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**SEEKING AUDIT QUALITY:
ON THE ORGANIZATIONAL WORK OF A BIG
FOUR AUDIT FIRM**

Wendy Groot

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Seeking Audit Quality: On the Organizational Work of a Big Four Audit Firm

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VRIJE UNIVERSITEIT

**SEEKING AUDIT QUALITY: ON THE ORGANIZATIONAL WORK OF A BIG FOUR
AUDIT FIRM**

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad Doctor of Philosophy aan
de Vrije Universiteit Amsterdam,
op gezag van de rector magnificus
prof.dr. J.J.G. Geurts,
in het openbaar te verdedigen
ten overstaan van de promotiecommissie
van de School of Business and Economics
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door

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prof.dr. K.D. Westermann
prof.dr. L. Baudot

Out beyond ideas of wrongdoing and rightdoing,
there is a field.
I meet you there.

Rumi

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Wendy Groot

Summary

The audit profession operates in a complex institutional setting that is characterized by an inherent tension between professionalism and commercialism. In the Netherlands, this has been aggravated in the recent decade by considerable social, political, and regulatory pressures, following incidents that have cast doubt about the quality of audit services provided by Dutch auditors. This dissertation delves into the inner workings of an audit firm in responding to those quality concerns—the day-to-day business of individuals within an audit firm. With a focus on these micro-processes, the dissertation unravels three issues: How the firm sought to implement a root cause analysis (RCA) practice, how findings are constructed in an inspection process, and how change is conceptualized and materializes in daily operations. These insights are gathered through a combination of qualitative research methods, including ethnography, interviews, and a case study.

In the first study, I use ethnographic data from an eight-month study to investigate how the RCA team engages in and deploys legitimacy work to implement the RCA practice. RCA is a tool used to identify the causes of adverse events (i.e., inspection findings or restatements) and is aimed at facilitating organizational learning. In this study, I present a process model which reveals the adaptive processes that unfold within the audit firm in response to the RCA team's efforts to implement the RCA practice. The RCA team had to substantially adapt and internally legitimize the RCA practice, as challenges were encountered from the firm's leadership and audit practice. The findings suggest that the RCA practice does not fit the audit context seamlessly, due to the complex and subjective nature of these investigations and the significant role of professional judgment in auditing. This disparity is further exacerbated by auditors' views of errors as unacceptable, rather than learning opportunities. With this study, I challenge the notion that auditors merely respond symbolically or rhetorically to external pressures.

In the second study, I present a case study centered on an audit inspection process and investigate how a good-enough audit is constructed in the oversight body–audit firm interactions during an inspection process. It examines an audit engagement that underwent both an internal review and an external inspection, leading to diverging outcomes. Drawing on the social-control literature, I argue that the line between right and wrong is blurry. The determination of what constitutes a good-enough audit is a product of interactions between the audit firm and the oversight body, through a discursive space that is shaped by professional ambiguity. Professional ambiguity encompasses the various understandings of the audit, divergent interpretations of audit standards, and contrasting perspectives between the oversight body and the firm on what constitutes an important finding. The interactions are shaped by auditors’ collective memory of a fierce oversight body, thereby hindering a more constructive and relational approach. With this study, I challenge the idea that audit findings arise from a definitive line, drawn by the oversight body, between compliant and inadequate audits, and reject the notion that auditors are passive actors with little agency in the inspection process.

In the third study, I conducted an interview study on change within an audit firm, investigating how social-symbolic work is employed in an audit firm’s attempts to change prevailing organizational practices. Social-symbolic work captures the activities and actions by actors that drive the meaning of social-symbolic objects (ranging from key performance indicators (KPIs) and dashboards to emotions and identities) in day-to-day business. I find that change appears as a continuous process in which the audit firm responds to many, potentially conflicting, change signals. Social-symbolic work is conducted by auditors themselves, who assume the role of change agents in addition to their primary roles. They seek to make the change initiatives auditable, that is, making them measurable with an action- and task-based approach, which is understandable and palatable to practice. Change then primarily manifests in the form of social-symbolic objects, such as new teams, revised terminology, or additional

performance indicators. These objects subsequently convey (symbolic) change in some cases, while in others also result in substantial change in auditors' daily practice. The prospect of change seems to be determined by the extent to which change agents are able and willing to engage in social-symbolic work to alter the meaning ascribed to social-symbolic objects. Lastly, as it is initially unclear which change initiatives materialize in the daily practice, I argue that signaling a willingness to change is crucial in the firm's effort to embrace progress and address pressures for change.

Samenvatting

Het accountantsberoep opereert in een complexe institutionele context. Wat het beroep intrigerend maakt om te onderzoeken, is de constante spanning tussen professionalisme, waarbij de nadruk op het maatschappelijk belang ligt, en commercie. In Nederland is deze spanning de afgelopen decennia verder opgelopen door verschillende incidenten, leidend tot kwaliteitszorgen en gevolgd door aanzienlijke sociale, politieke en regelgevende druk. Dit proefschrift onderzoekt hoe er op deze druk gereageerd wordt door inzicht te geven in de dagelijkse gang van zaken van de mensen binnen een accountantsorganisatie. Met een focus op microprocessen ontrafelt het proefschrift de volgende drie kwesties: Hoe de accountantsorganisatie een root cause analyse (RCA) praktijk probeerde te implementeren, hoe kwaliteitsbevindingen worden geconstrueerd in een inspectieproces en hoe verandering materialiseert in de dagelijkse praktijk. Deze inzichten zijn verzameld door een combinatie van kwalitatieve onderzoeksmethoden, waaronder etnografie, interviews en een case study.

In de eerste studie (Hoofdstuk 3) maak ik gebruik van etnografische data van een acht maanden durende observatieperiode om te onderzoeken hoe het RCA team de implementatie van de RCA praktijk legitimeert. RCA is een middel om oorzaken van ongewenste gebeurtenissen (zoals inspectiebevindingen of een fouttherstel in de jaarrekening) te identificeren, het leren op organisatieniveau te faciliteren en daarmee kwaliteitsproblemen te adresseren. In het onderzoek presenteer ik een procesmodel dat laat zien hoe de nieuwe RCA praktijk gedurende de implementatie moest worden aangepast en gelegitimeerd, om passend te maken voor de audit context, en tegemoet te komen aan uitdagingen vanuit het leiderschap en de auditpraktijk van het kantoor. De resultaten van het onderzoeken suggereren dat de RCA praktijk niet naadloos past in de auditpraktijk. Dit heeft enerzijds te maken met de complexe en subjectieve aard van deze RCA onderzoeken en anderzijds met de belangrijke rol van professionele oordeelsvorming in de audit. Deze discrepantie wordt verder vergroot doordat

accountants fouten eerder zien als onacceptabel dan als leermogelijkheden. Met deze studie schijn ik een nieuw licht op het idee dat accountants alleen symbolisch of retorisch reageren op externe druk.

De tweede studie (Hoofdstuk 4) betreft een case study over het inspectieproces, waarin ik mij richt op hoe de goed-genoeg audit wordt geconstrueerd in de interacties tussen de toezichthouder en de accountantsorganisatie. De case betreft een controleopdracht die zowel aan een interne review als externe inspectie was onderworpen, wat leidde tot uiteenlopende uitkomsten. Op basis van voorgaande literatuur kan worden gesteld dat de grens tussen goed en fout vaag is. Door de grote mate van professionele oordeelsvorming in de audit ontstaat er professionele ambiguïteit en is er ruimte voor discussie over wanneer een audit goed genoeg is en wanneer niet. Professionele ambiguïteit omvat de verschillende opvattingen over de controle, uiteenlopende interpretaties van de auditstandaarden en tegenstrijdige perspectieven tussen de toezichthouder en het kantoor over wat een belangrijke kwaliteitsbevinding is. Op basis van de literatuur over sociale controle, kan gesteld worden dat de lijn tussen een controle die goed genoeg is en een controle die niet goed genoeg is, wordt bepaald in de interacties tussen de toezichthouder en de accountantsorganisatie. Deze interacties worden beïnvloed door het collectieve geheugen van accountants aan een strenge toezichthouder, wat een meer constructieve toezichtsrelatie belemmert. Met deze studie stel ik het idee ter discussie dat kwaliteitsbevindingen voortkomen uit een duidelijke scheidslijn, welke wordt getrokken door de toezichthouder, tussen toereikende en ontoereikende controles en dat accountants passieve actoren zijn zonder invloed in het inspectieproces.

In de derde studie (Hoofdstuk 5) heb ik interviews afgenomen over verandering binnen een accountantsorganisatie, waarbij ik onderzoek hoe sociaal-symbolisch werk wordt ingezet om bestaande organisatorische praktijken te veranderen. Sociaal-symbolisch werk bestaat uit de acties en handelingen van mensen die de betekenis in de dagelijkse praktijk bepalen van

sociaal-symbolische objecten (zoals key performance indicators (KPIs) en dashboards). In dit onderzoek stel ik vast dat verandering een continu proces is waarbij de accountantsorganisatie reageert op vele, mogelijk conflicterende, signalen die prikkel kunnen zijn voor verandering. Dit sociaal-symbolische werk wordt uitgevoerd door accountants, die binnen het kantoor de rol van veranderingsagent op zich nemen, naast hun primaire rol als accountant. In hun rol als veranderingsagent lijken zij de veranderingsinitiatieven aan te pakken als een controle. Zodoende worden de veranderingsinitiatieven meetbaar gemaakt en opgezet met een taak- en actiegerichte aanpak, zodat deze begrijpelijk en acceptabel zijn voor de accountantspraktijk. Verandering materialiseert in de vorm van sociaal-symbolische objecten, zoals nieuwe teams, herziene terminologie, of aanvullende KPIs. Deze objecten leiden in sommige gevallen tot symbolische en in andere tot substantiële veranderingen in de dagelijkse praktijk. De kans op verandering lijkt te worden bepaald door de mate waarin veranderingsagenten in staat en bereid zijn om de betekenis van deze objecten door sociaal-symbolisch werk te veranderen. Omdat het aanvankelijk onduidelijk is welke veranderingsinitiatieven zich in de dagelijkse praktijk materialiseren, is het signaleren van de bereidheid tot verandering cruciaal voor het kantoor om vooruitgang te omarmen en de druk voor verandering te adresseren.

1 Introduction

Seeking Audit Quality: On the Organizational Work of an Audit Firm

We have all these developments, internally and externally, that impact our work, not only content-wise but also how we do it. [...] And how do we deal with these changes, from the oversight body, digitalization, and [in the market]? [...] How do we serve society, but also our clients? And what does this mean in practice? (Study III, Senior manager, I#3)

The audit profession presents a compelling institutional context to study organizational work, largely stemming from the inherent tension between two core principles: professionalism and commercialism (Couchoux & Malsch, 2022; Dermakar & Hazgui, 2022; Malsch & Gendron, 2013). Professionalism emphasizes auditors' duty to protect and serve the public interest. Commercialism, on the other hand, highlights auditors' incentives to cater to client needs, thereby preserving the profession's economic attractiveness and its monopoly in conducting statutory audits (Andiola et al., 2020). Over recent decades, the profession has faced numerous external pressures and it has undergone several regulatory changes, prompted by various scandals and public demands for accountability (Malsch & Gendron, 2013; Moore et al., 2006). The Dutch auditing sector, in particular, has experienced significant turmoil due to critical inspection reports and persistent scrutiny from the oversight body, committees, the media, and government authorities (Detzen, 2024; Humphrey et al., 2018). In response to this upheaval, audit firms have publicly vowed to enhance their practices, striving to prioritize audit quality and resolve cultural and systemic issues undermining these quality ambitions, all amid a commitment to learn from past mistakes.

Despite the pledge for continuous learning within the audit profession (Kornberger et al., 2011; Westermann et al., 2015), auditors often feel the need to resort to defensive strategies to mitigate potential repercussions when confronted with errors (Gold et al., 2022). This tension is likely exacerbated by the presence of regulatory oversight bodies, which can create a sense

of auditors being on “trial” (Westermann et al., 2019, p. 695). Auditors’ desire for “clean” evaluations from these regulatory oversight bodies (Johnson et al., 2019, p. 1540) may discourage them from adopting an open attitude toward errors. This dynamic underscores the complexity of balancing these external pressures and scrutiny with improving audit quality by learning from adverse events.

From an organizational perspective, audit firms present an interesting setting for studying their approaches aimed at error prevention. As audit firms are professional service firms, they are composed of professionals who highly value their autonomy, making them more difficult to steer (e.g., Faulconbridge & Muzio, 2008; Greenwood et al., 1990). Furthermore, as most audit firms operate in a hierarchical structure and are organized as partnerships, responsibilities for operations, management, and ownership are typically combined within the partner role (Greenwood et al., 1990; Smets et al., 2017). Strategic issues usually emerge through a process of consensus-building among partners, rather than being dictated from above (Cooper et al., 1996), rendering leadership roles as symbolic rather than executive functions (Faulconbridge & Muzio, 2008). These distinctive characteristics of professional service firms necessitate management theories tailored to their specific needs (Faulconbridge & Muzio, 2008; Von Nordenflycht, 2010).

While prior research has examined the dynamics of external pressures and audit firms’ respective responses, in the Netherlands and internationally, it has predominantly adopted an institutional perspective, highlighting strategic legitimacy attempts and symbolic responses from audit firms (e.g., Canning & O’Dwyer, 2013; Moore et al., 2006; Suddaby & Greenwood, 2005). Although this stream of literature provides important insights, it has not yet widely examined the changes occurring within daily practice and individuals’ behaviors within the firms (Noordegraaf, 2011; Smets et al., 2012). However, understanding these micro-processes is important, because “if we do not attend to how institutional myths are coupled to actual work

[...] our knowledge of how and why institutions matter is limited” (Hallett, 2010, p. 56). With this dissertation, I therefore seek to shed light on how audit firms internally respond to external pressures on quality concerns, thereby offering insights into the backstage of the organizational work within a Dutch audit firm and responding to calls for greater attention to micro-processes in institutional research (Smets et al., 2012).

This dissertation aims to unravel some of these micro-processes within an audit firm, employing ethnographic research, interviews, and a case study, leading to the three empirical papers presented in this dissertation: An ethnographic study unraveling the implementation of the RCA practice (Chapter 3); a case study revealing the ambiguity of quality findings with the process of quality controls (Chapter 4); and an interview study elucidating how change emerges within the firm (Chapter 5).

1.1 Entering and operating in the Research Field

My dissertation journey began in May 2020, when I joined an audit firm as an employee and part-time PhD candidate. Upon my arrival at the firm, I became part of the Root Cause Analysis (RCA) practice that was just being initiated within the audit firm. RCA is a structured approach designed to understand the underlying root causes of adverse events or phenomena, enabling organizations to learn from them and enact measures to prevent future occurrences. In the context of an audit firm, RCAs are deployed in response to post-audit restatements or unfavorable inspection findings, with the goal of improving audit quality. RCAs can also be mobilized to extract lessons from best practices within audit firms.

Soon after the implementation of the RCA practice within the focal audit firm, the International Standard on Quality Management 1 (ISQM1) enhanced the RCA’s significance, mandating the use of RCAs for addressing adverse events, starting from December 2022 (IAASB, 2020). My fascination with RCA stemmed from both a research perspective and a keen interest in organizational work. I was particularly curious about how this newly

established practice would evolve, which quality issues it would address, and the impact it would have on the firm's daily operations amidst the complex web of macro-level institutional dynamics and the subsequent pressures on the firm at a meso-level. My initial interest in RCA prompted an exploration of this tool and process, leading me to delve into the existing literature on RCA in professions where it is more established, such as healthcare and aviation (Groot, 2021). The RCA practice provided a valuable opportunity for investigating the organizational dynamics within an audit firm in responding to quality concerns. Utilizing my role as a team member in the RCA team and employing an ethnographic approach, I continuously reflected on what occurred within the field and what could be interesting leads for research. These daily experiences served as an empirical guide for the three papers presented in this dissertation. Furthermore, immersing myself in the daily practices of the RCA team provided firsthand insights and access to insider information. Combining my role as a team member in the RCA team with my research, allowed for privileged access to the daily operations of the firm, providing unique insights and enabling the study of phenomena that would otherwise remain hidden. Moreover, as the studies were empirically driven, they bear practical relevance. However, this combination of roles also presented challenges, requiring me to reflect on both personal and methodological levels. These reflections are detailed in Chapter 2: *Ethnography as boundary work. Reflections on an observant participation PhD project.*

1.2 Overview of the Empirical Studies

The dissertation comprises three empirical studies, presented in Chapters 3, 4, and 5. The first study—*Implementing root cause analysis in auditing practice. On the legitimacy work in a Big Four audit firm*—is co-authored with Anna Gold and Dominic Detzen, and presented in Chapter 3. During my ethnographic work in the field, it became apparent that although this new RCA practice garnered external legitimacy from regulators and initial support from the firm's leadership, its internal legitimacy was not guaranteed. In this study, we investigate how

the RCA team engaged in and deployed legitimacy work to implement the RCA practice within the audit firm. Through an eight-month ethnographic study, involving daily observations and interviews, we find that, in adopting a tool relatively new to the audit setting, the RCA team tried to adapt the practice to better suit the requirements of the audit firm. Furthermore, the team internalized the notion that the RCA practice was in the best interest of the firm. However, the manner in which the RCA team understood and implemented the practice resulted in legitimacy gaps with the firm's leadership and the audit practitioners. On several occasions, these audiences pushed back against the implementation and operational methods of the RCA team, prompting the team to engage in more concerted efforts to establish legitimacy and further calibrate and adapt the practice to their audiences. On the one hand, this pushback can be attributed to the inherent complexity and subjectivity involved in conducting RCAs, making it difficult to determine and demonstrate RCA effectiveness. This complexity is further compounded within the judgment-laden context of auditing. On the other hand, as RCAs mainly address instances where errors have occurred, the defensive attitudes often associated with errors in auditing also occasionally lead to pushback against the RCA.

In this study, we propose a process model explaining how the RCA team worked to gain internal legitimacy and adapt its practice to accommodate its audiences. We show how the RCA practice required internal legitimacy work and adaptation to fit the audit context to address quality issues, challenging the notion that auditors merely respond to external pressures through rhetoric (Suddaby & Greenwood, 2005), symbolic changes (Moore et al., 2006), or act as "extremely compliant collaborators" (Couchoux & Malsch, 2022, p. 6). Furthermore, given the inherent subjectivity and complexity of RCA and the prevalence of professional judgment in auditing, the RCA practice does not seamlessly fit into the audit setting. Combined with the notion that errors are deemed highly undesirable and evoke a defensive attitude (Gold et al.,

2022), a loose implementation of the RCA practice may not solely stem from implementation issues, but also from hesitation to embrace the new practice.

The second study—*Anatomy of an audit inspection process. Professional ambiguity, power play, and collective memory*—can be found in Chapter 4, and is carried out in collaboration with Anna Gold and Dominic Detzen. As described, RCAs primarily focus on areas where quality issues have occurred, which, given the defensiveness surrounding errors, makes the process inherently tense. During an RCA team meeting, a case was discussed that had undergone both internal review and external inspection. These assessments had yielded divergent outcomes: The internal reviewers deemed the audit compliant, whereas the external inspectors disagreed. This discrepancy prompted an RCA, not only to understand this dissonance but also to scrutinize the quality findings identified by the oversight body. Upon reflection, I recognized the potential of this RCA case for further research and selected it for an in-depth case study. During data analysis, the study's focus shifted from the RCA to the inspection process. The paper examines how the meaning of a good-enough audit is socially constructed and contested in an oversight inspection process, and studies the role of ambiguity within the inspection process. Drawing from the social-control literature on organizational wrongdoing, we argue that the determination of a good-enough audit is shaped through discursive negotiations during the interactions between the firm and the oversight body. Through our in-depth case study, we introduce the concept of professional ambiguity, which captures the various understandings of the audit, divergent interpretations of audit standards, and contrasting perspectives on the essence of a finding between the firm and the oversight body.

