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Auditors gone wild: The "other" problem in public accounting

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Abstract

Following the scandals involving Enron, WorldCom, and Qwest Communications, the accounting profession has spent the past several years trying to get back on track. While Sarbanes-Oxley may improve the decision-making of audit professionals, and help prevent future large-scale catastrophes that hurt stockholders and bring down firms, there is another problem in public accounting that few consider and nobody has proposed to solve: deviant workplace behavior. Previous research describes deviant workplace behavior as the voluntary behavior of organizational members that violates significant organizational norms and, in so doing, threatens the well being of the organization and/or its members. Building from recent work in various business literatures, this is the first research since the passage of Sarbanes-Oxley to examine workplace deviance at Big 4 accounting firms. Taking a cross-disciplinary, collaborative approach, the authors endeavor to explain why workplace deviance has infiltrated accounting firms and how it is undermining their effectiveness and derailing their long-term prospects for success. After describing its genesis and effects, the authors prescribe several managerial strategies for preventing deviance and minimizing its effects on a firm.

1. Deviant workplace behavior

While the accounting world is clamoring to put the bad press of the Enron, WorldCom, and Qwest Communications scandals in the rear view mirror, there is another problem lurking below the surface for the Big 4 and other large firms. While its presence is very real, it has not manifested itself in lawsuits, bankruptcies and ruined lives. At least, it hasn't yet. This problem, or what we could call the "other" problem being faced by accounting firms, is less a case of failed "ethics" and more a case of "workplace deviance."

Robinson and Bennett (1995) explain that workplace deviance is the voluntary behavior of organizational members that violates significant organizational norms and, in so doing, threatens the well being of the organization and/or its members. Recently,

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business researchers in the areas of management and organizational science (Bennett & Robinson, 2000; Colbert, Mount, Harter, Witt, & Barrick, 2004; Dunlop & Lee, 2004), consumer services marketing (Harris & Ogbonna, 2002), and, most recently, in business-to-business selling (Jelinek & Ahearne, 2006a, b) have examined the causes and effects of deviance. These researchers have determined that workplace deviance can take three forms: it can be *interpersonal*, meaning that it occurs between co-workers, and includes things like spreading rumors about colleagues or finger-pointing blame; it can be *organizational*, such as when employees lash out against their organization or an organizational figurehead like a manager by doing things such as intentionally working slowly or attending to personal matters on company time (Dunlop & Lee, 2004; Robinson & Bennett, 1995); or, it can be *front-line*, such as when employees vent to customers about problems they are having with their organization (Jelinek & Ahearne, 2006b).

Though some have previously examined workplace deviance in public accounting (see, for example, Schilit, 1984), overall research in this context is relatively limited. This shortage is surprising given the unique boundary-spanning nature of the public accountant's job. Unlike jobs with little client interaction, audit professionals spend a great deal of time on the frontlines, providing direct services for clients at client locations. As service providers, auditors are the “face of their firm;” they are responsible for building relationships with clients and are “inseparable” from the services they provide, meaning that when clients evaluate their satisfaction with their audit services, they evaluate their satisfaction with the auditor who provides them. This is an important distinction: while deviant behavior in other contexts may not have significant consequences, deviance in this service context likely does. Auditors who behave deviantly impair the ability of their firm to provide services and lessen the likelihood that the client will be satisfied with the services provided.

In addition to being limited, research on auditor deviance is also rather dated. This is because what little research there is about deviant behavior by auditors pre-dates many of the significant changes to the accounting profession in recent years. As we will explain, since 2001 a series of developments have had an impact on the accounting profession, on the audit professional and, we argue, on the corresponding extent of deviant behavior occurring at large firms.

Before continuing it is important to realize that workplace deviance has been haunting Big 4 firms for some time. While it may not have been widely discussed in public, in 1991 *The Wall Street Journal* detailed how shouting matches and public displays of aggression between accountants at big firms — two examples of interpersonal deviance — had gotten so bad that many large firms had begun consulting with outside behavioral psychologists (Berton, 1991). More recently, a 1998 survey asking CPAs to assess the seriousness of various problems facing the field revealed that 35% of respondents reported that “abuse of expense accounts,” a form of organizational deviance, was a moderate to major problem (Yetmar, Cooper, & Frank, 1998). This survey, taken before the Enron scandal, ranked this behavior as a greater problem than “conflicts of interest involving business or financial relationships with clients or competitors that influence, or appear to influence, one's ability to carry out his or her responsibilities” (Yetmar et al., 1998). In other words, these CPAs considered deviant workplace behavior more of a problem than what many believe caused Enron.

Those who study deviant behavior in the workplace do not find this surprising; stressed-out workers tend to behave deviantly. Unfortunately, public accounting has its share of highly stressed workers; it is among the most stressful professions in America (Fogarty, Singh, Rhoads, & Moore, 2000). This is largely because a single Big 4 auditor serves a portfolio of clients, each of whom demand sage, expert advice and attention, and who want reports filed faster than the previous year and at a lower cost. In response, audit firms increasingly lean on their auditors to get more done in less time. For audit professionals, this means increased travel, unwanted overtime, and an overloaded schedule that demands they bounce from client to client. It also means that the “busy season” swallows up more and more of the calendar every year, which, in effect, cuts into personal time and increases the burden felt by the auditors' families, which in turn ratchets up feelings of guilt and perpetuates even higher levels of stress. It is no wonder why a 2001 US study conducted by the makers of the pain reliever Excedrin found that auditors suffer more headaches than any other professionals (Satov, 2003). In the UK, the suicide rate among male accountants is 10% higher than that of the rest of the population (Nixon, 2004).

While suicide may be an extreme outcome, increased tension, burnout, and dysfunctional behavior are not. In fact, the American Psychological Association (APA) and the Families and Work Institute are beginning to take the effects of work stress very seriously: they report that 34% of overworked employees feel resentment toward coworkers, and 39% feel anger toward their employer (“Overworked,” 2006), and the APA suggests work stress is fast becoming a major workplace problem (Nadel, 2006). While accountants at large firms have been facing stress for years, the troubling news is that three recent developments in the profession, which we call “aggravators,” are making