What makes audit partners, managers, and their teams successful?

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The functioning of our capital markets and the efficient allocation of resources is crucial for economic growth and innovation, which ultimately benefits society as a whole. Auditors play a vital role in this process by providing independent assurance on the accuracy and reliability of financial information disclosed by companies. However, in order to fulfill this role, investors need to trust the audit profession to provide high-quality audits. The quality of audits, and often the lack thereof, is a frequent topic in regulatory debates and news outlets. Even though audit firms have implemented strict quality control processes, archival audit research provides evidence that engagement quality varies significantly across individual audit partners within a firm. This suggests that the systems are ineffective in reducing the impact of inherent differences in auditor characteristics. Thus, to achieve consistent high-quality audits, audit firms need a better understanding of what makes some auditors and audit teams perform better than others. In close collaboration with the ten leading audit firms in the Netherlands, this dissertation provides novel insights into the functioning of audit teams and their leaders, with the ultimate goal of helping the audit firms in their mission to achieve consistent audit quality.

In particular, the first study (Chapter 2) provides a comprehensive analysis of how audit managers’ and partners’ personality traits relate to different skills, and ultimately their job performance, for which audit quality delivered at the engagement level is a key performance evaluation criterion. Several findings of this study are relevant to audit firms and their human resource practices, such as performance evaluation and training. All audit firms state that they wish to increase diversity across all function levels, yet the study highlights that their current performance evaluation systems seem to favor individuals with a specific personality profile, as shown by a significant decrease in variation in personality traits in the higher function levels. In addition, the analysis suggests that leadership skills are only related to the performance
assessment of the partners, even though the audit firms aim to develop this skill already for managers. These descriptive findings can potentially help audit firms to reassess their current performance evaluation systems.

Chapters 3 and 4 in turn focus on the audit partner’s and manager’s joint role in leading the engagement team. In Chapter 3, I specifically focus on the dyad formation and document that 68% of the partners in our study are given the choice of selecting the engagement manager themselves. By examining how different partner-manager combinations relate to elements of team functioning, I help audit firms understand the consequences of granting this choice. Chapter 4 investigates two different leadership behaviors from the dyad and answers under which combination of leadership behaviors the engagement team performs best. The results have implications for both the staffing of the engagements and potential leadership training programs. In particular, the study highlights that at least one of the two leaders should exhibit high levels of consideration. While traditionally this was often viewed to be the responsibility of the manager as the leader who is more involved in the daily supervision, team performance is heightened when the partner equally exhibits consideration leadership (and not just initiating structure). Audit firms can complement their technical training with specific leadership training and encourage their audit partners to be more involved with the team and to care for their well-being and mentoring.

Overall, the findings of this dissertation provide audit firms with new insights into audit teams and their leaders, which can be used to improve audit team functioning.