We argue that this professional ambiguity is actively and strategically used in a power play within the dyad of the oversight body and the audit firm. Additionally, we uncover how this power play is fueled by auditors' collective memory of the tendency for the oversight body

to be aggressively fierce. This collective memory shapes auditors' attitudes, hindering the oversight body's attempts to adopt a more constructive and relational approach. Through this study, we provide a more nuanced story of the inspection process, refining our understanding of wrongdoing within the audit profession. Our analysis challenges the notion that audit findings arise from a definitive line, drawn by the oversight body, between a compliant and inadequate audit. Instead, they emerge through a social construction between auditors and inspectors regarding what constitutes a good-enough audit. By highlighting the role of professional ambiguity, power dynamics, and collective memory, we refute the notion of auditors as passive actors, with little agency within the inspection process (Couchoux & Malsch, 2022; Westermann et al., 2019). Despite the oversight body's ultimate authority as a social-control agent, auditors actively engage in shaping the inspection process.

The third study—*Making change auditable. An analysis of a big four audit firm's change trajectory*—originated from the premise that when an audit firm conducts RCAs to learn from adverse events, the resulting findings might trigger change within the firm in response to identified root causes. This research was conducted with Dominic Detzen and is reported in Chapter 5. While our initial focus was on understanding how RCAs could instigate organizational change, we soon expanded this scope to encompass the broader notion of change within the firm. Using interviews, we studied how social-symbolic work is employed in the firm's attempt to change prevailing organizational practices. The firm had embarked on a large-scale change trajectory, aiming to shift focus from client orientation toward emphasizing audit quality. This shift gave rise to numerous new change initiatives. Building on insights from the first two papers, which underscored the importance of daily practice, we turned to the literature on social-symbolic work for the third paper. Social-symbolic work encompasses the activities and actions by actors that drive the meaning of social-symbolic objects in day-to-day business. These objects can range from strategic plans and key performance indicators (KPIs) to more

abstract matters such as identities and emotions (Lawrence & Phillips, 2019; Rallens et al., 2023; Vaara & Whittington, 2021). Furthermore, drawing on the literature regarding the organization of professional service firms (Cooper et al., 1996; Faulconbridge & Muzio, 2008; Greenwood et al., 1990; Von Nordenflycht, 2010), we conceptualize change as social-symbolic work aimed at ascribing desired meanings to social-symbolic objects within the context of a professional partnership.

We find that change within the audit firm is an ongoing process, requiring the navigation of various and potentially conflicting signals for change. As auditors assume the role of change agents, change initiatives are rendered auditable by making them understandable and acceptable to the audit practice. Change seems to primarily manifest in the form of social-symbolic objects, such as revised terminology, teams, roles, and KPIs. These objects subsequently convey (symbolic) change in some cases, while in others result in substantial change in auditors' daily practice. However, we also identify limitations to achieving desired change and uncover a gap between change aspirations and the actual implementation of change initiatives. These limitations stem from the notion that the change actors are primarily auditors who lack formal training in change management. Another reason might be that the audit firm is a hierarchical organization, where informal power mainly resides on the partner level. Furthermore, the organization consists of professionals who have a strong inclination toward autonomy. Change agents are not necessarily those within formal leadership roles or at the partner level, leaving them to operate with limited formal power due to hierarchical disadvantages. Our study adds to prior literature which highlighted firms' resistance to changed regulatory oversight (e.g., Canning & O'Dwyer, 2013; Moore et al., 2006; Suddaby & Greenwood, 2005) and a defensive and symbolic approach to changing their practices (Humphrey et al., 1992; Malsch & Gendron, 2013; Moore et al., 2006). As it is difficult to predict which change initiatives seep through to audit practice, we argue that the signaling of

a willingness to change appears as an important element of the firm's attempt to embrace progress and respond to extant pressures to change.

2 Ethnography as Boundary Work: Reflections on an Observant Participation PhD Project

In this paper I identify boundaries that researchers encounter when conducting ethnographic research. I do so by reflecting on my entire PhD project. The focus is on the work needed to navigate these boundaries, so as to safeguard and enhance trustworthiness, rigor, and the richness of empirical insights. Leveraging first-hand experience with ethnographic research within an audit firm, I mobilize the concept of boundary work and embed its discussion in literature on ethnographic research in accounting and sociology. I illustrate how boundaries emerge in various dimensions: between the researcher and the research object, between mundane practices and salient empirical insights, and between the dual role of being a researcher and a team member in the field. Navigating these boundaries requires boundary work, enabling the ethnographer to refine their understanding of their position and stance in the field, which considerably impacts the ethnographic work conducted. The paper reflects on methodological considerations overlooked in prior accounting research utilizing ethnographic methods. It underscores the importance of addressing these nuances to seize the full potential of ethnography in the field.

2.1 Introduction

Ethnography stands out as a potent research methodology that promises rich insights into the backstage of the field of interest, with the potential to uncover underlying processes, dynamics, and phenomena that may remain concealed from other methods (e.g., Bamber & Tekathen, 2023a; Geertz, 1973; Power & Gendron, 2015). Ethnography is often described as involving extensive periods of participation observation, informal conversations, interviews, and document reviews (e.g., Coffey, 2018; Flick, 2019; Gobo, 2008). Yet formal descriptions of these techniques fall short of the intellectual effort of interpretation that is required to achieve a thick description of practice and an in-depth understanding of the meaning of actions and empirical phenomena (Geertz, 1973).

Ethnography has its origins in cultural anthropology of the early 20th-century (Creswell, 2007; Hammersley, 1999). In these early days, the ethnographer assumed the role of an objective researcher who merely observed the “natives” (Clifford, 1986; Geertz, 1973). However, the field has evolved, recognizing the imprudence of portraying the ethnographer as an objective and neutral bystander (Crapanzano, 1986; Fine, 1993). Instead, it is now acknowledged that the ethnographer is substantially influenced by their own perspectives, experiences, and interests (e.g., Creswell, 2007; Gobo, 2008; O’Reilly, 2011), which, in turn, influence both the study context (Clifford, 1986) and the reactions of individuals in the field toward the researcher (Katz, 1997). Ethnography is an embodied activity, involving engagement with embodied others (O’Reilly, 2011). More recent literature in sociology has illuminated the role of the ethnographer by transforming the classic method of *participant observation* into *observant participation*. This paradigm shift reflects a more involved role of the researcher in the field, with a view to “unlocking truths that are otherwise hidden from the orthodox ethnographer” (Seim, 2021, p. 5).

Acknowledging the influence of the researcher on the field paves the way to discussing the challenges ethnographers encounter in navigating the boundaries between the researcher and the researched. This complexity can be illustrated by two examples. First, in Van Maanen's (1982, p. 270) seminal ethnographic account of the police force, the researcher sought "to become an accepted part of the Union City policeman's day-to-day work world" and "to be taken more or less natural," so as to "not alarm or otherwise disturb those policemen." In other words, the researcher aimed to eradicate the boundary between researcher and the research subject, which in turn raised ethical questions when Van Maanen witnessed a case of police brutality. A man was assaulted by the same police officers with whom Van Maanen (1982, p. 279) had created "a silent bond of mutual protection." Despite wanting to side with the victim, doing so would disrupt the rapport he had developed with the police officers, prompting a difficult ethical dilemma. Eventually, Van Maanen sided with the police officers.

The second example is Alice Goffman's (2015) account of the lives of young black men in an American city. The illegal activities witnessed by the author raised similar dilemmas as those described by Van Maanen. Goffman, "a well-off, expensively educated white woman," found herself entangled in questions about her ability to authentically represent and portray a community of marginalized, poor, black men in West Philadelphia (Lewis-Kraus, 2016, para. 8; Rios, 2015; Zussman, 2016). This situation underscores broader discussions about who has the power to speak, write, and document, and under what conditions and constraints (Clifford, 1986). Both examples raise essential questions on the boundaries of ethnographic research. The present paper seeks to delve into these complexities.

In accounting, ethnographic work remains notably scarce (Ahrens & Chapman, 2006), with less than one percent of published articles drawing on ethnographic work (Kalyta & Malsch, 2018). Several factors contribute to this limited utilization of the ethnographic method. First, accounting researchers are often already familiar with professional practice, potentially

diminishing the perceived need for extensive field work (Ahrens & Chapman, 2006). Further, the demanding nature of ethnography—both in terms of time commitment and emotional challenges—may make it less rewarding in an environment driven by extant publication pressures (Bamber & Tekathen, 2023b; Malsch & Salterio, 2016; Repenning & DeMott, 2023). This prevailing culture has led to the marginalization of ethnographic research in the domain of accounting research (Gendron & Rodrigue, 2021; Jönsson & Macintosh, 1997).

In the sparse landscape of accounting ethnographies, there is a noticeable gap in the literature addressing the researcher's role in the field and the methodological challenges arising from the blurred boundary between researcher and researched. Existing studies often describe their methods using broad terms such as ethnography or ethnographic method (Ahrens, 1997; Guénin-Paracini et al., 2014; Kornberger et al., 2011; Morales & Lambert, 2013; Mouritsen, 1999), or participant observation (Ahrens & Mollona, 2007; Mennicken 2008; 2010). Some studies use descriptors such as observations (Barrett et al., 2005; Pentland, 1993), nonparticipant observations (Janin, 2017; Kohler et al., 2021), or mention the use of autoethnographic methods (Gibbon, 2012; Haynes, 2013; Malsch & Tessier, 2015). Although most studies provide detailed information about their data in terms of number of pages, dates, and sources, few insights are given into the methodological challenges encountered during ethnographic work. This lack of insight may be attributed to the constraints of paper-length articles, but it could also be indicative of a reluctance to discuss these challenges. Ethnographers might seek to present themselves as objective tellers of realistic tales, detached from themselves (Bamber & Tekathen, 2023a). The result is that the role of the researcher and the intricate boundary between the researcher and the researched remain underexposed in the existing body of accounting ethnographic research.

As a novice researcher that embarked on an observant participation PhD project, I found myself constantly navigating a set of boundaries, struggling to make sense of my role as a

researcher. Specifically, my ethnographic work spanned over a period of more than three years within the Dutch branch of a large international audit firm. Importantly, during this time I was a full-time employee at the firm and was allocated a time budget and funding (e.g., for courses, conferences, and supervision) to pursue my PhD study at a Dutch university. In this paper, I elaborate on the blurred boundaries that exist between researcher and researched, uncovering the challenges stemming from this dynamic and providing methodological considerations aimed at helping (future) ethnographic researchers to navigate these challenges effectively.

The paper is organized around the three boundaries identified: the boundary between the researcher and the research object, the boundary between mundane practices and salient empirical insights, and the boundary between the embodying the roles of ethnographic researcher and participant. By reflecting on first-hand experiences, I seek to enhance reflexivity and openness about researchers' position in ethnographic studies, ultimately intending to elevate rigor and reliability of the research method.

2.2 Ethnography and boundary work

The existing body of literature on boundaries and boundary work provides a rich foundation for understanding the demarcations between different entities (e.g., Gieryn, 1983; Lamont & Molnár, 2002; Langley et al., 2019; Mikes, 2011). Individuals engage in the process of classifying and simplifying their world by creating, maintaining, or changing boundaries to separate one entity from another (Ashforth et al., 2000). Boundaries are shaped by the distinctive and key characteristics of entities, such as different identities, classes, professions, or communities (Gieryn, 1983; Lamont & Molnár, 2002). For example, Gieryn's (1983) paper on the boundary between science and non-science, shows scientists' attempts to attribute certain qualities to science in order to distinguish themselves from non-scientists. However, these characteristics are not fixed. The navigation of these boundaries is termed boundary work (Gieryn, 1983). Although boundaries are socially constructed, they "are real in the sense that

the individual perceives them as such and acts as though they are real” (Ashforth et al., 2000, p. 474). Additionally, boundaries can vary in strength, being either weak (i.e., thin and permeable) or strong (i.e., thick and impermeable) (Ashforth et al., 2000). When the act of crossing these boundaries leads to conflict, individuals may employ various tactics to restore the boundary. Such tactics include changing behavior, making temporal or physical changes to the context, or restoring communication (Kreiner et al., 2009).

In the context of ethnographic work, one can argue that ethnographers themselves become a boundary, serving as a demarcation point that delineates their own culture, perspectives, understanding, and those of the research context (Crapanzano, 1986). The ethnographer is tasked with the challenge of “making sense of the foreign” while simultaneously “rendering the foreign familiar and preserving its very foreignness at once and the same time” (Crapanzano, 1986, p. 52). This dynamic process raises fundamental questions similar to those illustrated by Van Maanen’s immersion within the police force (1982) and Goffman’s exploration of a marginalized, poor black community (2015), namely on where the researcher ends, and the research begins. In the subsequent sections, I elaborate on three boundaries that emerged in the course of my ethnographic work.

2.2.1 The boundary between researcher and research object

As described in the dissertation’s general introduction *Seeking Audit Quality: On the Organizational Work of an Audit Firm* (Chapter 1), embarking on my PhD research led me to immerse myself in the field, actively participating in the day-to-day activities of the audit firm. This immersive involvement implied a potential influence on shaping the research object and the associated risk of contaminating the research context. This section describes the emergence of this boundary and delineates my tactics for addressing it. These tactics included thoughtful reflections on the methodological considerations of the ethnographer’s role in the field,

maintaining personal field notes for self-reflection, and ongoing discussions about my observations with my supervisory team, who were also co-authors in this research endeavor.

Shaping the research context

Within the audit firm, I was part of a newly assembled team tasked with establishing and conducting root cause analyses (RCAs) to analyze identified shortcomings, including those arising from internal and external inspection findings. The team comprised eight individuals, encompassing one partner, one director, two senior managers, three managers (including myself), and a senior associate. The team's composition was multidisciplinary, featuring auditors working full-time at national office or combining such a role with audit practice, a behavioral specialist, and myself, balancing responsibilities within the RCA team alongside my role as an external PhD candidate. Given the modest team size and my role as a full-fledged team member, my contribution to the team was substantial. For example, I played a pivotal role in developing an initial outline of the methodology used in RCAs. Also, my position as "the academic" led the team to anticipate a particular perspective from me, as evidenced by the following excerpt from my observation notes:

"The evaluation [of our RCA practice] is also on my list," the senior manager tells me. "I see a big role for you [in organizing this session]." (*Observation notes, 05 July 2021*)

The RCA team members recognized my substantial role within the team, acknowledging that my involvement had a tangible impact on shaping, or potentially contaminating, the research field. This acknowledgement prompted reflection on the blurred boundary between my participation in the team's activities and my role as a researcher. A critical question arose: to what extent was I studying not only the team but also myself and my own actions as a research subject?¹ This self-reflection led me to consider whether I might be inadvertently pushing the

¹ Although both ethnography and autoethnography involve full immersion in the field, autoethnography does so through the personal experience of the researcher (Malsch & Tessier, 2015). Autoethnography uses the "researcher as subject, connect[ing] the personal to the cultural by analyzing the self within a social context" (Haynes, 2013, p. 381). My aim, however, was not to study my lived reality, but of those in the field.

team in a certain direction or even causing certain phenomena to arise, potentially embodying what Fine (1993, p. 281) called, an “obtrusive ethnographer.” “What would we learn if researchers burst into a social scene and immediately took charge, pushing events in directions which they would not otherwise have gone? (...) Too great an involvement in a social scene can transform an ethnography into a field experiment” (Fine, 1993, p. 281).

Pushback during the implementation of the RCA practice (see Study I, Chapter 3) compelled me to scrutinize my role. In interpreting the meaning of this pushback, I questioned whether my presence as an outsider, identified as “the academic,” could have caused the pushback that might not have arisen if someone with practice credentials had introduced the methodology. Furthermore, recognizing my dual role as both a team member and a firm employee aspiring to advance to a senior manager role, I grappled with the potential influence of my personal interests on the field. This introspection raised concerns about the risk of contaminating the field, being obtrusive, and violating the boundary between researcher and research object, particularly given the embodied nature of ethnographic work (Clifford, 1986; O’Reilly, 2011).

Mitigating the risk of substantively influencing the object

Ensuring clarity in delineating the boundary between the ethnographic researcher and their research object is essential to prevent the inadvertent study of the researcher’s own actions, perceptions, and meanings instead of the intended empirical phenomena. Such contamination could lead to misleading or biased insights, given the potential for the researcher to disturb and (un)consciously intervene in the field. To clarify this boundary, I followed three tactics. First, I sought a nuanced understanding of my role as ethnographer while simultaneously striving to foster openness about this role within the research field. Second, I wrote daily field notes, in which I reflected on my own perceptions, feelings, and considerations. Third, I engaged in regular discussions with my PhD supervisory team, who evolved into co-authors on the

resulting papers, to calibrate an appropriate boundary. In this section I elaborate on each of these three tactics.

First, gaining an understanding of my role as an ethnographer involved delving into key methodological considerations, with a particular emphasis on differentiating between participant observation and observant participation, as underscored by Seim (2021). Notably, this distinction does not yet seem to be widely acknowledged in the accounting literature (e.g., Kalyta & Malsch, 2018; Kornberger et al., 2011; Morales & Lambert, 2013). Accounting research maintains a certain distance between the researcher and the research field, which in turn disguises the researcher's influence on the field. In contrast, the field of sociology, as exemplified by Seim (2021), has explicitly recognized the researcher's role by inverting the method of *participant observation* into *observant participation*. Earlier work on the ethnographer's role argues that "one might also wonder whether competent, active observers do not and should not have influence. Ultimately the methodological goal is to become a full member of a scene (...). How is this possible when one is just an observant piece of furniture?" (Fine, 1993, p. 281). Goffman (1989) goes further to argue that researchers should forget being a researcher to genuinely immerse themselves in the studied environment. For me, openness about the researcher's active role and influence throughout all the three studies in the dissertation was reassuring, alleviating the burden of unrealistic objectivity and the anxiety associated with ensuring valid research, while embracing and making explicit my participant role.

Second, my daily observation notes consisted of factual accounts of the day's events, documenting occurrences in meetings, conversations, and interactions among other actors. Additionally, I maintained daily field notes that, unlike the factual nature of observations, were more introspective, capturing personal reflections on my own thoughts and emotions. This practice created the opportunity to actively reflect on my position in the field. For example:

[The firm] employs many colleagues who are ambitious, enjoy doing good (or even better) work and are not averse to hard work. I like that atmosphere because it challenges me to get the best out of myself. At the same time, I can see that I am also driven by some need to prove myself, which is probably not a bad thing up to a point, but which is interesting to explore further. I sometimes feel like an insecure overachiever. (*Field notes, 04 February 2021*)

We discuss the manners in which to approach the project. (...) This is where a lot of roles come together for me: [PhD, work at the firm, ancillary activities]. It works out nicely, of course, but I sometimes wonder if I'm not overlooking certain interests; do I have a conflict of interest somewhere? I don't see it, but sometimes it feels that way. (*Field notes, 18 February 2021*)

Both excerpts illustrate my presence in the field, but also a certain level of anxiety I experienced. While writing about these emotions, interests and considerations did not eradicate them, it brought transparency and served as an outlet for my boundary work. This process allowed for a nuanced consideration of my influence on the study which I embraced during analyses and the subsequent writing of the papers.

Third, I convened with my PhD advisors (and co-authors) every four to six weeks to discuss the data, including the field notes. Through these discussions, my co-authors gained familiarity with the field, enabling us to jointly assess my role. Despite the potential discomfort arising from the personal nature of the field notes, sharing and discussing them proved crucial in fully understanding the study context and my position in it. Fortunately, the open environment fostered by my PhD supervisors allowed for the safe sharing of these personal reflections. Reflexivity on the field notes acknowledged my position's impact, guiding the research accordingly, for example through leveraging additional data sources.

Summarizing, I employed different boundary work tactics to actively embrace my role as a participant in the field while simultaneously mitigating the risk of boundary violations by becoming an "obtrusive ethnographer" (Fine, 1993, p. 281). Engaging in the field fully while understanding methodological considerations of the observant participant, along with reflexive writing and engaging in discussions with co-authors, allowed me to alternate between periods of active engagement and deliberate phases of cognitive and physical distance from the field.

Through this alternation, I not only maintained but also dynamically constructed a boundary between myself and the field.

