors. Thus, audit teams benefit when both leaders are high in *consideration* behaviors and able to establish strong bonds with team members.
- Third, we also find that there is greater audit team efficacy when a partner is high in both *initiating structure* and *consideration* behaviors, suggesting what we call a “super partner” effect. In single-leader research, higher levels of both *initiating structure* and *consideration* leadership behaviors by a single leader significantly improve team performance. (Burke et al., 2006; Judge et. al., 2004). In the audit team dual leadership structure, we find this same effect for the partner, but not for the manager. We believe the hierarchical status of the partner drives this finding. That is, the partner sets the tone for the audit through his or her leadership behaviors.
- Fourth, *initiating structure* behaviors are relatively less important than *consideration* behaviors in audit teams. This is not surprising given that the nature of the audit work be done, task assignments, channels of communication, and time-lines are pretty standard across audit engagements.

- Fifth, leadership behaviors focused on *consideration* are more important in the audit setting than in prior OB research findings. Again, this is not surprising given the nature of audit teams. Audit work is episodic in nature: teams come together for periods such as planning and interim work, disband, and come together again for year-end work. Given this discontinuity, it is especially important for partners and managers to help audit teams to believe in themselves (efficacy) through high-levels of *consideration* behaviors.
- Finally, the nuances of these dual-leader results would have been impossible to identify using a traditional single-leader research approach.

### **Discussion of the Results**

Our findings have important implications for team leadership. First, we extend classic research on dual leadership structures, which focused primarily on the “dual-boss” conflict that often existed between leaders in these structures, as the two leaders often pursued different objectives. This research found that team leaders frequently reported being pulled in different directions, and thus primarily focused on how to overcome this “dual-boss” conflict and reconcile the competing goals being promoted by the two leaders (Dunne et al., 1978).

In contrast, our audit team context allowed us to examine the effects of two leaders having the same objective: to oversee successful audit team performance by generating a high-quality financial audit statement. Thus, a theoretical contribution of our study is to apply leadership theory to establish why positive taskwork and teamwork leadership behaviors from two unique leaders with different levels of authority, who share leadership responsibility, combine to improve team performance and team viability via enhanced team efficacy. Thus, we extend prior research that almost exclusively examined the dual-boss conflicts inherent in dual leadership structures to show that leadership emanating from two functioning leaders with the *same goals* can have positive synergistic effects on team outcomes.

We also extend the seminal research that has been conducted on *initiating structure* and *consideration* leadership behaviors in organizations. To our knowledge, almost all existing research on these two leadership behaviors has been conducted in single-leader team leadership contexts and shows that both leadership behaviors are positively related to important team outcomes, such as team productivity and effectiveness (Burke et al., 2006). Prior OB research showed a primacy of *initiating structure* behavior as being most important. However, as noted

before, in our dual-leader audit team setting, we find that *initiating structure* is far less important than *consideration* leadership behaviors.

A key question we raised is whether team success is maximized when the two leaders exhibit different leadership behaviors (i.e., a complementary approach in which there is a division of labor) or when they both exhibit the same leadership behaviors (i.e., a supplementary approach). We find some support for a complementary approach. There is evidence of improved audit team efficacy when leadership behaviors are divided; especially when the manager is high on *initiating structure* and the partner is high on *consideration* behavior.

However, even better team performance occurs when there is a supplemental approach. When both the partner and manager exhibit high levels of *consideration* behavior, team efficacy is significantly enhanced. This is a clear departure from existing research on *consideration* behavior. To our knowledge, we are the first to show this “power of consideration” effect in a dual leadership structure, meaning that team members will respond more positively when there are multiple sources of *consideration* behavior aimed at building the team members’ self-confidence in their ability to work together and perform well.

As we argued, building up an audit team’s sense of collective efficacy is closely tied to the *consideration* behaviors of coaching, demonstrating support, and displaying encouragement to teams. Thus, in contrast to much of the earlier single-leader team research that showed *initiating structure* was more important for team success, we depart from that logic and prior research findings to show that it is *consideration*, and not *initiating structure*, that is critical for team efficacy to thrive. These findings underscore the necessity of examining the joint influence of both leaders. Only after we consider the total leadership capability of the team (Morgeson et al., 2010), do we fully realize the importance of *consideration* leadership behaviors.

