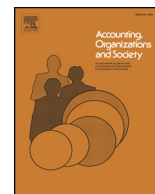




Contents lists available at ScienceDirect

Accounting, Organizations and Society

journal homepage: www.elsevier.com/locate/aos

Delivering the “tough message”: Moderators of subordinate auditors’ reactions to feedback

Lindsay M. Andiola^{a,*}, Jean C. Bedard^b^a Virginia Commonwealth University, 301 W. Main Street, Box 844000, Richmond, VA 23284-4000, United States^b Bentley University, 175 Forest Street, Waltham, MA 02452-4705, United States

ARTICLE INFO

Keywords:

Audit review
 Feedback sign
 Feedback orientation
 Goal framing
 Workpaper review
 Engagement review

ABSTRACT

The audit review process is a key quality control mechanism. Recent evidence from practice suggests that regulatory risk has made reviews more critical, and audit supervisors are struggling with how to effectively deliver the “tough message”. We contribute to the audit review literature by providing an in-depth understanding of the subordinate’s perspective, focusing on the understudied topic of negative feedback and factors that might moderate its effects. We investigate these issues using an experiential questionnaire soliciting subordinate auditors’ reactions to highly salient actual review experiences. We find both adverse and beneficial reactions to more negative feedback, including worse attitudes toward coaching relationships, more attempts to manage supervisors’ impressions, but greater performance improvement efforts. These reactions are moderated by the subordinate auditor’s feedback orientation (i.e., receptivity), and sometimes by the supervisor’s goal framing (i.e., emphasis on learning versus performance). Collectively, participants more often chose engagement over workpaper reviews to represent their most salient experiences, and some results differ between these review contexts. Qualitative analysis identifies both similarities and differences in key attributes of these review types. These results are important, as the audit review literature predominately considers workpaper review, and no study compares the two review contexts.

1. Introduction

The learning environment in the auditing profession is characterized as an apprenticeship model in which on-the-job learning is required in order to acquire professional knowledge and move up the organizational hierarchy (Westermann, Bedard, & Earley, 2015). A key component of this learning is the formal audit review process, which provides auditors with developmental feedback (Andiola, 2014; Trotman, Bauer, & Humphreys, 2015). Consistent with the critical role that review plays in audit firm quality control, over 30 percent of supervisors’ hours are allocated to review and about 20 percent of review time is spent coaching subordinates (Fargher, Mayorga, & Trotman, 2005; Jenkins, Ater, Gimbar, Saucedo, & Wright, 2017). Research in organizational behavior finds that supervisors are often concerned about providing criticism to subordinates, as it may reduce employee satisfaction and lead to counterproductive behaviors (Belschak & Den Hartog, 2009; Brown, Kulik, & Lim, 2016). This concern resonates with the current situation in audit practice. More stringent regulatory regimes have put pressure on firms to ensure that their personnel meet

high performance standards (Westermann, Cohen, & Trompeter, 2017), which has amplified the need for negative feedback. However, audit supervisors struggle with how to deliver the “tough message” (i.e., negative feedback) in this environment, worrying that some form of subordinate retaliation or turnover will occur (Kornberger, Justesen, & Mouritsen, 2011; Westermann et al., 2015). This is consistent with criticism by regulators that the review process may not be operating at an optimal level, as inspection findings show that supervisors are not appropriately evaluating and supervising auditor work (PCAOB, 2013; ASIC, 2014). The purpose of this paper is to further understanding of audit review by investigating subordinates’ reactions to feedback sign (negative or positive) in the real-world audit review context, and examining whether specific person and task characteristics moderate those reactions.¹

The study of negative feedback is important, as an effective review process must identify performance gaps and guide subordinates toward improvement (Steelman & Rutkowski, 2004). While there is a rich literature on audit review, few studies specifically address negative feedback despite its prevalence and importance in the current audit

* Corresponding author.

E-mail address: lmandiola@vcu.edu (L.M. Andiola).¹ The psychology literature on feedback refers to both attitudes and actions as *reactions*. We use this term when referring to attitudes and actions collectively; otherwise, we specifically refer to *attitudes* or *actions* for clarity.<https://doi.org/10.1016/j.aos.2018.02.002>Received 23 March 2016; Received in revised form 4 February 2018; Accepted 12 February 2018
0361-3682/ © 2018 Elsevier Ltd. All rights reserved.

environment (Andiola, 2014; Church, 2014), and none examine factors that might change its effects. Some studies investigate the review process more broadly, but focus on the supervisor's perspective (e.g., Gibbins & Trotman, 2002; Roebuck & Trotman, 1992). We build on this literature by examining the audit review process in practice from the subordinate auditor's perspective. Our focus on subordinates is important because these are the individuals who are performing much of the detailed audit work, and have the most to gain in terms of learning and improving through the feedback provided during audit review. If reviews are not conducted effectively, subordinate auditors' reactions to review might lead to counterproductive work behaviors (e.g., withholding effort or purposely performing a task incorrectly; Belschak & Den Hartog, 2009; Lambert & Agoglia, 2011) or turnover (Dalton, Davis, & Viator, 2015), resulting in both efficiency and effectiveness losses that can impact audit quality.