2.2.2 The boundary between mundane practices and salient research insights

A second boundary emerged as I immersed myself socially within the field, exposing me to the potential risk of becoming overly familiar with extant practices. This familiarity threatened to lead to a form of blindness to the particularities of the field, potentially overlooking valuable research insights, and novel phenomena. At the same time, maintaining too much distance from the field could hinder the recognition of these insights. In this section, I elaborate on the emergence of this familiarity during the study, how it blurred the boundary between routine activities and salient insights, and the tactics I employed to address this threat, including the meticulous writing of rich observation notes and the timely drafting of my research papers.

Becoming too familiar with the particular

During the research process, the ethnographer tries to fully understand the phenomena unfolding within the study context, seeking to interpret the lived realities, culture, and their meanings (e.g., Flick, 2019; Geertz, 1973; Malinowski, 1922). Bamber and Tekathen (2023b) liken this ambition to the impossibility of Sisyphus' task—the ethnographer aspires to a comprehensive understanding of the studied context, yet this achievement may remain elusive, much like Sisyphus' perpetual struggle to push the rock to the top of the mountain. In the process of immersion in the field, the researcher risks becoming “too familiar to achieve the required curiosity” (O'Reilly, 2011, p. 98), thereby taking certain social behaviors for granted (Emerson et al., 2011). Such familiarity may result in overlooking essential insights, the definition of which largely depend on the ethnographer's sight and hearing. The resulting observation notes are not mere transcriptions, but they require transformation and recontextualization. This process entails the interpretation of what really happened—“if they are not what I wanted to hear, neither are they what I did hear” (Fine, 1993, p. 278). The

ethnographer thus demarcates a boundary between their understanding of and novel insights from the field (Crapanzano, 1986).

When I started my ethnography work, I concurrently joined the audit firm where my research took place. As a newcomer to this professional environment, I found myself frequently surprised by various aspects, for example in the realm of interpersonal communication: which communication channels were employed? How did individuals engage in conversations? Who interacted with whom, and perhaps even more interestingly, who deliberately refrained from communicating with others? Being new to a certain context heightened my alertness of salient facets of workplace dynamics in the field (Louis, 1980).

However, as time passed, I faced the risk of becoming overly accustomed to established work practices, potentially taking certain phenomena for granted and overlooking promising leads. For example, during one of the discussions with my supervisory team, I was alerted to the presence of “firm speak” in my writing. Despite believing that my writing was comprehensible to individuals outside the organization, I had inadvertently become blind to the discourse prevailing within the firm and even adopted it in my academic writing. In another case, I failed to pursue what could have been an interesting lead because, at the time, it did not seem important. While revisiting the data collected during the ethnography, I encountered statements of team members that I thought I fully understood at the time. Upon this reevaluation, however, I realized that my notes were too implicit sometimes, relying heavily on the tacit, situated knowledge of the research context, making it hard to reconstruct afterwards. For example:

RCA team member: “I very much want our team to stay away from drafting the remedial action, but we can think along [with the people drafting the remediation for the root causes].” (*Observation notes, 30 June 2021*)

While documenting these notes, I possessed an understanding of the RCA team member’s views on what actions the team should (not) take, which led me to refrain from further inquiries. However, in hindsight, delving deeper into the team member’s rationale could have provided

valuable insights into why he advocated narrowing the RCA team's role. The following excerpt provides another example:

“It's quite a sensitive topic for them,” she says, laughing. She doesn't elaborate.
(*Observation notes, 21 July 2021*)

Again, at the time, I understood why the topic was perceived as sensitive, leading me to omit further explanations. However, in retrospect, it would have been useful to understand this comment better—for example, was the sensitivity perhaps due to the team's specific role in the firm or, alternatively, was the topic generally avoided in discussions at the firm?

Both excerpts illustrate interesting statements that, though seemingly self-explanatory at the time of the observations, could have warranted follow-up questions. Reflecting on the data, it becomes evident that they perhaps were too implicit to interpret, indicating a possible boundary violation between mundane practices and salient insights.

Demarcating the novel from the ordinary

First, in determining what qualifies as salient research insights, I initially aimed for comprehensive and detailed observation notes, aspiring to generate rich and insightful accounts, or what Geertz (1973, p. 6) refers to as “thick description[s].” This would allow readers to learn about the meaning behind actions and “constructions of other people's constructions” (Geertz, 1973, p. 9). In practice, it meant scheduling multiple writing moments throughout the day, taking notes during meetings and completing them on the same day, during lunch breaks and after working hours.² Although this was a time-consuming process, it significantly enhanced the richness of my observation notes. Furthermore, whereas my field notes comprised personal reflections, the observation notes were more factual and comprehensive, leading to extensive descriptions that, at times, turned out to be irrelevant for

² Ethnography can be intense, as noted by Guénin-Paracini et al. (2014). The days can be long and being genuinely present can be difficult, leading to less “analytical attention” (Fine, 1993, p. 280). This weakness is inevitable but might be remedied by staying in the field longer.

the resulting papers. Nonetheless, this approach mitigated the risk of overlooking salient phenomena.³ Moreover, I regularly revisited and discussed the observation notes with my co-authors. This ongoing review process allowed us to identify instances where I had not followed up on certain issues, providing an opportunity to address them at a later point.

Second, I initiated the drafting of my academic output early in my ethnographic work, particularly in the context of the study on the implementation of the RCA practice (Study I, Chapter 3), an integral theme that emerged within the first five months of my research. Armed with a foundation in relevant literature and a considerable amount of data, I crafted a descriptive paper outlining the different implementation phases I had observed. I then shared the draft with other researchers and discussed it during workshops, yielding valuable insights on the data and suggestions for additional literature. At the same time, articulating these initial thoughts about the essence of my ethnographic work sharpened my focus on the insights gleaned from my data. This process helped delineate salient and novel empirical observations that warranted inclusion in my notes. Similarly, my continued immersion in the field allowed me to revisit and delve deeper into these salient themes and any identified gaps, aiming to render explicit what had remained implicit until that point. This approach assisted in navigating the boundary between the mundane and the salient, by seeking comprehensiveness while alleviating anxieties about potential oversights.

2.2.3 The boundary between embodying the roles of researcher and participant

A third boundary emerged due to my dual roles as both a researcher and a team member. There were moments when participating in the team felt like a betrayal, akin to spying on one's colleagues. To address this potential boundary violation, I first obtained approval for the study from both the university's ethical board and the firm's leadership. Second, I maintained

³ Irrelevant aspects, for example, included notes about what people were wearing and whether they were working from home or at the office. Although irrelevant for the current research papers, the data could be relevant for a different study, such as how professionals signal their identity through clothing and how this differs when working at the office or from home.

openness and transparency about my role in the field. Third, I tried to accept doubt as part of my boundary work, acknowledging the challenge of simultaneously being a good academic and a good colleague.

Spying on colleagues

Ethnographic studies are lengthy endeavors that often entail developing familiarity with the individuals being observed. Especially when working on the same team, one might form opinions about colleagues, and these sentiments may be reciprocated. However, despite the researcher's effort to appear as a regular team member, the ethnographer is simultaneously observing these same colleagues, adopting roles akin to a spy (Fine, 1993) or a "fink" (Goffman, 1989, p. 125). This necessitated discussing colleagues in my notes, analyzing their behavior and interactions, and eventually documenting these observations. Such an approach requires distance from individuals one might have initially developed positive feelings toward (e.g., Engelke, 2017; Flick, 2019; Gold, 1958). This process can be uncomfortable or even unpleasant, taking an emotional toll (Repenning & DeMott, 2023). As noted by Bamber & Tekathen (2023b, p. 2), "field-work success typically relies on forming strong field relations, then working alongside these would-be friends and colleagues, and finally having to detach oneself from that setting."

I experienced this emotional challenge first-hand. Engaging in interesting conversations with my colleagues in the firm, both on personal and professional levels, allowed me to get to know them and opening up about myself. However, as my colleagues shared their thoughts and feelings, too, seemingly forgetting my dual role as a researcher, it possibly led them to share things they might otherwise be hesitant to. Also, I occasionally overheard conversations among colleagues across the office, providing valuable insights into the phenomena I was studying, yet I grappled with the question of whether I could or should incorporate such observations in my work. Furthermore, I found myself in situations where my colleagues' actions might cast

them in a less favorable light. While I diligently documented these instances in my observation notes, the question lingered whether I would be comfortable writing about them in an academic paper that ideally gets published. This dilemma instilled in me a sense of having to navigate a delicate balance between being a good academic and a good colleague in the RCA team.

Determining the appropriate boundary between the role as a researcher and a team member can be difficult. Deciding which information to use and what to omit prompted self-doubt about my own motives. I questioned whether I was forming relationships out of genuine interest or purely driven by academic curiosity. It raised the concern that I might be merely *acting* as their colleague while secretly fooling them (and myself) into thinking that we were building relationships, all for the sake of extracting insights for my research. Given that most of the agreements between the ethnographer and the individuals studied are tacit (Van Maanen, 1982), the boundary between the ethnographer's roles becomes blurred, in turn necessitating continuous boundary work.

Creating transparency and role clarity

An important foundation for the studies in my dissertation, and perhaps stating the obvious, was establishing the formal approval through a written and signed agreement with the firm.⁴ The agreement included the terms and conditions of the study, addressing issues such as permitted data collection and the authorization to publish any resulting papers. However, the extent to which this agreement released me of the responsibility to obtain informed consent from individuals in the field was less evident. This aspect was thoroughly discussed with my PhD supervisors and validated by the university's ethics board. The board approved the research proposal, concluding that the firm had the mandate to approve the participation of its employees in the study within the scope of their work at the firm. For the interviews, I

⁴ Gaining access to the field of interest might be challenging and requires consideration of how the researcher wants or needs to position herself. O'Reilly (2011) describes these considerations in her book (Chapter 4, p. 86) and Lofland & Lofland (2006) dedicate a chapter to both "Getting in" (p. 31) and "Getting along" (p. 46).

nonetheless explicitly obtained interviewees' informed consent and provided them with the resulting transcript. Acknowledging that legal and bureaucratic hurdles are known barriers to conducting ethnographic studies (Lofland & Lofland, 2006), such approvals are crucial for establishing role clarity, defining responsibilities related to confidential data, and safeguarding the researcher's right to academic output derived from the field work.

Second, I tried to establish and maintain transparency about my research role. Engaging in overt research entails being open about the study towards the individuals within the field, in contrast to covert research (O'Reilly, 2011). In doing overt research, I discussed the research plans with the team where I was positioned at the commencement of my ethnographic work. I explained my initial research questions and the research methods, as illustrated by the following excerpt:

Later this morning, the RCA team has their weekly call with the RCA team members, for which I have 15 minutes to talk about my PhD. My team is an important part of my data, so it is good to explain to them what I am working on. I prepare the presentation by thinking about what elements I'd like to discuss, such as the importance of knowledge flowing between academia and practice, that I'm looking for overlap in what I'm researching for my PhD and what I'm doing for the firm (RCA), that I want to do qualitative research and what this is, and then concretely that I'm going to invite them for an interview and that I'll be observing the team for the next period. (*Observation notes, 04 February 2021*)

The interviews with the team members served as a reminder of my research role. Moreover, I made an effort to be transparent about my notetaking during regular working days. I discussed the ongoing progress of the research and presented preliminary findings to the team. These endeavors contributed to fostering transparency about my role, ensuring that my colleagues were regularly reminded of the research I was conducting. This practice also proved beneficial in terms of validating the insights acquired through member checks (Lincoln & Guba, 1985).

Furthermore, I made a conscious effort to separate information that colleagues shared in their capacity as study participants and personal details that were not of relevance to my observation notes:

I ask how things are going. (She looks glum.) She replies that things are not going well. She tells me about her private situation, and we end up talking about it for half an hour. (*Observation notes, 07 July 2021*)

By drawing a line between relevant insights and personal matters, I clarified the boundary between my dual roles. The study focused on the professional interactions within the RCA team and the broader field, not on colleagues' personal lives. This distinction lifted an emotional burden, allowing me to express genuine interest in their personal well-being without feeling exploitative or compromising the study.

Third, I faced situations where individuals' behavior cast them in a less favorable light. This presented a dilemma: whether to protect the boundary of being a good colleague, meaning that internal disputes (Study I, Chapter 3), confidential interactions with the oversight body (Study II, Chapter 4) and ineffective change initiatives (Study III, Chapter 5) remain confidential, or to sustain the duty of being a good academic who recognizes these matters as important to the respective study. Again, navigating this boundary seemed akin to an impossible mission, just as Sisyphus' perpetual struggle (Bamber & Tekathen, 2023b). Practically, I solved this dilemma by deciding on a case-by-case basis, consulting with my supervisors to appropriately draw the boundary of what to include in the paper, and how to articulate any critical incidents that were salient to the given study.

In sum, the boundary between the roles of researcher and colleague requires a formal safety net through study approval from both the field and the university, along with mechanisms to maintain transparency regarding these roles to the individuals under study. Most importantly, it requires boundary work to navigate potential role conflicts in an empathetic, ethical, and rigorous manner, so as to enhance reflexivity while maintaining role expectations to the extent possible.

2.3 Conclusion

Prior accounting literature has described the emotional challenges and the time commitment implicit in ethnographic research (Bamber & Tekathen, 2023b; Malsch & Salterio, 2016; Repenning & DeMott, 2023). However, accounting ethnographers generally present themselves as objective tellers of realistic tales (Bamber & Tekathen, 2023a). As such, the methodological challenges of accounting ethnographies often remain underexposed. With this paper, I sought to outline challenges inherent in ethnographic fieldwork, providing a more nuanced picture of the necessary methodological considerations. Specifically, it has explored how I as a researcher may inadvertently contaminate the field by crossing the boundary between the researcher and the object of study. In addition, I might become blind to important insights, phenomena, and dynamics that are taken for granted, thus blurring the boundary between mundane practices and salient empirical insights. Lastly, there is a potential challenge to become overburdened by navigating between collecting insights from the field and preserving people's trust and confidentiality, thereby preventing the violation of the boundary between the embodied roles of researcher and participant in the field. I endeavor to articulate and recognize these boundaries, thereby contributing to shed light on the researcher's role in the field and ensuing methodological challenges, which accounting ethnographies often do not make explicit (Ahrens, 1997; Ahrens & Mollona, 2007; Barrett et al., 2005; Gibbon, 2012; Guénin-Paracini et al., 2014; Haynes, 2013; Janin, 2017; Kohler et al., 2021; Kornberger et al., 2011; Malsch & Tessier, 2015; Mennicken, 2008; 2010; Morales & Lambert, 2013; Mouritsen, 1999; Pentland, 1993). In navigating these boundaries, the researcher is to foster the trustworthiness of the ethnographic work and safeguard the relations between ethnographer and the researched. When this is accomplished, ethnographic research offers unique and novel insights that remain hidden when using other research methods.

I suggest that the identified boundaries should not be treated as impenetrable, rigid walls that must never be breached in a dogmatic pursuit of academic rigor. Instead, these boundaries are inherent to the research method and should be pragmatically and contextually embraced. Ethnographic researchers, therefore, should actively engage in boundary work, occasionally immersing themselves in the field without a constant awareness of their role as a researcher and, at other times, establishing sufficient cognitive and emotional distance to the field. They should seek to corroborate salient insights with knowledgeable outsiders and behave and communicate openly about any role conflicts. This approach fosters transparency about the researcher's position in the field as well as in the study, ultimately upholding and enhancing trustworthiness, rigor, and richness of empirical insights.

In that spirit, while this paper has outlined challenges of ethnographic work, I hope it also sparks readers' interest and curiosity to engage with ethnographic methods as a promising and intriguing way of doing research.

3 Study I

Implementing Root Cause Analysis in Auditing Practice: On the Legitimacy Work in a Big Four Firm

Co-authored by: Dominic Detzen and Anna Gold

This study draws on ethnographic data from an eight-month field study to analyze the implementation of the root cause analysis (RCA) practice at a Big Four audit firm based in the Netherlands. RCA is a method aimed at identifying the cause(s) of adverse events, such as restatements or inspection findings, with the objective of fostering organizational learning. We develop a process model to reveal the adaptive processes that unfold within the focal firm in response to the implementation efforts led by the RCA team. Despite directives by external forces (that is, the audit standard setter and the professional body), the RCA team encountered significant challenges from firm leadership and audit practice, and hence needed to engage in substantial adaptation and legitimization efforts to locally validate the practice. Our analysis suggests that RCAs do not seamlessly fit into the audit setting, given the complexity and subjectivity of such investigations and the prevalence of professional judgment in auditing. This discord is compounded by auditors' perception of errors as unacceptable events instead of learning opportunities. Auditors' skepticism towards the practice implies an internal divide within the firm around the willingness to comply with institutional pressures. Consequently, we suggest that the practice's loose implementation may not solely stem from implementation shortcomings but also from the hesitance of auditors to embrace the new practice.

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3.1 Introduction

Recent decades have exposed the audit profession to manifold institutional pressures stemming from accounting and auditing scandals worldwide. Accusations of succumbing to commercialist pressures have prompted the profession to accommodate societal and political pressures, while aiming to protect, solidify, or even extend its jurisdiction (Malsch & Gendron, 2013). As such, responses initially entailed “cosmetic changes”, or a mere tweaking of rules in the case of auditor independence requirements (Moore et al., 2006, p. 14). The establishment of oversight institutions has changed the audit field more severely, despite some initial resistance (Canning & O’Dwyer, 2013; Ege et al., 2020). To some, this shift has turned auditors into “extremely compliant collaborators who surrender their professional autonomy and judgment” (Couchoux & Malsch, 2022, p. 762). What unites these accounts of auditors’ responses to institutional pressures is a field-level focus on a changed regulatory space in the form of revised rules and regulations, audit firms’ public statements and actions, as well as shifting relations between professional actors. Yet, moving beyond these overt reactions, we know little about the adaptation processes at the firm level, and we have a paucity of understanding of how audit firms internally respond to institutional pressures and implement new regulations, potentially altering their modes of working and extant practices.

This paper aims to advance our understanding of how audit firms adopt new practices imposed by emerging regulation, specifically that of root cause analysis (RCA). International Standard on Quality Management 1 (ISQM1, International Auditing and Assurance Standards Board [IAASB], 2020), which became effective in December 2022, mandates that audit firms conduct RCAs when uncovering deficiencies, particularly post-audit material errors and findings revealed through internal reviews or inspection findings. An RCA entails the identification of root causes resulting in these adverse events, with the objective of averting similar problems in the future, learning from past mistakes, and thus of enhancing the quality

of audit services provided (e.g., Leveson et al., 2020; Percarpio et al., 2008; Wu et al., 2008). Our study involved an eight-month ethnographic field study conducted at a Big Four audit firm in the Netherlands, where the first author actively participated in the team responsible for implementing ISQM 1. This observant participation enabled us to collect unique empirical insights into the unfolding adaptation processes at the focal audit firm.

The study's setting in the Netherlands is of particular interest, as the Dutch audit profession has been undergoing transformative changes in the past decade (Detzen, 2024; Gold et al., 2022). These originated from extensive criticism directed at auditors by the Dutch audit oversight body, the Authority for the Financial Markets (AFM), which heavily criticized the profession for providing inadequate audit services. In an effort to improve audit quality, restore the profession's tarnished public image, and preempt further regulatory interventions, the professional institute launched a comprehensive reform initiative of 53 measures (*Nederlandse Beroepsorganisatie van Accountants* [NBA], 2014). This initiative aimed to address prevailing issues in the governance, work culture, and incentive structures of Dutch audit firms. It also called for an investigation into the root causes of 'failed' audits, intending to glean insights from errors documented in individual audit files. Given that this call predates the adoption of ISQM 1, we contend that the focal firm's implementation of RCAs is a response to both regulatory and normative pressures. Furthermore, since RCAs focus on investigating errors made by auditors, we anticipate tension within the new practice, as such incidents are known to evoke negative emotions and defensiveness among the auditors involved (Gold et al., 2022). The combination of expected tension and a strong sense of urgency for the firm to implement RCAs offers a compelling context to explore how audit firms adopt this new practice.