### **Practical Implications: Auditing and Beyond**

Because so many of today’s teams are led by more than one team leader, our findings have actionable recommendations for any organization that uses dual-team leadership structures. First, organizations should ensure that both *initiating structure* and *consideration* behaviors receive strong emphasis by dual-team leaders, with audit partners (in our setting) directing action by applying *initiating structure* and both leaders (partners and managers in our setting) exhibiting

*consideration* behaviors. Leaders should coordinate their actions in such a way as to both complement *and* supplement each other.

Second, to take advantage of the “power of consideration,” both leaders need to exhibit high levels of *consideration* behaviors in building a team’s efficacy, the team’s belief in its ability to do a high-quality audit. When the two leaders jointly emphasize *consideration*, they send a powerful and consistent message to their teams that they have the ability to tackle head-on their challenges and performance issues. For audit teams, building up team efficacy through consistent *consideration* behaviors is particularly critical because audit teams have fluid and ever-changing membership, and their work is episodic in nature, starting and stopping multiple times during different phases of the audit taskwork.

Our findings may be surprising to audit firms. Audit partners have traditionally not had very much to do with the audit team below the manager level, as they typically focus on external client relations and engage in *initiating structure* behaviors. Yet, our results reveal that the audit team’s ultimate leader, the partner, needs to be fully engaged in working with the full team, and that partners and managers both need to exhibit *consideration* behaviors to effectively lead audit teams.

Finally, there are clear training implications. Both partners and managers need specialized training to support and enhance their skills and ability to provide the kinds of effective *consideration* leadership behaviors that lead to better audit team efficacy and team performance.

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## Appendix Measures Used in the Study

Survey data in the study was collected from the 10 largest Dutch audit firms via two consecutive online surveys, one focused on leadership behaviors and the other on team functioning. We initially selected 392 audit teams comprising 2,856 individuals to participate. We used 5-point, Likert-type scales (1 = strongly disagree, 5 = strongly agree) for all measures. Items were slightly adapted to the audit team context where appropriate to ensure understanding by our participants.

Audit team members rated both the partner's and manager's leadership style and the aggregate of observer-ratings were used to depict how leaders typically behave. We then asked participants to self-assess their audit teams, and we used the aggregate of all team members' ratings to measure team efficacy. To reduce common source bias and because the partner is the ultimate leader responsible for evaluating team outcomes, we measured team performance and team viability of the target teams through single partner-only-ratings from the team survey.

Our sampling efforts yielded a total of 2,299 observer responses (from 1,950 unique respondents) assessing leadership styles of 235 partners; and 1,287 observer responses of 379 audit teams for the team survey. After matching the required partner-manager dyads, and requiring a minimum of 3 raters, we have a final sample of 93 audit teams, with 882 team raters assessing the leadership style of the partners and managers, 448 team member ratings of team efficacy, and 93 partner-only ratings of team performance and team viability.

***Individualized Consideration.*** In the leadership survey, we asked participants to describe the behavior of their leader by responding to six items adapted from the LBDQ consideration scale (Lambert et al., 2012; Rosen et al., 2019; Stogdill et al., 1962). Items assessed included: "This leader is concerned for personal welfare, builds mutual trust and collaboration; provides encouragement and support; and emphasizes collaboration".

***Initiating Structure.*** Participants rated leaders' initiating structure behavior using four items based on Rosen et al. (2019) and Lambert et al. (2012), including: "assigns tasks, roles and responsibilities, and coordinates team activities; checks on progress, maintains definitive performance standards".

***Team Efficacy.*** In the team survey, participants rated the degree to which team members share a sense of confidence in their team's capacity to mobilize task-specific team competence using five items adapted following Riggs et al. (1994) and used by Chen et al. (2005), and Hoyt et al. (2003). Example items included: The team "is totally competent and capable of performing all of our audit tasks" and "is confident about its ability to complete the audit successfully".

***Team Viability.*** In the team survey, the partner rated each team's capability to maintain team viability over time. We used the 3-item team viability scale employed by Barrick et al., (1998), and sample items included: "This team should not continue to function as a team" (reverse-scored), and "This team is capable of working together again in the future".

***Team Performance.*** In the team survey, the partner rated the team's overall performance using Barrick et al. (1998) 5-item team performance scale, e.g., "This team completes its tasks on time" and "This team makes sure that audit services meet or exceed service standards".