

The auditor learning curve

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Summary

Enhancing employees' professional development has become a top priority within the audit profession. To ensure audit quality and to keep up with the speed of changes driven by a growing complexity of processes and continuous regulatory and technological changes, audit firms face increasing pressure to facilitate their employees' professional development. Although professional development is an increasingly important topic on the strategic agenda of audit practice, there is little understanding on how to foster auditors' learning and development and how to support effective coaching of less experienced auditors. Studying auditors' professional development is relatively novel in the audit literature and has not received much attention to date. To address this gap, this dissertation focuses on professional development through learning from their errors, and on the factors that drive supervisors to professionally develop their less experienced colleagues through coaching.

The present dissertation took an interdisciplinary and multi-method approach to answer this research question and studied both the perspective of subordinates and supervisors. Chapter 2 explores how direct supervisors can effectively facilitate learning from errors besides creating a psychologically safe work environment. Chapter 3 investigates the relationship between perceived learning from error climate and professionals' engagement in error-related learning activities, and its underlying mechanisms. In both studies, auditors did not automatically learn from their errors; this process was fostered by psychological safety and learning opportunities afforded by the direct supervisor (chapter 2) and the perception of a supportive learning from error climate (chapter 3). Chapter 2 showed that supervisors can foster learning from errors by providing timely and elaborate feedback, being accessible and involved, and organizing joint evaluations. Chapter 3 shows that organizations can actively encourage professionals to learn from their errors by creating a supportive learning from error climate. Such a learning climate was found to reduce error strain (an affective mechanism), which in turn positively related to reflecting on errors (a cognitive mechanism). The results of chapters 2 and 3 advance our understanding of how audit firms, and particularly audit supervisors can foster learning from errors in staff auditors.

Complementary to the focus on the development of staff auditors, the second set of studies in this dissertation (chapters 4 and 5) explores when supervisors decide to coach their subordinates and to create opportunities for their learning and professional development. Chapter 4 explores the factors that drive and inhibit supervisors to professionally develop their subordinates through coaching. Chapter 5 experimentally investigates how two subordinate-specific factors, performance reputation, and likelihood to return on the engagement, affect the extent to which reviewers professionally develop

their subordinates. The results of chapters 4 and 5 provide clear evidence that reviewers' decisions to invest effort in coaching their preparers during the audit review process depend on their own characteristics, perceptions of preparer' attributes and contextual factors. Chapter 4 showed that reviewers tend to reduce their coaching efforts when preparers are dealing with a high workload, and a lack of physical proximity and low team staffing levels negatively impact reviewers' decision to coach their subordinates. Moreover, this chapter indicates that firms could promote the provision of effective coaching through four mechanisms, including the provision of formal trainings on coaching, the provision of on-the-job coaching for reviewers, assigning sufficient time for review and coaching, and designing a supportive firm culture for coaching. Chapter 5 revealed that reviewers are less focused on professionally developing preparers who are unlikely to recur on the engagement. This effect is strengthened when the preparer has a low-performance reputation. The results of chapters 4 and 5 provide a richer understanding of reasons for inadequate coaching in the review process and shed light on how audit firms can effectively support reviewers in their coaching role.

To conclude, the findings of this dissertation provide an important step toward understanding how auditors' professional development can be fostered, as well as how supervisors can be supported in professionally developing their subordinates. Our results indicate that firms play a vital role in facilitating effective coaching on audit engagements where preparers receive equal opportunities for learning and development: they can create the optimal conditions for promoting individual professionals' learning (from errors) by supporting both subordinates and supervisors. Last but not least, this dissertation emphasizes that enhancing auditors' professional development is a shared responsibility of subordinates, supervisors, and the firm alike; it requires commitment from all three levels.