The theoretical framework of our study draws on institutional theory, specifically organizations' efforts to maintain or enhance legitimacy when responding to institutional pressures (Meyer & Rowan, 1977; Oliver, 1991; Suchman, 1995). Unlike situations where

firms may opt for adoption of practices as a merely symbolic gesture to maintain external legitimacy (Bromley and Powell, 2012), our focal firm started from the premise of seeking to couple normative policy with effective practices. We hence enrich our theoretical framework by examining the adaptation processes needed when adopting new practices from other domains (Ansari et al., 2010; Czarniawska & Joerges, 1996) as well as the internal legitimacy work that is needed to locally validate a new practice (Johnson et al., 2006; Suddaby et al., 2017; Treviño et al., 2014).

Our study offers an in-depth exploration of the team's inaugural RCA season, seeking to unravel the team's efforts to implement the new practice and establish their legitimacy in relation to their key audiences, namely the firm's leadership⁵ and audit practice. Employing a strategy of temporal bracketing (Langley, 1999), we identify four distinct phases in this process. An initial, albeit pivotal, step involved incorporating the RCA team into the firm's national office, thereby endowing it with authority and credibility, while aiming to counteract the perception of the team operating from an ivory tower. In the second phase, the team established a team identity. In this phase, the team also grappled with an appropriate conceptualization of the new practice, which led to first legitimacy challenges from the firm's leadership. The third phase involved the conduct of several RCAs, during which the team intermittently received pushback. Firm leadership disputed the adequacy of the team's identified root causes, while audit practice resisted full cooperation, particularly when errors were perceived as trivial. Concurrently, the team struggled with the RCA practice themselves, thereby revealing inherent challenges on the complexity and subjectivity in identifying root causes, as well as demonstrating the practice's effectiveness. The fourth phase entailed the

⁵ With leadership we refer to the board responsible for the firm's audit branch. Other formal leadership roles are the executive board (bearing overall responsibility for the firm, including the audit, tax, and advisory arms), and the supervisory board (overseeing the executive board and the partnership more widely). The latter two, however, did not emerge as key actors in this study.

team's reflection on their inaugural season, revealing an awareness of more legitimacy work vis-à-vis their internal audiences.

This study seeks to make two primary contributions. First, we enrich the emerging literature on RCAs in audit settings (DeZoort et al., 2021; Nolder & Sunderland, 2023) by revealing the adaptive processes that unfold within a Big Four firm as the RCA team seeks to implement the new practice. On the one hand, the team's adaptation efforts in response to challenges from both firm leadership and audit practice resonate with the literature on the traveling of ideas and implementation of new accounting and audit practices (Busco & Quattrone, 2015; Cooper et al., 2017; Gendron & Barrett, 2004; O'Dwyer et al., 2011; Robson et al., 2007). On the other hand, we show how—despite being mandated by ISQM 1—the RCA practice may not seamlessly fit into the professional setting in which it is introduced. RCAs entail complex and subjective processes, which become particularly vexing in a context of professional judgment that does not always distinguish clearly between right and wrong. Furthermore, as audit practice serves as both subject to and the most important source of information for an RCA, the new practice clashes with deeply ingrained, taken-for-granted beliefs of auditors who typically view errors as unacceptable rather opportunities for learning (Gold et al., 2022). As a result, audit practice may remain reluctant to embrace RCAs, both in spirit and in terms of supporting RCA investigations. This raises questions about the efficacy of RCAs as a tool for audit firms to leverage deficiencies as opportunities for learning and enhancing service quality.

Second, and relatedly, we show how implementing new practices in audit firms entails a dynamic process that needs to build legitimacy through a careful calibration of the demands and needs of different actors, including firm leadership, the RCA team, and audit practice. This internal legitimacy work involves frequent interactions, persuasion efforts, and identity work to locally validate the new practice (Brown & Toyoki, 2013; Johnson et al., 2006; Suddaby et

al., 2017; Treviño et al., 2014). While firm leadership and the RCA team subscribed to the belief that audit services should evolve by learning from past mistakes, the diffusion throughout the firm of the sense of urgency to effectively integrate the RCA practice turned out to be more difficult. Despite considerable efforts to convince auditors of the RCA practice's merits, it met with skepticism from audit practitioners who had limited confidence in the practice's potential for learning and enhancing audit services at the firm. In some cases, this skepticism signified reluctance to accept the new practice and support initiatives from firm leadership. This implies an internal divide in the firm around the willingness to comply with institutional pressures. Our contribution hence extends beyond showcasing the necessity of internal legitimacy work to offer auditors compelling reasons to partake in the RCA practice. It also entails the suggestion that a loose implementation of a new practice in an audit firm may not stem solely from inadequate implementation efforts but also from recalcitrant auditors unwilling to cooperate with a new practice.

3.2 Theoretical framework

Our theoretical framework is rooted in the institutional literature, which explores how organizations respond to institutional pressures by loosely coupling new practices or implementing them more fundamentally (Orton & Weick, 1990). We extend this framing by incorporating the literature on the internal adaptation processes needed when adopting new practices from other domains (Ansari et al., 2010; Czarniawska & Joerges, 1996) as well as the literature on internal legitimacy work that explores how new practices are locally validated (Johnson et al., 2006; Suddaby et al., 2017; Treviño et al., 2014).

3.2.1 Organizational responses to institutional pressures

Institutionalism holds that organizations are exposed to diverse institutional pressures, necessitating accommodation to maintain or enhance their legitimacy (Meyer & Rowan, 1977; Oliver, 1991; Suchman, 1995). These pressures predominantly emanate from external sources

and manifest as normative, coercive, or mimetic demands imposed by various constituents, delineating acceptable practices. Simultaneously, these organizational pressures introduce conflicts and tensions, leading to the impossibility of accommodating all demands, and the persistence of certain institutional contradictions (Seo & Creed, 2002). Organizations respond to these pressures in varied ways, ranging from acquiescence and conformity to active resistance, which may involve proactive manipulation of the given pressure (Oliver, 1991).

The realm of public accounting, marked by extensive regulation, is characterized by a notable degree of institutional complexity, which stems from inherent tensions between professionalism and commercialism (Couchoux & Malsch, 2022; Malsch & Gendron, 2013). While professionalism underscores the role of auditors in serving the public interest by leveraging their unique knowledge and expertise for financial statement attestation, audit firms fundamentally operate as commercial entities with a profit-oriented focus and organizational structures to support this objective (Andiola et al., 2020; Dermarkar & Hazgui, 2022). Historically, conflicts arising from the interplay between professionalism and commercialism have been implicated in a range of accounting and audit scandals globally (Humphrey, 2008; Malsch & Gendron, 2013; Moore et al., 2006). Consequently, the audit profession has faced political and societal pressures, resulting in additional regulatory measures. Examples include the establishment of audit oversight bodies and the expansion of audit committee oversight, illustrating the diverse outcomes of institutional pressures on organizational practices.

There is a substantial body of literature that explores how audit firms' respond to the establishment of audit oversight bodies (e.g., Canning & O'Dwyer, 2013; Malsch & Gendron, 2011) and the impact of inspections by these oversight bodies on the auditing profession (e.g., Ege et al., 2020; Westermann et al., 2019). These studies collectively illustrate that the presence of audit oversight has created "a regulatory climate of forced compliance," wherein regulatory bodies strongly influence the conduct of audits, seemingly leaving little room for auditors to

resist these pressures (Couchoux & Malsch, 2022, p. 6). Given the improbability of audit firms to openly challenge regulations or authorities, their response will rather entail some form of conformity or, at the least, an attempt to disguise nonconformity (Couchoux & Malsch, 2022; Moore et al., 2006; Suddaby & Greenwood, 2005). On another front, several studies have examined regulatory efforts aimed at strengthening corporate governance mechanisms, primarily by enhancing audit committee oversight of the audit process. Interestingly, rather than engaging in substantive monitoring of corporate management and auditors, audit committees have been found to “fulfill ritualistic roles that help legitimize the interactions among the various actors within the corporate governance mosaic” (Cohen et al., 2008, p. 187; Beasley et al., 2009; Fiolleau et al., 2013).

These accounts of responses to institutional pressures, particularly regulatory changes, suggest that even when organizations are externally pressured to implement a given measure, the impact of this implementation on prevailing organizational practices can vary substantially. Institutional theory conceptualizes these outcomes as decoupled, loosely coupled, or tightly coupled systems, depending on the degree of responsiveness of practices to a given policy (Orton & Weick, 1990). As we discuss next, these outcomes are considerably determined by how new practices are adopted, implemented and made to fit within a given organization (Ansari et al., 2010) as well as the extent to which the external pressures are internalized by organizational actors (Sauder & Espeland, 2009).

3.2.2 Adopting new practices: Internal legitimacy work and adaptation processes

When organizations respond to external pressures by adopting new practices, tensions may arise that undermine implementation efforts, especially when the new practices are deemed appropriate by external audiences but considered undesirable by organizational actors. In our case of implementing the RCA practice, such *external* legitimacy is readily present, given explicit endorsement or requirements by the Dutch professional institute NBA, the national

oversight body AFM, and the audit standard setter IAASB for audit firms to adopt RCAs. In turn, additional regulation might be perceived as burdensome by firm actors, shifting our focus to *internal* legitimacy (Lefsrud et al., 2020; Treviño et al., 2014), a dimension that has received less attention in prior literature.

We argue that the outcome of an organization's implementation efforts—resulting in a system that is either decoupled, loosely coupled, or tightly coupled—crucially depends on the extent to which the new practice is accompanied by legitimation and adaptation efforts. Accordingly, we view legitimacy as a process, where actors purposefully and interactively work to endow a new practice with legitimacy (Suddaby et al., 2017).⁶ In this process, actors must appeal to and align with the prevailing “widely accepted cultural framework of beliefs, values, and norms” within their corporate setting (Johnson et al., 2006, p. 60). Consequently, actors' agency in implementing the practice becomes central, with legitimacy resulting from actors' efforts rather than the perceptions of a legitimacy audience. Treviño et al. (2014, p. 200) conceptualizes these efforts as internal legitimacy work, defined as “behavior that individuals engage in to increase organizational members' acceptance and support of their authority, counsel, judgments, initiatives, and decisions.”

In this process of legitimacy work, the paradox of identification and categorization (Suddaby et al., 2017) emerges, where new practices must simultaneously appear compelling to organizational actors based on novel and distinct traits while featuring sufficient similarity to align with an organization's norms and values. Differentiation is crucial to demonstrate that a new practice can solve an identified problem. However, the practice needs to be similar

⁶ Despite extensive efforts to define legitimacy (Deephouse & Suchman, 2008), the construct is often considered to have “surprisingly fragile conceptual moorings” (Suchman, 1995, p. 574; Suddaby et al., 2017, p. 471). The most common definition follows Suchman (1995, p. 574), conceptualizing legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definition.” This definition highlights the assessment of actions within and by the environment in which the actor is embedded, with approval, or disapproval, based on the subjective but aggregated perceptions of the audience.

enough to prevailing ones to garner approval from the social system in which it is to be implanted. This paradox may be addressed differently over time and hence requires actors to “maintain a dynamic working balance” (Suddaby et al., 2017, p. 462). Similarly, networks of support play a key role in actors’ efforts to implement and diffuse a new practice (Gendron & Barrett, 2004). These networks are necessary for constructing and establishing support from relevant audiences for the claims made to promote the practice. However, these networks can be fragile and subject to shifting positions and perceptions over time. As a result, actors continuously need to “enroll audiences and construct extended and durable networks of support” in adoption processes (Gendron & Barrett, 2004, p. 594). Accordingly, legitimacy work is conducted through persuasion, translation, and narration (Suddaby et al., 2017), reflecting that attempts to obtain legitimacy are “grounded in language” (Neilson & Rao, 1987, p. 523). A key role is therefore assumed by rhetoric (Suddaby & Greenwood, 2005), discourse (Vaara & Tienari, 2008), narrative patterns (Stolowy et al., 2019), and framing (Benford & Snow, 2000). Such legitimacy work is crucial for facilitating the acceptance and diffusion of a new practice throughout an organization.

These legitimation efforts often coincide with substantive adaptation endeavors to meet the varying demands of legitimacy audiences to which implementing actors must respond (O’Dwyer et al., 2011; Suddaby et al., 2017). This results in a process of adapting and aligning a practice to a given context, a focal point in the accounting and auditing literature. This body of work has studied the adoption of audit techniques (Gendron & Barrett, 2004; Robson et al., 2007); the use, understanding, and fact-building that underlies the use of accounting information in budgeting processes or standard-setting endeavors (Chua, 1995; Preston et al., 1992; Robson, 1991; Rowe et al., 2012); the diffusion of management tools, such as the Balanced Scorecard (Busco & Quattrone, 2015; Cooper et al., 2017) and sustainability assurance practices (O’Dwyer et al., 2011). A central theme in these studies is the examination

of translation processes that occur when new practices are transformed and implemented in a modified form during adoption, ensuring they are made to fit the extant organizational context (Ansari et al., 2010; Czarniawska & Joerges, 1996). While varying in prominence, a key concern of this literature revolves around the efforts of organizational actors to foster the legitimacy of new practices by aligning them with wider value systems and norms during adoption (O'Dwyer et al., 2011; Robson et al., 2007). This literature suggests a substantive approach to how implementing actors respond to (legitimacy) challenges, emphasizing sensitivity and responsiveness to feedback from legitimacy audiences (Treviño et al., 2014).

A pushback from organizational audiences, however, can pose a threat to the actors' own identity, as implementation actors are concerned about how their organization is perceived in comparison to others. This intertwining of individual and organizational identity and legitimacy (Elsbach & Kramer, 1996) gives actors a strong incentive to safeguard and reinforce positive perceptions of the organization's identity, thereby upholding their own social identity (Dutton et al., 1994). Through narratives of the self, individuals construe legitimacy, shaping a discourse of desirability and acceptance. Conversely, when an organization's identity is threatened, the individual may also feel threatened in their identity, causing cognitive distress (Petriglieri, 2011). In response, these individuals seek to "restore and affirm positive self-perceptions by affirming alternate dimensions of their organization's identity or highlighting their organization's membership in alternate comparison groups" (Elsbach & Kramer, 1996, p. 468). This underscores the role of linguistic claims, reputation, status, and approval in both identification and legitimation processes (King & Whetten, 2008; Navis & Glynn, 2010; Rao, 1994). These processes may unfold in waves based on external challenges (Barnett, 2006). Identity work thus becomes crucial in gaining, maintaining, or contesting legitimacy, highlighting the interaction effects between micro-level discourse and macro-level legitimacy processes (Brown & Toyoki, 2013; Navis & Glynn, 2010).

3.2.3 Research question

Based on our theoretical framework, we posit that when organizations adopt new practices in response to institutional pressures, an internal process of adaptation and legitimation is initiated. As the implementation process unfolds, the need for legitimacy work intensifies as legitimacy seekers and audiences differ in their mindsets, norms, and values. Such discrepancies may result from institutional duality, wherein actors hold diverging beliefs about legitimacy demands they must conform to (Balogun et al., 2019; Kostova & Roth, 2002; Kostova & Zaheer, 1999). This suggests that adopting a new practice necessitates an adaptation process to align the practice with organizational demands and needs, which is to be combined with persuasion efforts to appeal to organizational actors' values and belief systems.

Our empirical material places a strong focus on the legitimacy actors, specifically the RCA team, which continuously seeks, obtains, and incorporates feedback from their two main audiences, i.e., firm leadership and audit practice. While our study initially centered on implementing the RCA practice, the importance of internally legitimizing the RCA practice quickly emerged from our data. Prior literature suggests that such internal legitimation could be sought by legitimacy work (Treviño et al., 2014), mobilizing strategies such as balancing between identification and categorization, networks of support, and persuasion, translation, and narration (Gendron & Barrett, 2004; Suddaby et al., 2017). The need for such efforts might be particularly pronounced in this setting, given that the RCA practice seeks to analyze errors or incidents, which are commonly seen as undesirable by auditors, who employ defensive strategies when confronted with errors (Gold et al., 2022). This setting creates conflicts of legitimacy demands that the RCA team needs to manage in an endeavor to implement the RCA practice. Ultimately, this results in the following research question:

RESEARCH QUESTION: *How does the RCA team engage in and deploy legitimacy work to implement the practice of root cause analysis in a Big Four audit firm?*

3.3 Research methods

3.3.1 Data collection

To gain insights into the implementation and legitimization of the RCA practice, we conducted an in-depth, qualitative field study at a Big Four audit firm in the Netherlands. The study employed an eight-month ethnographic approach in the form of an observant participation study. During this period, the first author was employed at the firm to implement and conduct RCAs, remaining embedded in the practice even after the observation period concluded.⁷ This unique setup provided the first author with the opportunity to immerse in the daily work of the RCA team, fully engaging in concrete situations and daily routines (Kalyta & Malsch, 2018; Kornberger et al., 2011; Madden, 2020; Morales & Lambert, 2013; Power & Gendron, 2015; Seim, 2021; Van Maanen, 1979).

At the initiation of the study, the first author, a trained and experienced financial auditor, was new to the role, the team, and the department, providing her with considerable leeway to pose extensive questions. While her affiliation with the firm and the novelty of her role presented opportunities to enrich observations, they also created challenges related to biases, motivations, and assumptions. To address these challenges, we implemented several measures. First, the data was sourced from various channels (see Table 1), enabling triangulation (Hastings, 2012; Mason, 2002). We used multiple data collection methods aimed to enhance the study's richness and credibility (Hastings, 2012; Guénin-Paracini et al., 2014). First, the combination of interviews (see interview scripts in the Appendix) and informal conversations complemented or contradicted observations, adding context and meaning to each other. Second, we ensured that the first author's engagement with the firm was enduring. By remaining immersed in the RCA team beyond the observant participation period, we were able

⁷ The audit firm has given formal approval to observe the RCA practice and to conduct this study. For the interviews, informed consent was obtained from the interviewees. The study has been approved by the Institutional Ethics Review Board of the authors' university.

to enrich our conclusions by way of follow-up conversations and clarifications. Third, the first author maintained a field journal containing rich descriptions of observations and extensive reflections on her experiences, ensuring a high level of detail and transparency in subsequent interpretations (Creswell, 2007). Finally, the co-authors probed the observation notes, engaged in extensive discussions, and jointly interpreted the empirical data, contributing to mitigating potential biases.

Formally, the data collection process encompassed three distinct, yet partially overlapping steps. First, at the initiation of the observant participation period in February 2021, the first author conducted semi-structured interviews with each of the seven members of the RCA team (see Tables 1 and 2). These interviews aimed to gather insights into the members' initial perceptions of and attitudes towards conducting RCAs.

Second, the first author engaged in extensive observant participation of the RCA practice from February to October 2021 (see Table 1), actively participating in the audit firm's RCAs. Before this period, she was assigned to draft an RCA methodology, which was later refined. The participation involved conducting multiple RCAs, engaging in team discussions, and concluding with the team's evaluation of the practice, providing both a natural end point and an indication that data saturation had been reached (Eisenhardt, 1989; Guénin-Paracini et al., 2014). The observant participation offered the opportunity to directly access the activities and interactions unfolding within the firm as they pertain to RCAs, and it allowed for informal conversations (Flick, 2019; Mason, 2002; Seim, 2021). This full immersion in the field allowed the first author to directly speak with actors in the immediacy of the interaction, thus preventing "post-rationalization" (Morales & Lambert, 2013, p. 232; Van Maanen, 1979). Observation notes were recorded in a field diary during or at the end of the day, incorporating personal thoughts, feelings, and reflections of the day's events (Mason, 2002).

