Valorization Addendum

7.1 Social relevance

In the past decade, the professional development of auditors became an increasingly important topic on the strategic agenda of the audit sector. The audit profession recognized that to attain a sustainable improvement in audit performance and to continuously meet society's expectations, investments in continuous learning and development activities for audit professionals must be made. Even though professional development is an increasingly important topic on the strategic agenda of audit practice, this particular topic has received limited attention in research.

Accordingly, the research presented in this dissertation was designed with the explicit purpose of providing audit firms with a deeper understanding of how to foster auditors' professional development and how to promote effective coaching of less experienced auditors during audit engagements. Throughout this dissertation, professional development has been described as the acquisition of new knowledge and skills obtained through day-to-day experiences at work (Wallin et al., 2020). Enabling audit professionals to continuously learn (from errors) and further their professional development allows them to keep up with the increasing speed of changes within the audit context that are driven by a growing complexity of processes and systems, and continuous regulatory and technological changes (Andiola et al., 2021; Westermann et al., 2015). The results of the presented studies in this dissertation can aid audit firms in providing meaningful support to less experienced auditors, as well as to supervising auditors such that they can consistently engage in effective coaching during the audit review process. Subsequently, the empirical findings presented in this dissertation are not only academically valuable, they are also meaningful for the audit profession and society alike. This valorization addendum elaborates on how the obtained findings can be used by audit firms that are interested in promoting their employees' professional development. Moreover, it discusses the valorization activities undertaken as part of this PhD project.

7.2 Translating empirical findings of this dissertation to the audit profession

The present research identifies drivers of auditors' professional development at three different levels: the audit firm level, the direct supervisor level (e.g., reviewers), and the individual level (e.g., preparers). Regarding the *firm level*, chapter 3 demonstrated that firms play an essential role in designing a supportive learning (from error) climate, where errors are viewed as likely to occur, and learning from errors is expected, valued, and rewarded. Firms can actively create such a work environment by rewarding the reporting of an error, by role modelling successful learning from errors, and by organizing regular meetings

for all members where error knowledge is shared (Grohnert et al., 2019; Putz et al., 2013). Besides creating a supportive learning (from error) climate, chapters 2, 4, and 5 highlight that firms also need to create conditions that enable supervising auditors to effectively coach their subordinates on audit engagements. This includes the allocation of sufficient time for review and coaching, the creation of a formal reward system for coaching during the audit review, and the design of continuous feedback systems for supervisors, such that their coaching skills can be developed on-the-job. More specifically, our experimental findings in chapter 5 suggest that preparers who are unlikely to recur on the engagement, particularly those with a low-performance reputation, potentially miss opportunities for future professional development during the audit review process. Since these factors are not under the direct control of the preparer, conditions for receiving effective coaching have to be created by firms through the way in which engagement teams are composed. In this composition process, practical concerns have to be balanced with opportunities for learning and performance through keeping team members together versus varying team membership. In the healthcare setting, Valentine and Edmondson (2015) found that grouping healthcare workers into larger pods from which temporary teams are formed improved team performance due to increased familiarity with team members over time, combined with a range of different experiences by pod members. A similar approach might be beneficial for audit offices as well.

At the *direct supervisor level*, chapters 2, 4, and 5 showed that professionals' learning and development can be fostered through creating a psychologically safe work environment, along with the provision of timely and explanatory feedback. Supervisors can create a psychologically safe climate through demonstrating fallibility, by framing errors as valuable learning opportunities, exhibiting openness, and by physical presence. Moreover, chapters 4 and 5 revealed that subordinates' attributes are central to supervisors' intention to provide effective coaching. These perceived attributes may not be accurate (i.e., expected versus actual quality of work), or may not be under the preparer's control (i.e., recurrence and workload), so that some preparers seem to be unfairly disadvantaged in their professional learning and development. To avoid the tendency of tailoring coaching efforts to perceptions of subordinates' attributes, supervisors are encouraged to reflect on their implicitly held beliefs regarding subordinates' attributes, as these perceptions might not be accurate. In addition, supervisors should explicitly encourage their preparers to proactively seek feedback and guidance, ask for coaching when needed, and develop an openness to feedback.

At the individual level, chapters 4 and 5 imply that professionals who aspire to learn and develop on audit engagements can actively influence the extent to which they receive coaching opportunities by proactively asking for coaching and guidance and by initiating

a discussion early on in the engagement to express their wish to recur in the next year's engagement.