To achieve our research objectives, we study the association of feedback sign (negative or positive) with the subordinate auditor's attitude toward the supervisor at the time of review, as well as with actions following review (i.e., attempts to manage impressions and performance improvement efforts). Based on prior research, we expect a negative (positive) relationship between more negative feedback and attitudes (actions) (e.g., Fedor & Ramsay, 2007). However, these associations may be moderated by the subordinate's *feedback orientation* (i.e., relative level of receptivity to feedback); comprising liking and valuing feedback, a desire to seek feedback, an ability to process feedback mindfully, and a sensitivity to others' views of oneself (London & Smither, 2002). Studies theorize that a stronger feedback orientation helps individuals to control their emotional reactions to feedback (Dahling, Chau, & O'Malley, 2012; Braddy, Sturm, Atwater, Smither, & Fleenor, 2013), which could assist in acceptance and use of negative feedback (Ilgen & Davis, 2000). Other research shows that a stronger feedback orientation can improve responses to coaching in general (Gregory & Levy, 2012; Linderbaum & Levy, 2010), but does not test whether feedback orientation is helpful in improving reactions to negative feedback specifically. While theory suggests differential responses to review based on feedback orientation, it is unclear whether this characteristic will play a significant role in subordinates' reactions to review in the audit context. The personnel recruitment and training processes of audit firms may reduce variation in this individual characteristic, or features of the audit review setting may outweigh its effect (e.g., Bonner, 2008, p. 88).

A task factor that may moderate the joint effect of feedback sign and a subordinate's feedback orientation is the supervisor's framing of the review to emphasize learning or performance as an achievement goal (i.e., *goal framing*). *Learning goals* stress improvement, developing skills, and mastering tasks, whereas *performance goals* stress "getting it right", efficiency, and showing competence (Ames & Archer, 1988; Elliott & Dweck, 1988). Achievement goal theory suggests that the same experience may have a different meaning and impact depending on the goal emphasized (Dweck & Leggett, 1988; VandeWalle, Cron, & Slocum, 2001). In auditing, some studies indicate that certain review styles or choices may be beneficial (e.g., communication mode and content; Pratt & Jiambalvo, 1981; Brazel, Agoglia, & Hatfield, 2004) and others indicate certain goals can improve performance (Asare & Cianci, 2009; Kadous, Kennedy, & Peecher, 2003), but none specifically examine achievement goal framing. We investigate whether the interaction of feedback sign and feedback orientation on a subordinate's reactions to review depends on the supervisor's goal framing. While prior research does not provide precise guidance, such a three-way interaction could result if, for example, subordinates with stronger feedback orientations require a certain cognitive frame (e.g., an emphasis on learning) in order to be receptive to negative feedback.

In addition to our primary tests of theory, we also explore whether subordinates' perceptions and reactions differ in workpaper versus engagement review contexts. Prior literature predominately focuses on workpaper reviews (e.g., Gibbins & Trotman, 2002; see Trotman et al.,

2015 for a recent review). Only a few early studies examine engagement reviews (Jiambalvo, 1979; Kida, 1984; Wright, 1980), and no studies examine both. While these review contexts are similar in that they are quality control tools and provide developmental feedback to improve performance, they differ in key ways. Workpaper reviews are conducted during an audit engagement, focus on a specific task, and are not directly tied to compensation or promotion/retention decisions. Engagement reviews focus on overall performance following engagement completion, and typically result in a numerical performance rating used in compensation and promotion.

We address these issues using an experiential questionnaire approach (Gibbins & Qu, 2005), gathering information from 198 subordinate auditors from two large international audit firms on actual experiences with audit review. Based on the guidelines of the Critical Incident Technique (Flanagan, 1954; Salterio & Gondowijoyo, 2017), we ask participants to describe two memorable review experiences, one considered to be their *best* and the other their *worst*. This design choice allows observation of experiences most likely to influence the subordinate's attitude toward his/her supervisor and actions following receipt of the review (Mignonac & Herrbach, 2004), and provides meaningful empirical variation in the outcome variables. Dependent variables include the participant's attitude toward the coaching relationship at the time of the review, and the participant's actions to manage the supervisor's impressions and improve performance following the review. Independent variables (feedback sign, feedback orientation, and goal framing) are measured by adapting previously validated scales or building measurement items from theory.

Our results reveal several insights. Because a subordinate's collective review experiences comprise both workpaper and engagement reviews, we first test our hypotheses in the overall sample. Contributing to the limited auditing research on feedback sign, our models show that feedback that is more negative (relative to positive) is associated with worse coaching relationships and greater impression management, underscoring why supervisors may be hesitant to provide negative feedback.² In addition, more negative feedback is associated with increased performance improvement efforts, a potential benefit. However, significant interactions imply that these results are contingent on the other test variables. Specifically, attitude toward the coaching relationship declines with feedback that is more negative for subordinates with both stronger and weaker feedback orientations when supervisors use performance goal framing and for subordinates with weaker feedback orientations when the supervisor uses learning goals. In contrast, the coaching relationship remains high despite more negative feedback for subordinates with stronger feedback orientations when the supervisor emphasizes learning goals. This implies that critical feedback can be well received when both conditions exist (i.e., a subordinate oriented toward feedback, and a supervisor's review framed toward learning) but not with either condition alone.

We also find that the associations of more negative feedback with subordinates' actions following review are conditional on feedback orientation and goal framing. Managing of impressions and performance improvement efforts increase with more negative feedback for subordinates with both stronger and weaker feedback orientations when supervisors use performance goal framing and for subordinates with stronger feedback orientations when the supervisor uses learning goals. In contrast, managing impressions and performance improvement efforts remain low in the presence of more negative feedback for subordinates with weaker feedback orientations when the supervisor uses learning goals. Importantly, when those with stronger feedback orientations receive more negative feedback framed with learning goals, these individuals report the greatest performance improvement efforts.

² Impression management could be problematic if it leads to stylizing or distorting workpapers and/or inaccurate performance assessments (Bolino et al., 2008; Rich et al., 1997).

Download English Version:

<https://daneshyari.com/en/article/11020640>

Download Persian Version:

<https://daneshyari.com/article/11020640>

[Daneshyari.com](https://daneshyari.com)