Third, following the observation period, the first author conducted another round of semi-structured interviews with the seven RCA team members to assess how their perceptions and experiences had evolved during the investigation (see Table 1 and 2). Interview questions were formulated based on the observations that were gathered in the preceding eight months. These follow-up interviews aimed to complement existing data and enhance emerging interpretations through member checks and triangulation. The interviews, observation notes, and the field journal were initially documented in the first author's native language, Dutch, with selected excerpts subsequently translated into English for the purpose of this paper.

| | Data source | Content | Characteristics |
|-------------------------------|--|--|---|
| Primary sources | Initial in-depth interviews | First round of semi-structured interview with the seven RCA team members, lasted 60 minutes on average, recorded and transcribed by the observer | 7 interviews in Dutch, 73 pages, total of 6 hours and 55 minutes |
| | Observatory participation | Observation notes and field journal, written on a daily basis in Word, and supplemental documents | 88 days, from 3 February to 7 October 2021, 589 pages and 14 supplemental documents and materials (i.e. presentations, RCA reports, working programs, annual plans, webcasts) |
| | | Transcription and pictures of the evaluation session of the RCA team, 16th September 2021, which was recorded and transcribed by the observer | A 3-hour session, 31 pages of transcription and pictures of the post-its written during the session |
| Follow-up in-depth interviews | Second round of semi-structured interviews with RCA team members, lasted 60 minutes on average, recorded and transcribed by the observer | 7 interviews in Dutch, 71 pages, total of 7 hours and 40 minutes | |
| Secondary source | Global guidance | Guidance on the RCA process, issued by Global technical office | PowerPoint document, 54 pages |

Table 1: Overview of collected data

| <i>Name</i> | <i>Level</i> | <i>Primary role</i> | <i>Other roles</i> | Initial <i>Hours</i> | Follow-up <i>Hours</i> | Total <i>Hours</i> |
|-------------|------------------|------------------------|----------------------------------|--------------------------------|----------------------------------|------------------------------|
| Rens | Partner | Audit | Team lead Audit Quality Team | 0:50 | 1:00 | 1:50 |
| Maria | Senior Director | Live Consultation Team | Team lead Live Consultation Team | 1:16 | 1:02 | 2:18 |
| Victor | Senior Manager | Audit | Root Cause Analysis | 1:04 | 1:15 | 2:19 |
| Julia | Senior Manager | Root Cause Analysis | Live Consultation Team | 0:55 | 0:59 | 1:54 |
| Jay | Senior Manager | Audit | Root Cause Analysis | 0:48 | 1:14 | 2:02 |
| Linda | Manager | Audit | Root Cause Analysis | 1:00 | 1:00 | 2:00 |
| Nick | Manager | Audit | Root Cause Analysis | n/a | n/a | n/a |
| David | Senior associate | Root Cause Analysis | Research & Reporting | 1:02 | 1:10 | 2:12 |
| | | | | 6:55 | 7:40 | 14:35 |

Table 2: Overview of interviews conducted⁸

3.3.2 Data analysis

Throughout the observation period, the authors convened regularly to review and discuss the first author’s observation notes and interview transcripts. We began analysis of our data with a broad question: How is the RCA practice implemented at the focal audit firm? As we delved into the empirical data, we discerned how the RCA team implemented the practice while concurrently seeking to establish legitimacy for themselves and their work. The final stage of data collection, involving follow-up interviews, provided additional insights into the team’s perspectives on legitimizing the RCA practice. Employing an abductive approach (Klag & Langley, 2013), we iteratively moved between our emerging theoretical lens of legitimacy and the empirical data, aiming to construct a theoretical framework aligned with the empirics. In this process, we gravitated toward the concepts of legitimacy-as-a-process (Johnson et al., 2006; Suddaby et al., 2017) and internal legitimacy work (Treviño et al., 2014).

To organize our rich and complex empirical data, we adopted a strategy of temporal bracketing, categorizing the data into distinct phases (Langley, 1999). Given the evident temporal progression of the team’s efforts to legitimize the practice, this bracketing facilitated the transforming of the data into four separate, yet interconnected phases (see Figure 1). The initial phase entails the period prior to our observations and encompasses the informal conduct

⁸ To safeguard confidentiality, we do not use the team members’ real names. Nick was not interviewed, because he joined the RCA team during the observation period, after the initial interviews.

of root cause investigations by the firm before the formal establishment of the RCA team, in response to internal and external demands for such analyses. Our study commenced with Phase I, titled ‘Establishing an RCA team,’ involving the formation of the RCA team. Phase II denoted ‘Refining the RCA methodology,’ aligned with the initiation of our observations, during which the RCA team refined a draft methodology for conducting root cause analyses. The subsequent Phase III, named ‘Implementing the RCA practice,’ entailed the team’s execution of the methodology by conducting multiple RCAs. Finally, Phase IV, labeled ‘Evaluating and adjusting the RCA practice,’ marked the conclusion of our observations, where the team assessed their initial set of conducted RCAs. The process model in Figure 1 offers an outline of the phases, forming the foundation for our empirical narrative unfolding below.

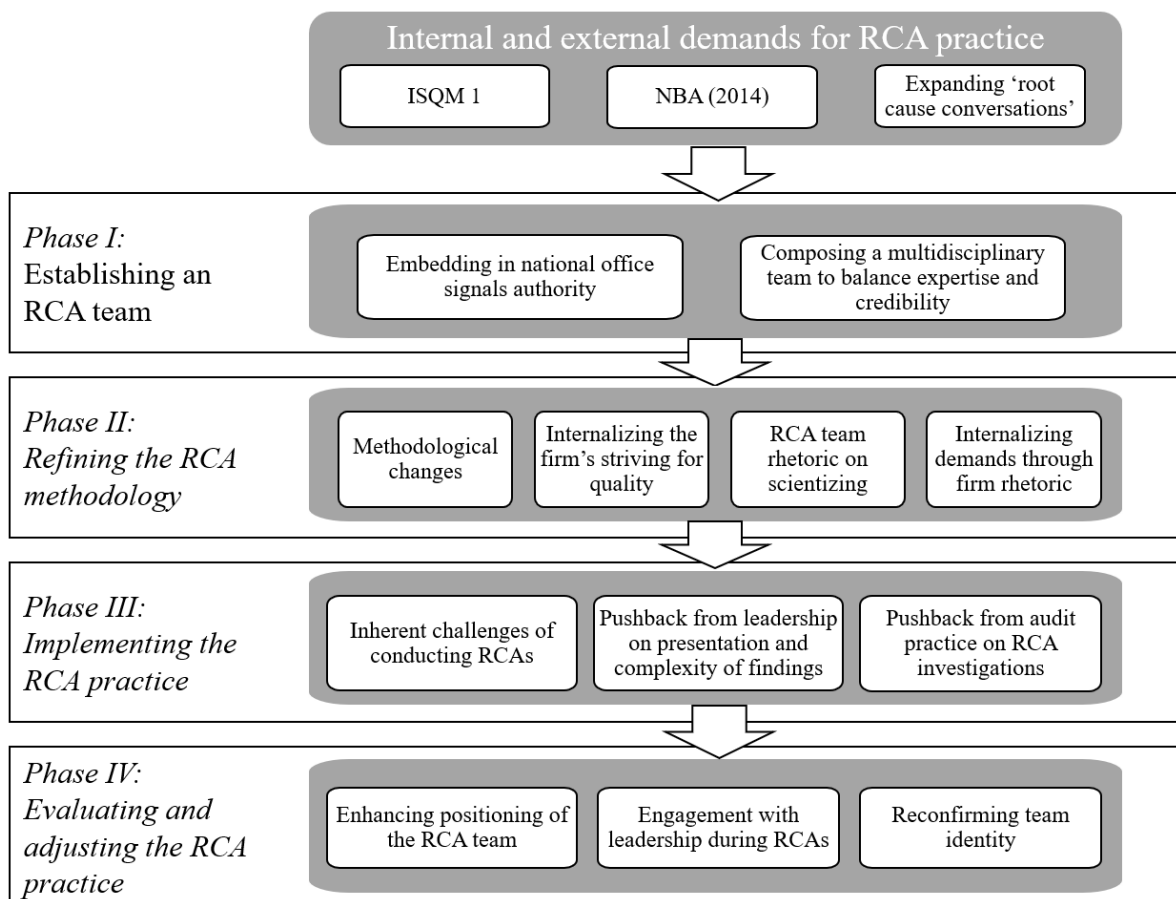


Figure 1: Process model

3.4 Empirical narrative

This section presents our empirical narrative of the RCA team in implementing and legitimizing the RCA practice. This narrative unfolds across the four identified phases, offering an analysis of the legitimacy challenges faced and the corresponding work undertaken by the focal team. The section commences with a brief introduction of the period preceding the inaugural RCA season to provide context regarding the firm's decision to set up an RCA team and to outline the initial approach taken by the firm in conducting such analyses.

3.4.1 Initial period

ISQM 1 mandates that, by December 2022, audit firms must investigate the root cause(s) of deficiencies identified by a firm's quality control system. Despite the mandatory nature of conducting RCA, the impetus for instigating 'root cause conversations' at our focal firm predated the issuance of ISQM 1. In the early 2010s, the Dutch audit profession had faced severe criticism from both the audit oversight body and national politicians, prompting a comprehensive set of reform measures to alleviate political and regulatory pressures (NBA, 2014). As part of a new quality trajectory, the profession aimed to cultivate a culture of learning from errors within firms, with a specific focus on investigating the root causes of inadequately conducted audits. This broader initiative was promptly translated into action at our focal firm through the initiation of root cause conversations.

Consequently, interviewees emphasized the imperative for RCAs as driven by an increased emphasis on audit quality, framing the practice as a proactive stance rather than merely a reactive response to external pressures. During her initial interview, Maria (Senior Director) outlined the firm's endeavor to "develop towards a learning organization, where an awareness emerged that we should think in a more quality-oriented way, work on our learning mindset, [and] be vulnerable." This transition toward a quality-oriented culture served as an ideological foundation for the RCA members, prefiguring the RCA practice even before the

promulgation of ISQM1 by the IAASB in 2019. Likewise, it conveys the intention by the firm and organizational actors to implement the practice substantially:

Actually, the whole quality discussion was triggered by outside signals, by the AFM report from 2014 or 2015. I think, at the time, all the large accounting firms were not really aware that they had a quality issue. Since then, this has really changed, so [the quality-oriented culture] has really been embraced. (*Julia, Senior Manager, initial interview*)

We received a lot of [political pressure]. It took a while before we realized that it is better to embrace it and do something about it, because there might be some truth in it. (...) And if you embrace the feedback, that is the first step, the second step is to think about how you are going to take this further, to solve it. So, you have to go to the core and address it there. In the past, it was: 'you say this and then we do that and then it's done.' The symptom is then gone. And we are now making a neat move from symptom control to a structural solution, and that, of course, fits in perfectly with the [nature of an] RCA. (*Rens, Partner, initial interview*)

Both interviewees articulate the internalization of institutional pressures as a catalyst for the transition toward a learning organization, a theme recurrently discussed in subsequent RCA meetings. During a presentation to other branches of the firm's network, Rens emphasized that:

this [shift] was also shaped by external pressures from the AFM. The external pressures created a sense of urgency. (*Observation notes, 15 December 2020*)

As we detail below, this professed focus on the quality of audit services manifested in an impact on audit practices, resulting in the establishment of an RCA team tasked with extracting lessons from errors made in audit practice.

Before formalizing the RCA practice, the firm initiated root cause conversations in an ad-hoc and somewhat unstructured manner. This involved engaging auditors from varying teams throughout the organization in informal exchanges with engagement teams, rather than conducting systematic investigations with a refined methodology and clear objectives. Maria (Senior Director) and Julia (Senior Manager), who would later become part of the RCA team, were primarily responsible for these initial analyses. In her initial interview, Julia recollects that she first encountered RCAs in 2015, prompted by the identification of non-compliant files during engagement reviews. Subsequently, she and Maria were tasked with investigating the root causes with the respective engagement partners and managers. They noted that, at some

point, a behavioral specialist was introduced into these conversations, responding to firm leadership's directive to explore potential flaws arising from the existing firm culture.

To enhance the efficacy of these root cause conversations, the first author received the assignment in late 2020 to develop a draft RCA methodology. Drawing insights from several practice notes (e.g., Institute of Chartered Accountants in England and Wales [ICAEW], 2016; NBA, 2019) and analogous analyses in aviation and health care (e.g., Dien et al., 2004; Doggett, 2006; Fischhoff, 1975), the first author formulated a series of steps for conducting RCAs. This draft served as the foundation for subsequent refinement once the team was established. It began with a planning of the analysis and formulating a research question, subject to approval by the responsible project leader in the audit quality department. Subsequent steps entailed the identification of relevant data sources, such as interviews, audit files, engagement hours, and the audit plan, along with their subsequent collection and analysis. Finally, an RCA report would be generated, primarily aimed at informing firm leadership about key findings.

Notably, this initial draft methodology included the formulation of remedial action as an essential step in the RCA. However, Rens, who eventually assumed leadership of the RCA team, opted to exclude this step. He perceived the responsibility for such action to lie with leadership and audit practice, rather than the RCA team. As the team commenced the establishment of their processes and procedures, it became apparent that the draft methodology required clarification and revision. These refinements were informed by the team's experiences during the conduct of RCAs, constituting a vital aspect of our observations and analysis, detailed below within the context of the four identified phases.

3.4.2 Phase I: Establishing an RCA team

In October 2020, the firm formally instituted an RCA team, elevating the status and organizational support for this practice. Our data suggest that authority and credibility emerged as significant themes in Phase I. The establishment of the RCA team within the firm's national

office conferred authority and autonomy to operate largely independently of audit practice. Simultaneously, the team endeavored to strike a balance between expertise and credibility through the formation of a multidisciplinary team. In this section, we discuss both the team's positioning within the firm's governance structure and their composition.

Embedding in national office to signal authority

The firm's choice to establish a dedicated RCA team, independent from audit practice, was presented in internal communications as a crucial step towards fostering a quality-oriented culture. This shift serves as the formal initiation of the internal legitimization process for the RCA practice, signifying a measure of endorsement from the organization's upper echelons. The firm's leadership solidified support for the RCA team by integrating it into the governance structure and allocating necessary resources, thus demonstrating alignment with the priorities of the firm's leadership.

The RCA team was embedded in the newly established audit quality department, a component of the firm's national office.⁹ This department combined various quality initiatives launched throughout the organization, encompassing aspects such as culture and behavior, business intelligence, and RCA. The team's inclusion in the firm's governance structure endowed it with a distinct identity and a recognizable position. At the same time, the affiliation with national office highlighted the team's specialized role. This strategic placement offered an avenue to demonstrate the team's distinctiveness (i.e., uniqueness, or categorization), while emphasizing alignment with the broader quality initiatives within the firm (i.e., similarity to extant norms and values, or identification with the culturally accepted framework, e.g., Johnson et al., 2006; Suddaby et al., 2017). The delicate balance is illustrated by Maria:

⁹ We use generic names for the departments to avoid identification of the firm.

We were given a place in the governance. That was a big leap for us. It really gave us a much better anchoring within [national] office. (...) that was very pleasant for us, because that meant we had a kind of stature, we are here, we have [a place in the firm's] governance, we have a link to leadership through [Rens, as a sponsor]. (*Maria, Senior Director, initial interview*)

Other team members agreed that the firm signaled strong support for the emerging RCA practice. The authorization bestowed by authoritative bodies with coercive power, particularly the firm's leadership, constitutes an essential steppingstone towards legitimation (Suddaby et al., 2017), suggesting the cultivation of a network of support (Gendron & Barrett, 2004). In sum, the endorsement from a key audience, the firm's leadership, serves as a substantial and anticipatory gesture aimed at legitimizing the RCA team towards audit practice.

Multidisciplinary team to balance expertise and credibility

Establishing a multidisciplinary team constituted another strategy employed by the RCA team to navigate the balance between the need for identification and categorization (Suddaby et al., 2017), also known as the uniqueness paradox (Martin et al., 1983). On one hand, the team advocated for the importance of diversity and multidisciplinary to enrich insights and maintain a distinct identity separate from audit practice. This rationale prompted the inclusion of a behavior specialist and the first author (a PhD candidate). On the other hand, the team had to ensure that it was not perceived as ruling "from an ivory tower," and so actively also sought team members who concurrently engaged in audit practice:

What I like is that by having a combination of roles, you may also include different stakeholders, or have a bit more understanding and representation. The big danger is that you will do things from an ivory tower that are not recognized in practice. (*Rens, Partner, initial interview*)

Including RCA team members with backgrounds in audit practice meant adhering to the generally accepted cultural framework of beliefs, a vital aspect in the legitimation process (Johnson et al., 2006). Throughout our observations, the RCA team expressed a sense of pride in their diversity and multidisciplinary composition, evident in presentations within the firm, interactions with branches in other countries, and engagements with audit teams during the

RCA process. However, the inclusion of auditors in the RCA introduced a possible challenge related to familiarity bias with audit practice, which could hamper the effectiveness of RCA. Specifically, team members with concurrent audit practice engagement might be shaped by their audit experiences to an extent that it could lead to inadequate assessments, posing a threat to the team's ability to identify root causes. At the same time, a grounding in audit practice was essential to understand the decisions taken in an engagement under investigation and could also signal expertise and thus credibility.

This tension was acknowledged as a deliberate trade-off by Rens (Partner), who recognized that auditors could contribute valuable insights to help non-auditors understand certain practices. However, he also expressed concern that auditors might be “overly shaped by their own experiences in the audit” (*Observation notes, 30 June 2021*). Maria (Senior Director) provided an illustrative example from an RCA she conducted with a team member from audit practice. Their case involved a complex pension contract, and Maria observed that her team member quickly attributed the problem to a knowledge gap, projecting their own position and knowledge onto the analysis rather than conducting a thorough analysis. Vice versa, one might also argue that teams exclusively composed of non-auditors might be prone to concluding that an auditor should have possessed the requisite knowledge, potentially leading to an overly critical stance toward audit practice. As such, this example points to the inherent difficulty of a root cause assessment.

Likewise, the team faced a challenge concerning their behavioral specialists who lacked auditing training. This challenge became apparent during a meeting on the team's analyses of internal quality review findings:

David takes the floor, saying he finds [the internal review findings] difficult because he does not understand all these [audit] findings and the judgment and decision making involved. (*Observation notes, 1 June 2021*)

Despite these difficulties, the team embraced diversity as part of their identity that combined investigations of audit deficiencies with learning opportunities. Linda (Manager) conveyed her impression that the team brought new perspectives to the RCAs:

What went well? We all have different backgrounds. You [the first author] with your research. David with his behavioral background. You can really see it working well. Or at least, I feel it does. Everybody does their part. (*Observation notes, 16 September 2021*)

In summary, the formal establishment of the RCA team marked an important step in gaining authority within the organization and underscored leadership's endorsement of the practice as a quality-enhancing initiative. The anchoring of the team in national office and their composition signaled a willingness to substantively implement the new practice and were a vital first step to legitimize the team and their work in the audit firm.

3.4.3 Phase II: Refining the RCA methodology

This section discusses the team's refinement of the RCA methodology. Within this phase, the team engaged in sensemaking of the RCA practice and, in doing so, internalized the firm's striving for quality and developed a strong belief in the intrinsic qualities of the practice. Additionally, the team formulated a rhetorical strategy, termed scientizing, to project expertise. However, they encountered challenges in conveying this expertise due to limited experience in conducting RCAs. In response, the team turned to another pervasive rhetoric, prompting a focus on 'getting things done', thus adhering to the firm's business imperatives.

Methodological changes

Following several RCAs that deployed the initial draft methodology, the team allocated time in early 2021 to refine their approach. Team discussions conveyed satisfaction with their ability to create a psychologically safe environment for those involved in the RCAs, noting that their findings had been well-received so far. However, Julia also proposed to conduct a set of methodology sessions to establish a shared understanding of key concepts in RCA: "I think we all need the methodology sessions. What do we mean by causal factors? What is a root cause?"

What do we include in a Current Reality Tree (CRT)¹⁰ and what don't we include?" (*Observation notes, 11 February 2021*). These questions hint at the team's perceived challenges in their investigations, which had primarily revolved around seemingly technical issues and fostering a shared understanding of their practice.

The team also identified the need for more structured and streamlined documentation of RCAs and subsequent reporting of findings, due to considerable variation among the different team members. A further concern was raised on the unstructured nature of the RCA team's interviews with auditors, leading to variations in quality due to individuals' varying interview skills. "David explains that the risk is that we put words in the mouths [of the interviewees] and you don't want that" (*Observation notes, 11 February 2021*). The team concluded that they might benefit from dedicated interview training.¹¹

Internalizing the firm's striving for quality

While the external pressure of ISQM1 (IAASB, 2020) mandated the adoption of RCAs in their current form, the professional identity of individuals within a professional service firm is rooted in knowledge claims (Robson et al., 2007). Simply complying with the new regulations did not align with the (self-)conception of the RCA team. To bridge this gap, the team employed rhetorical strategies to give sense to the new practice by linking it to their perception of the essence of being an audit professional. By doing so, team members sought to internalize the purpose of RCAs as a means to enhance the learning capacity of the audit firm as conveyed by the firm itself, the professional institute (NBA, 2014), and the standard setter (IAASB, 2020).