Finally, based on the empirical findings obtained throughout this dissertation, it is emphasized that all three levels need to become aware that enhancing auditors' professional development as an avenue towards sustainable performance improvement is a shared responsibility: it requires commitment from subordinates, supervisors, and the firm alike.

7.3 Current valorization activities in auditing

The research presented in this dissertation was conducted in the audit context. Measurement instruments (e.g., for chapter 5) were developed in close collaboration with one Big 4 firm to assure the validity and significance of the results for practice. Throughout this PhD trajectory, results have been shared with the participating firm and with audit professionals working at a variety of firms (particularly those in the first three years of their career). Regarding chapter 2, a tailored workshop was designed for audit staff based on the main findings obtained in interviews. The participants attended this workshop as part of their audit certification programme at the VU Amsterdam and the University of Amsterdam. This workshop focused on how audit professionals can be enabled to learn from their errors and facilitated an active discussion among audit staff on how they believe that their organizations and direct supervisors can foster or hinder their learning (from errors) and professional development.

Furthermore, chapters 2 and 4 can be considered as valorization activities at an individual level. In chapter 2, interviews were conducted with 23 audit professionals across all ranks from different audit firms. At the end of each interview, the participants often reflected on the main insights they gained themselves during the interview. Participants frequently mentioned that the interview made them more aware of what they need from their organization and direct supervisors to learn and develop their knowledge and skills continuously. In chapter 4, interviews were conducted with 15 auditors in a supervising role. After the interview, many participants indicated that describing recent examples of effective and ineffective coaching on-the-job made them more aware of what they consider as effective coaching in the review process, and what factors foster or inhibit them from engaging in effective coaching. Moreover, participants mentioned that reflecting on their way of supervision and coaching in the review process made them more aware of their firm's role in creating the right conditions for effective coaching.

With regard to chapter 5, the experimental design and associated measures were developed in collaboration with the participating Big 4 firm. One of the main purposes of the participating firm is to become a purpose-led and values-driven organization while improving audit quality. The firm considers professional development as one of the key levers for audit quality. Accordingly, the firm's motivation to collaborate and participate in our experimental study was driven by a need to gain insights into how to optimize the use of the review process as a key tool for professional development. Particularly, the firm aimed at advancing their understanding of when supervising auditors invest in professionally developing their subordinates, and on how to foster the provision of effective coaching and feedback in the audit review process. Our experimental study was part of the firms' annual training program in the summer of 2020. It was agreed with the collaborating firm that in exchange for participating in our study, individual participants (e.g., reviewers) would be provided with real-time feedback regarding their feedback orientation, learning mindset, and how they provided feedback to the preparer. Participants were encouraged to download their personal scores and associated feedback as a PDF file and to use this as an input for reflection during a workshop in the annual training program. Moreover, as agreed with the firm, a video was recorded in which we shared and elaborated on our empirical findings regarding the determinants that drive reviewers to professionally develop their preparers. All participants in the training program gained access to this video. The video served as an input for a constructive conversation on how effective coaching during audit engagements can be fostered. Furthermore, we provided the firm with a detailed report including our main empirical findings and recommendations of how the firm can continue its existing efforts in fostering a learning culture where supervising auditors are supported in providing effective developmental opportunities and subordinates receive opportunities to reach their full learning potential. Based on this report, the firm has already organized several intervision sessions to raise awareness of how preparer characteristics and reviewers' characteristics affect the extent to which reviewers focus on professional development in their review comments, along with the potential risks for audit quality in the long-term.

Finally, the results of chapters 4 and 5 serve as a starting point for future research and valorization activities. The firms' next aim is to share and translate our empirical results acquired on a national level to an international level. The purpose is to globally raise awareness on how audit firms can create the optimal conditions for effective coaching during audit engagements, such that audit professionals can achieve their full learning potential, and audit quality can be improved.

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7.4 Conclusion

In conclusion, the research presented in this dissertation has been designed with the specific purpose of informing practice and has been carried out in close collaboration with the audit profession. Focusing on identifying enablers for professionals' learning and development on audit engagements has resulted in new insights into how audit firms can actively enable both less experienced auditors and supervising auditors to facilitate employees' professional development. From developing workshops to sharing and discussing findings through a business report and videos, the research presented in this dissertation has been valorized for audit practice.

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