Senior team members took a holistic view of the RCA practice, perceiving it as part of the firm's transformation from a commercial focus to a quality-oriented culture over the past decade. Aligned with the learning discourse widely adopted by the audit profession (Gold et

¹⁰ The CRT is a model to visualize cause-and-effect reasoning in the shape of a tree (Doggett, 2006).

¹¹ This interview training was organized only in June 2023, that is after our observation period.

al., 2022) and the focal firm, the RCA team anticipated the need to frame their work within this learning discourse to legitimize it to audit practitioners. During a firm-wide webcast in October 2021, Julia (Senior Manager) underscored this perspective: “I would like to emphasize again that [RCAs] are primarily carried out in order to learn and improve” (*Observation notes, National Office webcast 2021 #6*). The team saw the RCA practice as a supportive element for the firm’s quality-oriented transformation, thereby aligning their *raison d’être* with the firm’s overarching ambitions. This process of theorization can enhance the diffusion of new practices within a firm, especially when it emphasizes notions of progress (Strang & Meyer, 1993; Suddaby et al., 2017). As such, the team could both give sense to their practice internally while legitimizing it to the firm’s practitioners:

I think that in general, where we stand as an organization and based on what you hear from colleagues, we have grown enormously. A few years ago, we might have experienced that people were suspicious, as if these kinds of things [RCAs] were just something you had to do. Now, I think that we’re aware that we need these measures and procedures to at least guarantee the quality and be consistent, [so as to provide] consistent quality. (*Jay, Senior Manager, initial interview*)

I strongly believe that we [both as a firm and profession] should engage in learning. That this is the only way forward. That we have moved from [the perception that] it is absolutely unacceptable to make a mistake, to: okay, it is allowed to make a mistake and be honest about it, as long as we learn from it. If you get feedback from others, be it the regulator or politicians, you should listen very carefully and not evade it, but act on it. (*Rens, Partner, initial interview*)

It hence appeared that aligning the RCA team’s self-perception with broader developments in both the firm and the profession served as a conduit through which the team sought to legitimize their endeavors to audit practice.

RCA team rhetoric on scientizing

Similarly, the team strove to position themselves as RCA experts. Signaling expertise is a strategy that is inherent to professionals (Abbott, 1988; Robson et al., 2007), such that the use of language becomes a persuasive tool that is crucial in gaining legitimacy (Suddaby et al., 2017). Regardless of the actual level of expertise possessed by team members, the ensuing rhetoric contributes to the construction of legitimacy (Suddaby & Greenwood, 2005). This

rhetoric was also invoked to defend the team's domain, as became evident when another department within the firm sought assistance from the RCA team in setting up its own RCAs:

Julia notes that we have agreed that only the RCA team conducts RCAs [in the firm] and that other investigations should not be called RCA to avoid confusion and to provide 'unambiguous and unified communication' about the RCA practice. "There is more to RCA than meets the eye," Julia says, but she doesn't want to shoot down the idea [of helping the team learn from mistakes]. "It is very good that they [the other department] do these investigations, but then it should be, for example, called an evaluation instead of an RCA." (*Observation notes, 11 May 2021*)

The team thus asserted themselves as the sole entity within the firm with the requisite expertise for conducting RCAs. By doing so, they emphasized the importance of using distinct labels to avoid challenges to the RCA team's exclusive claim to the designation and expertise associated with the practice, thus contributing to the development of an RCA team identity.

Furthermore, the RCA team sought to signal expertise by framing their approach as academically supported. This assertion resonated with the firm's inclination to reference academic work to substantiate claims of expertise. Throughout our observations, such references were abundant, whether during firm-wide courses or presentations at business-unit or national levels. The team appeared to leverage the notion of academic support to enhance their own credibility (Abbott, 1988; Robson et al., 2007).

To illustrate this strategy of an academic discourse (Robson et al., 2007), we reference a meeting where leaders from various teams within the audit quality department presented status updates. Rens, the leader of the RCA team, shared progress on the methodology for conducting RCAs, proudly announcing the development of an "academically supported methodology." This methodology, initially drafted by the first author, was based on guidance from the firm's global network, alongside national and international professional bodies (Chartered Accountants Australia and New Zealand [CAANZ], 2019; Financial Reporting Council [FRC], 2016; NBA, 2019) and informed by RCA literature from other disciplines (Dien et al., 2004; Doggett, 2006; Leveson et al., 2020). The continuous refinement of this methodology by a multidisciplinary team of experts sought to enhance the practice's rigor. This

rhetoric became a common reference point for team members during internal meetings and presentations, underscoring the value and credibility of their approach.

In sum, even though the RCA team's expertise had not (yet) been challenged by audit practice, they proactively adopted the rhetoric of expertise and academic rigor, seeking to establish and communicate their role and identity as authorities. In doing so, the RCA team sought to legitimize their practices through theorization (Abbott, 1988; Suddaby et al., 2017).

Internalizing demands through firm rhetoric

Aiming to balance their grounding in audit practice and desire to distinguish themselves, the RCA team sought to make sense of their practice in a manner consistent with the firm's logics of operations. Despite these efforts, a noticeable discord arose between the team's seemingly rigorous approach and the firm's emphasis on getting things done. This disparity meant that the team was caught between the pursuit of learning from errors and the need for efficiency within a commercially oriented context. We illustrate this conflict through three examples.

First, to enhance the methodological rigor, the team organized a masterclass on RCAs by a distinguished auditing academic. The expectations surrounding this event were high among team members, who were eager for insights and guidance that they expected would enable them to conduct RCAs of high quality. Prior to the masterclass, unresolved methodological discussions were often deferred with comments such as: "Let's wait and see what the researcher will tell us" or "Hopefully the professor can help us with that." These expectations, however, contrasted with perceptions afterwards, as the model presented by the academic did not align with the team's evolving methodology. In fact, the team encountered significant difficulties translating the theoretical model to the unruly nature of practical work:

I think we could have benefited way more from the masterclass if we had made more effort to learn from it. (...) It is about finding a balance between real academic [insights], the added value from academics, and insights that are easy to digest [for practice]. (*David, Senior Associate, follow-up interview*)

David thus discerned a notable tension between a rigorous theoretical approach and the getting-it-done mindset prevalent in the firm. Consequently, the team's rhetorical claims of leveraging expertise and employing an academic approach appeared more directed at persuading the RCA team's audiences—both firm leadership and audit practice—rather than genuinely embracing academic rigor. Rens (Partner) recognized this tension during a meeting with the audit quality department: “It is a challenge, though, to turn academic theories into practical applicability.”

Maria (Senior Manager) jokingly chimed in during one of the RCA team meetings:

Of course, this is uncharted territory, which is theoretically interesting, but I am more of a practitioner. I know that [first author] finds that annoying [laughs], but I am pragmatic and concerned that we're over-engineering. (*Observation notes, 18 March 2021*)

Maria's reference to the first author's academic identity indicates the RCA team's perceived necessity to strike a balance between an academic and pragmatic approach. While the first author was distinctly cast in the role of the academic, this approach also appeared to be pragmatic, with references to an academic approach employed strategically, whereas the team seemed to view the diligence associated with academic rigor mostly as burdensome. Observations from team discussions reveal that members rationalized the shift to a pragmatic approach by asserting the need to “gain more experience,” and acknowledging that “in the end, the firm just thinks in terms of business.” Also, during an RCA team meeting, Rens noted that the firm's leadership had inquired about his team's “return on investment,” with the investment being (the adoption of) the RCA practice (*Observation notes, 25 March 2021*). Rens recognized the need for time in developing the practice but was aware that the firm desired prompt results (*Observation notes, 7 June 2021*). This emphasis on return on investment became explicit in the subsequent annual plan devised for the RCA practice (*Documents, Annual plan, 16 September 2021*), highlighting the business imperatives that the team needed to adhere to. This suggests that even when quality-oriented initiatives are well-intended, they ultimately need to yield tangible and positive outcomes for the firm.

A second example of aligning the RCA team efforts with the firm's rhetoric involved the mobilization of alternative knowledge sources. In early 2021, the team organized a course featuring a speaker from the firm's advisory branch, focusing on the principles of Lean Six Sigma as a way to systematically identify and eliminate inefficiencies in business processes. Simultaneously, the RCA team engaged in conversations with colleagues from other member firms to compare RCA practices internationally, positioning the Dutch branch as a pioneer in implementing and conducting RCAs. Furthermore, the team gained insights from other audit quality departments, including the firm's business intelligence team, which proposed leveraging data analysis to enhance the RCA approach. Despite these efforts, practical challenges emerged. Securing input from the business intelligence team proved challenging due to their overwhelming workload and numerous requests from other parts of the organization. Reflecting on this, the RCA team noted:

Nick (Manager): I have noticed that our annual plan [outlining the team's goals for the year] really emphasizes [the use of business intelligence].

Jay (Senior Manager): It does sound cool.

Nick: Yeah, it does sound cool. (*Observation notes, 16 September 2021*)

This exchange underscores the importance of appearances, highlighting that the link with the business intelligence unit, while initially appearing innovative and forward-thinking, turned out to be impractical. As legitimacy is rooted in the perception or assumption that an action is desirable (Suchman, 1995), the association with the expertise of the business intelligence team was invoked as a form of support, possibly employed strategically in an attempt to persuade the RCA team's legitimacy audiences.

A final example unfolded during the RCA team's methodology sessions, initiated in February 2021 with the intent of serving as the "backbone" of the team's processes, as articulated by David (Senior Associate) (*Observation notes, 16 February 2021*). Initially scheduled for one hour on a weekly basis, the sessions were designed to facilitate knowledge-sharing among RCA team members through collective brainstorming, sharing experiences, and

offering new insights on emerging issues. However, after several sessions, the anticipated learning potential did not materialize. Instead, the RCA team felt it was time to shift focus to the practical implementation of RCAs. In the words of Rens (partner):

We have been working on the methodology for half a year now, and we're still not done with it. (...) You have two paths. One is the academic path, where we have a green field where we can study everything. The other path is the practical process, where we need to get things done. We discussed to work on our way of operating in the first year, to gain an understanding of what we need to do. And then, at a certain moment, you need to draw a line and move on. (...) It's also [leadership's] concern that we are developing [our methodology] forever. (*Observation notes, 17 March 2021*)

Accordingly, the team jointly decided to “just get started,” cancelling all upcoming sessions (*Observation notes, 18 March 2021*). This action highlights once more the inherent tension between pursuing reflection and rigor, and the practical demands for immediate action.

Professional practices often seek legitimacy by relying on rationalization and scientization (Abbott, 1988). Since legitimization is more about perceived rather than actual conduct, leveraging these perspectives can be successful, even without fully embracing the initially sought rigor (Suchman, 1995). In our case, it indeed became evident that references to expertise and academic methods were primarily invoked when they served a practical purpose of signaling legitimacy, whereas the team needed to adhere to the firm's demands of getting things done.

3.4.4 Phase III: Implementing the RCA practice

This section provides insights into the team's initial RCA investigations, during which several legitimacy challenges became apparent. Despite refining their methodology and recognizing the importance of RCAs, the team grappled with the inherent complexity and subjectivity of RCAs, undermining their expert rhetoric. Furthermore, the RCA team encountered pushback from both leadership and audit practice during this phase.

Inherent challenges of conducting RCAs

Throughout the first RCA investigations, the team experienced challenges stemming from the inherent complexity and subjectivity associated with identifying root causes. Additionally,

demonstrating the effectiveness of RCAs proved to be a daunting task. These challenges, seemingly intrinsic to the nature of RCAs, posed difficulties in conveying the learning potential and thus desirability of RCAs to firm leadership and audit practice. The following two examples illustrate these challenges.

First, extant RCA literature recognizes the complex and subjective nature of the process of identifying root causes (Peerally et al., 2016), leaving substantial uncertainty about the ‘right’ root cause and the corresponding remedial action (Dien et al., 2004; Fischhoff, 1975). In our focal firm, RCA team members exhibited varied perceptions of what ultimately constitutes a root cause. Some advocated to determine root causes at a high and abstract level, such as the financial reporting and auditing ecosystem, whereas others preferred to focus on the actions of individual auditors. For example, Linda (Manager) argued that a systems-based approach implied they would always attribute root causes to failures at the firm level, without ever holding individual auditors to account. Maria (Senior Director) concurred: “You can just make a typo” (*Observation notes, 17 March 2021*), suggesting that not all errors resulted from a systemic root cause. Other team members emphasized the importance of individuals’ belief systems, or mental models, as the appropriate level for identifying root causes. For example, in an RCA report on material errors discovered post-audit, the RCA team described a range of root causes, such as the lack of team stability, insufficient professional skepticism due to pressure, and insufficient knowledge on a specific accounting topic (*Documents, RCA report, January 2021 and September 2021*). This struggle to identifying appropriate root causes emerged as a pervasive and recurring theme throughout the observation period:

[First author’s thoughts after an RCA meeting:] Actually, identifying root causes from observations feels like a challenging task. How can we be sure that we have identified the right root cause? Do we have them all, or have we identified too many? Have we attained a sufficient level of depth in identifying the root causes? An additional challenge in this process is that, as an RCA team, we do not agree on the definition of root causes and causal factors. That is definitely an issue we need to work on. The Senior Associate and I are collecting information and literature on root cause definitions, which we will present to the RCA team. We hope to create a common ground on the root cause definition. (*Observation notes, 5 March 2021*)

What I really see as a challenge is whether we speak the same language, methodologically. So, what is a root cause, what is not a root cause? We have also discussed confirmation bias, can a bias be a root cause, or can it not? That still haunts me [laughter]. (*Julia, Senior Manager, initial interview*)

While the RCA team tried to make sense of the practice, their struggle to identify the appropriate root causes became a major challenge to the team's legitimacy.

A second example of the inherent complexity and subjectivity in RCAs was the team's difficulty to determine and convey the effectiveness of the practice. In follow-up interviews, team members expressed their belief that the return on investment, or RCA effectiveness, lay in the identification of the right root causes, gaining new insights, and preventing future adverse events. These outcomes, however, proved elusive, as it appeared impossible both to identify the right root causes and to quantify the number of prevented adverse events. As demonstrated by Treviño et al. (2014), failing to demonstrate the effectiveness of a practice is a major impediment to internal legitimation processes. The RCA team acknowledged the necessity to illustrate their effectiveness, as shown in the following quote:

Our return on investment is something that has to be very clear in the coming year, because that is needed to further secure support [for our team]. (...) You can only measure a real return in a number of years, the measurement of the impact after you have done [a] follow-up [analysis]. But I think the biggest return right now is that we have insight into what is lacking [on the thematic analyses, such as the new directors]. That we come to different insights than last year and at a different level. (*Rens, Partner, follow-up interview*)

The notion of return on investment held considerable significance for the RCA team also with respect to goals of efficiency, given their association with a firm whose business imperatives dictated the pursuit of "the highest returns with as little effort as possible," as explained by one team member. Similarly:

[In a team meeting,] Rens talks about the feedback the team received from stakeholders. "It's all about return on investment, from input to impact. So, it is about doing the right things (...) we have to be cautious on who is spending time on what." (*Observation notes, 6 September 2021*)

Furthermore, the conduct of interviews played a crucial role in the team's RCA approach, as investigations did not consistently succeed in obtaining sufficient and appropriate information,

thereby diminishing the RCA's effectiveness. As noted, a potential reason for this struggle was the lack of interview training for most team members. In one interview, Julia (Senior Manager) illustrated this struggle based on an RCA interview, where the engagement partner was asked about their lack of knowledge in an accounting area, which had later resulted in a restatement:

We did discuss that, but we didn't make any progress, because the engagement partner didn't know what to do with that question: 'Yeah, what do I know? I don't know why I don't have certain knowledge.' Then you find yourself in a strange conversation. (*Julia, Senior Manager, initial interview*)

In response, the RCA team adopted a new strategy to demonstrate effectiveness, namely by way of enhanced visibility, namely through active participation in firm-wide webcasts and e-learnings. Further, the RCA team compiled a set of statistics related to their investigations, including the number of errors analyzed, findings, RCAs conducted, and root causes identified. These efforts sought to deploy quantifiable measures both as identity markers and indicators of effectiveness, while concealing the complexity and subjectivity inherent in RCAs.

Pushback from firm leadership on presentation and complexity of findings

Our observations further denote that the RCA team's findings were not always well-received by firm leadership. Given that RCAs focus on instances where something has gone wrong—such as litigation, restatements, or broader themes where expectations had not been met—involved individuals could feel accused or blamed for errors or wrongdoings (Groot, 2021). Indeed, several RCA team members faced criticism from firm leadership when presenting findings from a thematic RCA on the firm's outsourcing of certain audit processes.¹² Following the meeting with firm leadership, the team members shared their experiences with the entire RCA team, recounting that firm leadership took issue with their findings, criticizing them for being presented in an overly complex manner. In this instance, the RCA team had presented

¹² In early 2021, Rens (Partner) and Julia (Senior Manager) had set up a plan for two types of RCAs to be run by the team over the following six months: While case-based RCAs entailed analyses of material errors and internal inspections, thematic RCAs involved issues that affected audit practice more widely. The two thematic RCAs were initiated by the firm's leadership. One of these RCA's was related to the firm's attempt to outsource a certain percentage of planned audit hours, which had not been met. The second RCA comprised indications, which later turned out to be false, that newly promoted directors struggled to meet the firm's technical requirements.

over 40 observations in an interim report, stretching across seven different themes, and distinguishing between insights from the audit engagement teams and the supporting teams.

The team had used a Current Reality Tree to present their findings to leadership, condensing 20 interviews and six group discussions into two full pages. Their intention had been to convey rigor, a broad scope of data collection, and in-depth analysis. However, they seemingly struggled to translate this thoroughness into an understandable message. In reaction to the dense presentation, firm leadership promptly let the team know that they needed to refine their communication strategy to ensure clarity and accessibility for their audiences. Firm leadership was also critical about the content of the presentation. The team had initially provided a list of several potential root causes, which seemingly convoluted their message. Despite the RCA team's deliberate focus on root causes, leadership was disappointed that the team was not also proffering potential solutions and remedial actions.

In response to the pushback from firm leadership, the RCA team took significant steps to adapt their reporting approach. For example, they switched to a presentation format that was widely used throughout the firm and therefore well known by firm leadership. Furthermore, they incorporated a set of proposed remedial actions that the firm could implement to prevent recurrence of the analyzed errors. Overall, these measures were designed to appease firm leadership, by demonstrating the team's commitment to incorporating feedback and regaining support. This response then also reveals the extent to which the RCA team felt accountable toward firm leadership.

Pushback from audit practice on RCA investigations

Overall, the team conveyed positive experiences engaging with audit practice (*Observation notes, 11 February 2021*), as evidenced by auditors' willingness to tell their story (Linda, Manager, initial interview). However, the team also met with skepticism by auditors who doubted the potential of RCAs and the team's ability to initiate change at the audit firm. This

skepticism regularly resulted in reluctance to cooperate, revealing tensions in the networks of support and showing the dynamics and fragility of such networks (Gendron & Barrett, 2004). This became apparent, for example, when the team conducted an RCA on an audit engagement where an internal quality review had identified findings. However, the audit team thought these findings were too trivial to be selected for an RCA investigation:

Julia shares that she has heard some grumbling [from the audit team] about [already] having undergone the [internal reviews]. Apparently, there were only sloppy mistakes [...] and now there comes an RCA on top of that. (*Observation notes, 25 May 2021*)

The auditors had already expressed disagreement with the internal review findings, perceiving them as mere documentation errors resulting from having been “sloppy.” When the internal review findings on the documentation of a certain test and the missing consultation in the file were revealed, an engagement partner rebuked: “To conduct an extensive RCA on this [audit engagement] feels a bit too much for me. (...) Given the circumstances, I think it is a good file. Having reviewed everything, I am satisfied” (*Observation notes, 26 May 2021*). This comment reflects a tendency among auditors to dismiss non-material issues, thereby ignoring that small errors may lead to grave consequences if repeated (Gold et al., 2022). It also raised doubts about the RCA team’s ability to distinguish between important incidents that warrant analysis and negligible issues, thus challenging the team’s rhetoric of being RCA experts.

Another instance illustrating auditors’ reluctance to engage with the RCA team was an internal review that had identified a late sign-off on an engagement quality review (*Observation notes, 30 March 2021*). In response, the auditor had also postponed the signing date of the audit opinion by one day. By doing so, it appeared that the internal quality review finding was effectively addressed. This action prompted Julia (Senior manager) to contend that an RCA was redundant, since the problem had been resolved. Rens (Partner) agreed but requested a screenshot of the audit file displaying the new sign-off date. This triggered resistance from the auditor: “You don’t believe me?! Do you really want me to provide evidence?” (*Observation notes, 1 April 2021*). Corresponding with the auditor, Julia felt uncomfortable with the

situation, also because she had known the auditor for a long time, perceiving him as “integrity himself.” Although the quality finding was resolved, the incident raised concerns about the team’s treatment of ‘near-misses.’ While recognizing the potential insights that these cases offer, the team decided against conducting an RCA, because they expected it to be unproductive, given the auditor’s previous reaction.

To address such resistance to their case selection, the team decided to stop conducting RCAs on all audit engagements with restatements and review findings, and to instead embrace a risk-based selection. Under this revised strategy, the team would select audit engagements based on the significance of restatements, review, or inspection findings. For example, low-impact review findings were no longer subjected to RCAs. Notably, this altered approach did not align anymore with the fundamental principles of an RCA, as it foregoes learning opportunities from smaller errors. As such, it was a deviation from the rigor that the team sought to espouse. Hence, being a concession to audit practice, the modification was to align with preferences and beliefs of audit practitioners, to secure their continued cooperation.

Concluding, the process of conducting RCAs appeared to be inherently more difficult than anticipated, revealing legitimacy challenges as the team struggled to condense this complexity into an understandable message for firm leadership and facing doubts from audit practitioners about the team’s capability to contribute meaningfully to audit practice. While these challenges strained the RCA team’s legitimacy and underscored the fragility their support networks (Gendron & Barrett, 2004), the team displayed considerable responsiveness to this negative feedback from their legitimacy audiences, by making pronounced changes to the RCA methodology and subsequent reporting.

3.4.5 Phase IV: Evaluating and adjusting the RCA practice

In September 2021, the RCA team undertook an evaluation of the initial set of RCAs it had conducted. Reflecting on their experiences, the team identified the need to strengthen the

positioning of the RCA team, calibrate RCA findings based on feedback from their audiences, and revitalize the team's rhetoric of academic support and expertise. In this section, we elaborate on this phase of legitimacy work.

Enhancing positioning of the RCA team

The RCA team defined their position in the firm as a critical authority with the autonomy to get involved in incidents and to shape the RCA practice as they deemed appropriate. Despite the pushback from firm leadership and audit practice, the team viewed their performance positively, asserting that their legitimacy was indeed rooted in their identity (King & Whetten, 2008; Navis & Glynn, 2010; Rao, 1994). This identity of “critical assessors” meant that the team would challenge the firm's prevailing belief systems, delivering “messages that are not expected, or messages that hurt,” in an effort to uncover learning potential (*Observation notes, 29 April 2021*). Rens (Partner) repeatedly emphasized that it was the team's duty to convey their views and findings, regardless of how these would be received, thus challenging the team:

Do we dare to name the [elephant in the room]? I challenge you all to do that. That's what we are here for! (*Observation notes, 29 April 2021*)

As we illustrate with the following two examples, the RCA team, under the guidance of Rens, sought to assume such a position as critics from their authoritative and relatively independent position in national office. This position was to afford the RCA team legitimacy to pose challenging questions and thus counterbalance firm leadership.

In the first example, national office had observed that recently promoted directors were struggling to meet the firm's technical requirements. The RCA team was requested to conduct a thematic RCA, to examine the root causes of this perceived lower level of technical skills. However, the team's analysis of internal quality reviews revealed that the directors' skills had improved over time. Reflecting on this observation, Rens noted that he was pleased to confront leadership with their incorrect assumption despite the potential discomfort in doing so:

We did a very good RCA and guess what? [We can tell them:] ‘You were wrong.’ (...) Of course, this was a sensitive conclusion and of course I was taken aback for a moment. But then I thought, wait a minute, this is actually a good thing (...) because we absolutely showed the added value of a good RCA. So, this makes me very happy! (*Rens, Partner, follow-up interview*)

Furthermore, during a team meeting, Rens indicated that he had discussed the findings of this RCA with a member of the firm’s leadership team. He reported asking her whether the perception of the new director cohorts not meeting technical requirements could stem from the firm’s policies on diversity and inclusion, implying that the firm might have promoted individuals who normally would not meet the required standards. “She almost scratched my eyes out! But you have to dare asking [tough] questions!” (*Observation notes, 23 March 2021*). It seemed that he took pride in being the one asking these “tough” questions, revealing a strong identification with his role as critical assessor.

In the second example, firm leadership asked the RCA team to revisit an already completed RCA on a restatement by an audit client. The team had initially focused on the restatement itself, but leadership wanted to expand the scope of the analysis to investigate other issues as well, specifically a potential independence concern. However, Julia (Senior Manager), responsible for this RCA, rejected the request. She argued that this broader scope was not within the team’s mandate. Julia’s resolute stance towards leadership helped the team solidify their positioning and authoritative status in conducting RCAs.

Both examples show how the RCA team responded to legitimacy challenges by working on their positioning and status in the firm, which primarily meant engaging in identity work (Brown & Toyoki, 2013). In stressing their autonomy, the RCA team also intended to establish that their accountability toward firm leadership was to be limited.

Engagement with leadership during RCAs

In contrast to the RCA team’s perception of their positioning, they appeared less attuned to the importance of managing relations with their audiences. For example, the team displayed a strong focus on the content of their work, assuming that it was evident to their audiences that

they were working in the firm's interests and that everyone was sharing their strong belief in the intrinsic value of an RCA. However, as legitimation relies on support from the social context, it is important to remain attuned to stakeholders' views (Gendron & Barrett, 2004; Suddaby et al., 2017). In our case, it turned out to be essential for the team to validate their findings with both firm leadership and audit practice.

Firm leadership's criticism of the RCA team's inability to succinctly convey findings in the thematic RCA on outsourcing became an important topic during the team's evaluation session. Reflecting on this encounter, the team concluded that the analysis had been conducted appropriately and produced valid findings. However, the majority of RCA team members argued that these findings had not been presented in a palatable way and the audiences were not effectively guided through the RCA. To address this issue, several team members agreed to enhance the reporting of the findings to make their message more acceptable. However, David (Senior Associate) took issue with this outcome, characterizing the situation as a political issue where the form of the report was valued more than its substance:

David (Senior Associate): For me, at the time it was really an energy drainer.

Jay (Senior Manager): So, how did that [episode] turn out in the end?

David: Well, in the end, we handed in that first report where the Current Reality Tree was included and [...] we all agreed on the content. [...] We boiled [our summary] down to four themes and they came down really hard on that. We had to rewrite [the report], because it was actually written too critically, so we were not allowed to say that there was insufficient focus on the [project's overall] objective, but [rather write] that the objective could have been better communicated.

Nick (Manager): So, it was about the wording?

David: Yeah, word choice, but also content. (...) And then I got disengaged.

Jay: Why did you get disengaged?

David: Because this was only about the wrapping. It's no longer about the gift but about how we wrapped it. (*Observation notes, 16 September 2021*)

The team appeared to primarily focus on the pushback received from firm leadership without reflecting on their own work. Victor (Senior Manager), although not present during the meeting with leadership, also shared his views in an informal conversation with the first author:

Well, we're just basically saying [to leadership]: 'The measures you've put in place have resulted in [not meeting your strategic goals].' Why is that? Well, that's what we said [in our report]: 'Coaching, quality of our people, we all have it in there.' But do people take enough time to take note of that? I can take them through the Current Reality Tree, and in 15 minutes we can [jointly] develop all the remedial actions [that will be necessary]. (*Observation notes, 16 September 2021*)

While some team members concentrated on the reactions from leadership, others concluded that the resistance to the team's findings was not solely about the "wrapping:"

I think [attributing it to] the wrapping downplays the situation. (...) Stakeholder management is very fundamental for the quality of your research, the support, and everything. So, I would like to put a little more emphasis on it than just [reducing it to] the wrapping paper. Because you throw that paper away. (*Julia, Senior Manager, follow-up interview*)

The discussion sparked diverging views on how to deal with the criticism from leadership. A minority of team members staunchly believed that the team should stick to the attitude of a critical, independent, and credible authority. However, the senior team members, in particular, recognized the need to be responsive to demands from firm leadership, to whom they were ultimately accountable. These team members contended that a more considerate interaction with leadership could have mitigated the strong reaction obtained. This discussion prompted team members, who had initially been critical of leadership, to realize their responsibility in effectively conveying their message and engaging their audiences in the RCA process, including validating interim findings (*Victor, Senior Manager, follow-up interview*). In this manner, firm leadership would not be surprised by the outcomes of the analyses and would gain an understanding of the RCA process and its complexities:

You should examine very closely: What is the situation? Who are the stakeholders? And depending on the situation you need to decide how you will bring your stakeholders on board. And then it is useful if you understand the organization, that you have organizational sensitivity. And then also [that you demonstrate] flexibility in your response to [the reaction you get]. (*Rens, Partner, follow-up interview*)

As a result of these reflections, the RCA team further adjusted their approach, as outlined in their annual plan presented to the audit quality department, aiming for "short-term impact by dividing thematic RCA into phases and reporting per phase in order to enable a timely start of an improvement cycle when necessary." In practice, this meant that the team would proactively

engage with their audiences throughout the RCAs to share anticipated findings. Furthermore, the team included a validation step in their reporting to discuss preliminary findings with those involved in the RCA, ensuring that the findings would be acceptable to their audiences.

Reconfirming team identity

Reflecting on their challenges, the RCA team sought to reframe the pushback from leadership, thus constructing positive stories about the team's achievements. Such success stories can serve to substantiate actors' knowledge claims (Gendron & Barrett, 2004; Suddaby et al., 2017), which in our case revolved around the team identity on RCA expertise and academic support. Affirming this also seemed conducive to a positive team spirit, as sharing success stories within the team reinforced the perception that they were contributing to the firm's quality initiatives.

The thematic RCA on outsourcing serves as an illustration of how the challenges were reframed through the lens of the team rhetoric. Despite the negative reaction from leadership, the team members involved in this RCA repeatedly discussed their experiences during team meetings, informal conversations, the evaluation session, and interviews. While initially expressing frustration about the response from leadership that, to some, suggested a lack of appreciation for the complexity of an RCA and the team's efforts, team members reframed this narrative over time:

Personally, I think the RCA [on outsourcing] was a highlight, as it has a big impact on the organization. *(Victor, Senior Manager, follow-up interview)*

If you look at the thematic RCA [on outsourcing], I really think it was valuable, because you consider a broader theme that affects the entire audit practice. I think there is a lot of power in that, and we should do more with that. *(Linda, Manager, follow-up interview)*

I think we learned a lot from the first thematic RCA [on outsourcing]. As an organization, we should be able to get a lot out of it. *(David, Senior Associate, follow-up interview)*

In the follow-up interview, Rens (Partner) provided context for this evolving narrative, explaining that the team also had lessons to learn:

You have to go through [cycles of] learning, resistance, frustration, and [pushback], and that leads to self-reflection and emotions. Just like learning to ride a bike: If you fall, it's not that much fun [but you learn from the experience]. *(Rens, Partner, follow-up interview)*

The RCA team had also been tasked by leadership to present their findings on the outsourcing processes in a conference call with the firm's practitioners. Victor (Senior Manager) assumed responsibility for the presentation and was introduced by the firm's leadership:

Leadership: We have learnt a lot about [outsourcing], so we asked the RCA team to conduct an RCA.

Victor (Senior Manager): I would love to talk about our findings. (Victor introduces himself to the audience). Like [leadership] said, the team has been asked to conduct an RCA. Together with David and Linda, we conducted interviews and data analysis. The findings are validated with a second round of interviews. The response on the RCA was positive, it has been done well. (*Observation notes, 5 October 2021*)

During a subsequent meeting, the team reflected on Victor's presentation, and the entire team expressed satisfaction with the conference call:

Victor says he is happy with how it proceeded, providing the RCA team a nice platform [to introduce themselves]. He also received a lot of reactions, very positive ones. Victor concludes that it was good PR, both for the team and himself. He also shares that he was a bit nervous. From his screen, he could see the number of participants and it turned out to be around 1,100. Victor is proud and the RCA team responds positively to Victor's story; they tell him he did well and conveyed the story very well. (*Observation notes, 7 October 2021*)

We conclude that, while the team experienced resistance from audit practice, the prevailing focus during RCA team discussions was on the positive experiences. At the same time, the team recognized that their RCA practice was not progressing as smoothly as anticipated. This acknowledgment prompted them to reassess their positioning, adjust the RCA practice, and further cultivate their team identity by crafting positive impact stories. In other words, the team realized that more decisive internal legitimacy work was needed to substantially implement the practice they were tasked to perform.

3.5 Discussion and conclusion

This paper addresses the dearth of literature on how audit firms internally respond to institutional pressures and implement new practices that result from external demands. Prior research has mostly taken a field-level focus on how the audit profession has reacted to changes in the audit regulatory space or professional jurisdiction, such as by using rhetorical strategies (Suddaby & Greenwood, 2005), making mere "cosmetic changes" (Moore et al., 2006, p. 14),

or becoming “extremely compliant collaborators” (Couchoux & Malsch, 2022, p. 762). Our study seeks to provide insights into the adaptation processes that take place within audit firms, as they adopt a new practice endorsed by the professional institute (NBA, 2014) and mandated by the audit standard setter (IAASB, 2020). Likewise, the firm itself felt a strong sense of urgency to implement RCAs, to enhance the learning capacity of its professionals, and espoused a willingness to adopt the practice substantially, primarily by assigning a designated team to take on this task and subsequently conduct RCAs in the firm.

Our ethnographic study allowed us to gain in-depth insights into this implementation process spanning an extended period and unraveling how this willingness to adopt the practice intersected with the realities of the firm’s inner workings. Our process model delineates four phases during the period under investigation, detailing the need for and the deployment of internal legitimacy work in the firm as the team sought to locally validate the RCA practice (Johnson et al., 2006; Suddaby et al., 2017; Treviño et al., 2014).

Specifically, we suggest that the RCA team assumed the role of a boundary spanner tasked with diffusing firm leadership’s sense of urgency to instill a learning ethos among the firm’s audit practitioners. This was achieved by granting the team a position of authority in national office, which signaled leadership support for the team’s undertakings. Careful consideration was given to the team’s composition, aiming to signal expertise (through the inclusion of behavioral specialists) and display credibility (by including auditors). This fostered a concerted effort to cultivate a team identity, which can be conducive to actors’ legitimacy efforts (Brown & Toyoki, 2013; Elsbach & Kramer, 1996; Navis & Glynn, 2010).

The ensuing focus on expertise and academic rigor led the team to embrace the rationale behind conducting RCAs and foster an open learning climate while improving the quality of audit services at the firm. However, this belief in the intrinsic qualities of RCAs gave rise to legitimacy gaps. Initially, leadership rebuked the team’s expert status by reminding them of

the firm's business imperatives and by taking issue with their complex reporting practices. Faced with these challenges, the team's identity of the expert critical assessors became more of an imagery that was to be upheld pragmatically, rather than pursued rigorously. By accommodating the feedback from one of their legitimacy audiences, the team acknowledged their accountability relation towards leadership. Doing so also meant that the RCA team could reaffirm their identity and they consequently reframed critical feedback into positive instances that evinced their own learning, but also confirmed their status in the firm.

More substantively, the RCA team also had to develop skills and knowledge, often resorting to experimental approaches, when implementing the new practice. They grappled with defining root causes, determining the appropriate level of anchoring them (firm/system-level versus individual auditors), and identifying appropriate root causes. On the one hand, this highlights the inherent difficulty in adopting a practice from another domain that needs to be given shape. On the other hand, it also reveals the complex and subjective nature of the RCA task, leading to doubts and uncertainty within the team regarding the efficacy of their work.

These methodological dilemmas not only posed practical hurdles, but also gave rise to legitimacy challenges, as practice resisted RCAs on seemingly trivial errors and leadership criticized the team's overly complex and rigorous approach. As a result, the team undertook several measures to accommodate their audiences, albeit at the risk of diluting the practice. Nevertheless, these adjustments rendered the practice and the team's findings more palatable to the audit firm and ensured the team of a continued network of support for their activities. The team also began to communicate more frequently and validate (interim) findings with audit practice and firm leadership, thus striving to continuously involve their legitimacy audiences.

Abstracting from our empirical case, this study reveals the following key insights. First, despite the potential benefits highlighted in the scarce literature on RCAs in audit settings (DeZoort et al., 2021; Nolder & Sunderland, 2023), we find that the new practice encountered

substantial internal pressures and barriers, which shaped its ultimate conduct. That is, despite external endorsement by ISQM 1 (IAASB, 2020) and the profession (NBA, 2014), and support from firm leadership, we suggest that RCAs bear inherent difficulties that make the practice less suitable for the professional setting in which it is implanted. RCAs entail complex and subjective processes, making it challenging to definitively pinpoint the root causes of adverse events. This complexity is fueled by the context in which the RCAs are conducted, as auditors' professional judgment makes the quality of audit work difficult to assess (Knechel et al., 2020). In addition, determining which errors warrant RCA investigation is complicated, as it may, at least in some cases, be difficult to distinguish between quality deficiencies and differences of professional opinion. Furthermore, RCA investigations heavily depend on audit practice as a crucial source for their analyses, and without the necessary information from practice, RCAs may struggle to identify the root causes. Vice versa, audit practitioners as the subjects of the RCAs may be reluctant to partake in an investigation if they disagree with the RCA team or anticipate unflattering outcomes. This might be amplified by the fact that the practice revolves around investigating errors and deficiencies. That is, even though RCAs are meant to avoid a blaming of individuals, they are conducted in a setting where negative incidents challenge auditors' professional identity, and where auditors are often held directly accountable for their errors (Gold et al., 2022). As such, our case questions whether the learning potential promised by RCAs can be reaped, as the RCA team needed to make compromises in response to feedback from practice, foremost on the selection of cases subjected to investigations.

Such adaptations are to be expected when practices from other domains are made to fit a new setting (Ansari et al., 2010; Busco & Quattrone, 2015; Cooper et al., 2017; Czarniawska & Joerges, 1996; Gendron & Barrett, 2004; O'Dwyer et al., 2011; Robson et al., 2007). However, they raise doubts about the authority, rigor, and effectiveness with which the RCA team can conduct their investigations. Likewise, these adaptations only address solvable

problems, leaving the inherent intricacies of conducting RCAs unresolved. These can only be managed by the RCA team, primarily by way of internal legitimacy work, as we discuss next.

Indeed, while substantive adjustments were necessary to accommodate feedback from their main audiences, the RCA team also encountered legitimacy challenges that demanded strategic efforts to rationalize and legitimize their work. Both firm leadership and the RCA team subscribed to the belief that the practice would enhance the firm's audit services, creating a sense of urgency to implement this practice effectively and swiftly. Yet diffusing this belief throughout the firm proved challenging, because firm leadership required convincing of the appropriateness of the team's actions and thus the practice's effectiveness. Similarly, audit practice was even less certain of the merits of RCA investigations.

The ensuing legitimacy work at the discursive level became an ongoing, iterative process involving the calibration of the new practice and team identity with demands and needs of firm leadership and audit practice, the team's main legitimacy audiences. These frequent interactions and persuasion efforts aimed to locally validate the new practice (Johnson et al., 2006; Suddaby et al., 2017; Treviño et al., 2014) and had implications for the team's self-conception (Brown & Toyoki, 2013; Elsbach & Kramer, 1996; Navis & Glynn, 2010). Notably, the team's identity work on being RCA experts and critical assessors of the firm became intertwined with their legitimacy efforts, as the team's identity turned out to be essential for instilling confidence in the practice and enabling effective responses to legitimacy challenges. As legitimacy centers on the perception that an action is desirable (Suchman, 1995) and is "constantly open to negotiation" (Suddaby et al., 2017, p. 459), engaging in rhetorical tactics could be conducive to gaining legitimacy. Indeed, the RCA team exerted considerable efforts to showcase their capabilities in conducting effective, high-quality RCA investigations and hence to generate the image of a desirable and acceptable RCA practice. Notably, the first author's continued presence in the field revealed that these observations extended beyond the

period that this study reports on. This allows us to diagnose that the professed willingness of firm leadership and national office to adopt quality-enhancing measures meets with the intransigence of audit practitioners reluctant to commit to these initiatives. As the latter require compelling reasons to partake in new practices, we suggest that a top-down approach to change is futile in audit firms. We also suggest an internal divide in the firm around the willingness to comply with institutional pressures, such that the loose implementation of a new practice may stem less from meager implementation efforts, but rather from the recalcitrance of auditors unwilling to cooperate with the new practice.

Lastly, we acknowledge several limitations of our study, which also provide avenues for future research. First, the first author's employment at the firm, while providing unique access to data, might introduce bias due to the "going native" phenomenon (Creswell, 2007, p. 96). The academic identity of the first author, significant to other RCA team members, could potentially influence their responses, given awareness of being observed. Second, the study was conducted during the COVID-19 pandemic, predominantly involving virtual work and meetings. These conditions could impact both the implementation of the RCA process and the data collection. Third, while we believe our process model reflects processes in legitimacy settings, its applicability may naturally vary for other firms or fields. Future research could explore the post-investigation period when the RCA practice has developed into a more mature firm practice, examining its evolving acceptance by firm leadership and engagement teams, and assessing the substantive contribution of RCAs to enhancing audit practice. In addition, investigating whether legitimacy challenges are specific to the RCA practice or extend beyond the adoption of other new audit practices would provide valuable insights.

Appendix: Interview scripts

Initial interview script

The first author started the interview with small talk, then introduced the study, explained the topics of the interview, and discussed consent. As the first author and the interviewees were already acquainted, no introduction was necessary.

Introduction

- Could you tell me more about your role in the firm?
 - o Probes: position, line of business, expertise
- What was your motivation to join the RCA team? How do you experience combining your role in the RCA team and your other roles?

Perceptions root cause analysis

- How would you describe root cause analysis to a colleague who is not yet familiar with the practice?
- What, in your perspective, is the main reason for the firm to conduct RCAs?
- In your perception, what is the main motivation of the root cause analysis from the firm's perspective?
- What opportunities do you foresee for the RCA team in constructing and implementing RCAs?
- What challenges do you foresee for the RCA team in constructing and implementing RCAs?
- How would you describe the emergence of the RCA-practice in the developments of the audit profession over the last decade?

Experiences root cause analysis

- Based on the RCAs done so far, what have you learned?
- Where do we need to go from here, and how do we get there?
- What are the challenges in that process? And how can they be addressed?
- Is there anything you would like to share with me about your experiences or thoughts on the RCA-process and -construction?

Follow-up interview script

Similar to the initial interview, the interviews started with small talk, the follow-up interviews were introduced, consent discussed, and the topics of the interview explained.

Development perceptions and experiences

- What were the highlights during the first RCA season?
 - o What went well, and what did not go so well?
- What have we learned from the RCAs conducted?
 - o What surprised you? What changed since the initial interviews in perceptions or ideas about RCAs?

Legitimacy and effectiveness

- In your opinion, what are the key milestones or achievements?
- When is an RCA successful? How would you know if an RCA is successful, how can it be measured or showcased?
- Who are the RCA practice's stakeholders?
 - o What are their expectations? And to what extent did the team meet these?
- How satisfied were you with the team?
 - o Probes: performance, skillset, composition
- How satisfied were you with the organizational support the team received? And what would you like to see changed?
- The team struggled in defining what are root cause is – how would you now define root causes? Why do you think the team struggled so much with the definition?

Closing questions

- If you look back one year from now, what would you want to have achieved or changed, with what would you be satisfied?

Is there anything else you would like to share regarding the first RCA season?

4 Study II

Anatomy of an Audit Inspection Process: Professional Ambiguity, Power Play, and Collective Memory

Co-authored by: Dominic Detzen and Anna Gold

This study analyzes how audit inspection findings are laden with ambiguity and thus constructed socially throughout the audit inspection process. We study a Big Four audit engagement that underwent both an internal review and an oversight inspection process, yielding divergent findings and outcomes. We draw on the social-control literature on organizational wrongdoing to argue that a discursive negotiation in the interactions between the firm and the oversight body determines what constitutes an audit that is good enough. Based on our extensive case study, we introduce the concept of professional ambiguity to capture the varying understandings of the audit, divergent interpretations of audit standards, and differing perspectives on the essence of a finding between the firm and the oversight body. We show how this professional ambiguity is actively and strategically leveraged in what becomes a power play within the oversight body-firm dyad. We reveal how this power play is further fueled by auditors' collective memory of a fierce and aggressive oversight body. As this collective memory shapes auditors' attitudes towards the oversight body, it undermines the implementation of a more constructive and relational approach currently favored by the oversight body in our setting.

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4.1 Introduction

Following the accounting and audit scandals of the early 2000s, audit oversight bodies have in many countries been mandated to safeguard the quality of audit services. Ever since the inception of these institutions, research has delved into the effects of regulatory oversight inspections on auditors and audit firms (Couchoux & Malsch, 2022; Detzen et al., 2024; Ege et al., 2020; Glover et al., 2019; Malsch & Gendron, 2011; Westermann et al., 2019). This literature has documented that auditors perceive inspections akin to a judicial trial, causing auditors to experience “excessive stress and tension” (Westermann et al., 2019, p. 694; Ege et al., 2020; Glover et al., 2019; Houston & Stefaniak, 2013). The “intraprofessional tug-of-war” between auditors and the regulator appears to stem from varying conceptions of auditing (Couchoux & Malsch, 2022, p. 757). While regulators often employ a mechanical logic, driven by best practices, standards, and technical solutions, audit practice adheres to a clinical approach that is grounded in expert knowledge. These disparities may result in different ways of exercising professional judgment and decisions that are further compounded by the inherent complexity of accounting and audit work (Glover et al., 2019; Knechel et al., 2020). This does not necessarily mean that one of the parties is right or wrong; yet it is the regulator that wields the final authority, representing the “prosecution, judge, and jury of the auditing profession” (Westermann et al., 2019, p. 694).¹³

The definitiveness of inspection findings and reports as well as the publicity they draw might suggest that the audit profession’s services are deeply inadequate or inherently flawed (Glover et al., 2019). However, a social-control perspective implies that the line separating right from wrong may be blurry and not necessarily crossed with ill intent (Palmer, 2012). This

¹³ There appears to be some variation internationally as to the authoritativeness and regulatory stance assumed by these oversight bodies (Canning & O’Dwyer, 2013; Caramanis et al., 2015). As our examination will reveal, the regulatory tone of our focal institution in the Netherlands has also undergone shifts in recent years. Yet, by and large, it can best be characterized as a resolute oversight body, such that the literature cited above, while primarily focusing on the U.S. PCAOB, provides an apt description of the audit oversight institution in our specific context.

literature uses terms such as organizational misconduct and wrongdoing broadly to denote “behavior in or by an organization [that is judged] to transgress a line separating right from wrong” (Greve et al., 2010, p. 56). Organizations often operate in close proximity to this boundary due to economic imperatives (Palmer, 2012). In turn, oversight bodies have motivations to label a given conduct as a transgression, aiming to establish themselves as legitimate and effective social-control agents, but potentially also to pursue their own agendas and enhance their profiles (Greve et al., 2010; Palmer, 2012). In the audit arena, interactions between the oversight body and audit firms occur behind closed doors, leaving outsiders to rely exclusively on the oversight body’s final determination of the boundary between right and wrong as published in their reports. The intricate dynamics and interactions between oversight body and audit firms, as well as the potential contentious nature of inspection findings, often remain veiled from our understanding.¹⁴ Hence, we lack in-depth knowledge about the nuanced interactions between an audit firm and the oversight body that shape inspection outcomes. Given the severe consequences of such outcomes, it seems imperative to gain a better understanding of what constitutes inspection findings, their possible ambiguity, and the role and nature of the interactions between the involved actors in determining the inspection outcome. The present study seeks to reveal these important aspects of an intricate and hitherto opaque process.

Drawing on the different logics of professionalism evinced by the regulator and the profession (Couchoux & Malsch, 2022), our study investigates how these logics manifest in a regulatory inspection process. We conduct a case study of a Big Four audit engagement in the Netherlands, which underwent three cycles of quality control. First, the audit of the real-estate organization, referred to as “Urban Realty,” faced an internal review by the focal audit firm,

¹⁴ One exception is PwC’s (2017, p. 1) response to the Dutch audit oversight body AFM that highlighted how “in the joint inspections carried out by the AFM along with the US PCAOB, different supervisory bodies have deemed the same file to be both inadequate and adequate on the basis of the same underlying facts.”

which it passed without any findings. Then, the audit file was selected as part of an inspection by the Dutch audit oversight body, the Authority for Financial Markets (AFM), which targeted the internal quality reviews of large Dutch audit firms (AFM, 2021a). Upon inspection, the AFM deemed the Urban Realty audit unsatisfactory, identifying a lack of sufficient evidence related to the audit of estimates and an insufficient assessment of the work of the valuation expert used in the audit. During this inspection process, the firm carried out an additional internal review of the audit file and the AFM itself again reviewed its inspection. Finally, the audit firm conducted a root cause analysis (RCA) in an attempt to understand the root causes of the identified inspection findings and the disparities between the internal review outcomes and the oversight body's inspection results. We analyze the inspection process by drawing on observations of the RCA, interviews with key actors involved in the process, and firm documentation of the internal review and the oversight body's inspection.

Our analysis results in three main findings. First, in providing an anatomy of an actual inspection case, we reveal the ambiguity surrounding inspection findings and the outcomes of external inspections. We conceptualize this as professional ambiguity, which emerges from the coexistence of multiple interpretations of the appropriateness of professional judgment and decision-making that manifest in the conduct and documentation of the audit work. Our case allows us to unravel professional ambiguity, highlighting its origins in varying understandings of the audit, diverse interpretations of audit standards, and distinct perspectives on what constitutes an inspection finding.

Second, we show how, in constructing the inspection findings, the audit firm sought to actively and strategically leverage professional ambiguity, whereas the oversight body worked to minimize it. This asymmetry around ambiguity corresponds with the opposing roles and positions that the two actors take in the professional field, and from which they judge the appropriateness of the audit work conducted. To fortify their respective positions, both parties

drew on individuals with experience in both oversight body and audit practice, whose ability to balance contradicting capabilities and logics renders these actors “institutionally ambidextrous” (Couchoux & Malsch, 2022, p. 764). These agents potentially serve as useful brokers in the interactions, as they possess a nuanced understanding of both mechanical and clinical logics, enabling them to navigate between these perspectives. However, rather than tipping the balance in favor of the firm or the oversight body, we find that their involvement, which results from the firm’s decision to contest the AFM’s views, entails an escalation of the interaction that sees the introduction of more senior actors on both sides. Whereas the firm seeks to contest the inspection findings and outcomes, the oversight body aims to stand its ground by invoking its authority in the regulatory space. This power play within the oversight body-firm dyad is resolved not by the virtue of arguments, but by the regulatory authority wielded by the AFM as a social-control agent.

Lastly, we reveal how auditors engage in the sharing of war stories among themselves. This recounting of prior interactions with the oversight body has created a repository preserved and nurtured as part of the audit firm’s collective memory. Despite the Dutch oversight body’s efforts to adopt a more constructive oversight approach in the inspection program that included the Urban Realty engagement, our study demonstrates how auditors’ collective memory formed a barrier to this attempted transformation. Auditors persistently interpreted interactions with the oversight body through the lens of prior exchanges, causing their collective memory to take on a performative role. We argue that this severely constrained the oversight body’s attempts to reshape relations with the profession, foremost in the present case but likely also in other interactions.

Our conceptualization of professional ambiguity allows us to contribute to the research problem on what constitutes a good enough audit (Altiero et al., 2023; Couchoux & Malsch, 2022; Glover et al., 2019; Johnson et al., 2019; Westermann et al., 2019). Specifically, our case

study enables an in-depth analysis of the tensions that arise when conflicting logics of professionalism intersect. The notion of professional ambiguity reveals how these diverse professional logics materialize in the inspection process, as the mere existence of professional judgment creates a discursive space to negotiate the diverging benchmarks of appropriateness. In addition, we challenge the assertion that “defiance or manipulation [...] is not a realistic option for [audit] firms that wish to contest the legitimacy of inspections and mitigate conflicting demands” (Couchoux & Malsch, 2022, p. 762). Contrary to leaving firms no choice but to accept the oversight body’s “verdict,” the current study shows the coordinated and strategic response by the audit firm that goes beyond mere impression management strategies, such as “lavish, but unnecessary, documentation” (Westermann et al., 2019, p. 722). Actively seeking to deploy professional ambiguity, auditors mobilize the professional judgment inherent in substantive audit work to influence the inspection outcome. While this may entail, in part, an ex-post rationalization of auditors’ decisions, our case shows that it can culminate in a power play between the oversight body and the audit firm.

A second contribution lies in our analysis of auditors’ collective memory. That is, the well-documented perceptions of the regulator “only wield[ing] sticks” to enhance the audit quality and change the audit profession (Westermann et al., 2019, p. 696) have triggered auditors to adopt an overly defensive attitude towards the regulator (Johnson et al., 2019; Gold et al., 2022). We argue that this history of regulatory actions characterized by a metaphorical “iron fist” (Ege et al., 2020, p. 17) has shaped the image of oversight bodies to such an extent that it undermines any attempts to engage in a more constructive and relational approach. Auditors vividly recollect their own or second-hand knowledge of prior regulatory interactions, which dominantly shapes their current image and beliefs of the oversight body. The resulting collective memory of a confrontational oversight body influences current actions and the

unfolding inspection process, thereby undermining the oversight body's intentions due to auditors' suspicious and defensive posturing.

4.2 Theoretical framework

4.2.1 Perspectives on audit oversight inspections: The audit literature

Following the institution of audit oversight bodies around the world (e.g., Canning & O'Dwyer, 2013; Malsch & Gendron, 2011), researchers have sought to investigate the work of these regulators, their impact on audit practice, and their (perceived) way of working. The resulting body of research seems consistent in painting the image of a fierce regulator that seeks to rein in faulty auditors. Towards that end, Westermann et al. (2019, p. 696) use the metaphor of a "trial" to describe the US PCAOB inspection process, arguing that "inspectors are remarkably powerful, representing the 'prosecution,' 'judge,' and 'jury' of the auditing profession." As the PCAOB delivers its verdict, the auditors subjected to the "trial" have to accept the sentencing and probation afterwards. In response, auditors are said to adapt their way of working based on what they perceive as the regulatory norm, resulting in impression management and "functionally stupid" work practices to pass an inspection (Westermann et al., 2019, p. 723). Auditors comply with the views of the regulator, not because they agree with the regulator's views, but rather due to fear of the high coercive power (Johnson et al., 2019). This coercive power is perceived to result from the PCAOB's early interactions with the profession as not being a cooperative relationship, but as coming down with an "iron fist" (Ege et al., 2020, p. 17). Regulatory inspection findings have then triggered a range of repercussions for firms and auditors, including reputational loss and career consequences (Gipper et al., 2021). Auditors' conception of inspection findings as negative and avoidable has in turn resulted in defensive strategies and emotional responses, such as fear and anxiety, within the profession (Gold et al., 2022; Guénin-Paracini et al., 2014), ultimately undermining the profession's commitment to learning, and its training and socialization of auditors (Westermann et al., 2015). Importantly,

auditors' defensive strategies could have adverse effects on audit quality as they might cause misalignment between inspection and misstatement risks (Detzen et al., 2024).

Couchoux and Malsch (2022, p. 757) diagnose that auditors and inspectors use competing logics of professionalism that lead to "an intraprofessional tug-of-war." Drawing on institutional theory, these scholars suggest that inspectors employ a mechanical logic of professionalism, assuming that auditing can be done through best practices and attention to technical details. Auditors on the other hand are said to deploy a clinical logic, in which a more pragmatic and relativistic approach is used and where auditors rely more on their expert knowledge than standard procedures. These competing logics illustrate how different actors can look at the same audit and draw different conclusions about its quality. Glover et al. (2019) add to our understanding of diverse interpretations of review and inspection findings, by illustrating how expert assessment of the sufficiency of the audit evidence varies in the case of complex fair value estimates. Drawing on judgment and decision-making theories, the authors argue that the varying conclusions are driven by task characteristics, the expert's competence level, and the expert's self-interest. Despite possibly legitimate variations in the interpretation of an audit, the regulatory body holds the authority to determine what is to be deemed right or wrong, and consequently, whether an audit has been good enough.

To shape interactions with the regulatory body in their favor, audit firms seem to have established a new position of quality experts in their organizations (Couchoux & Malsch, 2022). These ambidextrous agents understand both regulatory and professional logics, and thus become important brokers that can mediate between and bridge auditors' expert knowledge and the regulator's theoretical ideal of auditing. In practice, these quality experts are audit professionals who have worked at both the regulator and the firm, either through secondments or employment. These rotations further knowledge sharing and create a network between the

firm and regulator. Audit firms' efforts to engage quality experts highlight the stakes involved in auditor-regulator interactions.

Overall, prior literature has documented the imagery of a fierce regulator in the minds of auditors, which has shaped auditors' attitudes towards their work by way of fostering "a prevailing culture of fear of making errors" (Gold et al., 2022, p. 2721; Brivot et al., 2018; Johnson et al., 2019). However, despite the many studies on auditors' perceptions of oversight inspections, we lack detailed knowledge of how such inspections unfold, such that the nature, subject, and process of the interactions between a firm and the regulator remain underexplored.

4.2.2 Perspectives on audit oversight inspections: Insights from the social-control literature

The organizational literature on misconduct and wrongdoing enhances our understanding of audit oversight inspections. In auditing, wrongdoing is often used as a synonym for intentional misconduct and has strong negative connotations. Yet the social-control literature views it "as a normal phenomenon" (Palmer, 2012, p. 8), defining it broadly as the crossing of legal, ethical, or socially responsible lines (Greve et al., 2010; Palmer, 2012). These lines are blurry, such that identifying behavior as misconduct is more than "a straightforward implication of a set of laws, ethical principles, and/or social norms" (Greve et al., 2010, p. 56).¹⁵ Further, it does not necessarily involve ill intent on the part of the involved actors, because organizations are often required to work closely to this line, as they need to optimize their ways of working to remain efficient and maintain a competitive edge (Abbott, 1988; 2005; Muzio et al., 2016). In the realm of auditing, it has been argued that financial necessities were the driving force behind the re-engineering of the audit processes that resulted in the emergence of business risk audits (Knechel, 2007). Yet even unlimited resources would not yield flawless audits, as errors and

¹⁵ While adopting terminology from the social-control literature, we acknowledge it is somewhat incongruent with more commonly used auditing terms, such as compliance with laws, regulations, and professional requirements. Our point is foremost that findings from inspection bodies are often viewed as resulting from inadequate audits, whereas a social-control perspective employs less negatively framed language. As such a discussion is beyond the scope of the paper, we attempt to sidestep it by focusing on the indeterminate nature of a good-enough audit.

misjudgments would likely prevail. Accordingly, the social-control literature argues that “many wrongdoers are ordinary” people (Palmer, 2012, p. 8), whose transgressions may inadvertently result from normal behavior, such as individual biases driving “good accountants [to] do bad audits” (Bazerman et al., 2002, p. 97).

Furthermore, the line between right and wrong may change over time and space (Greve et al., 2010). A behavior that is acceptable now can be unacceptable in the future, potentially causing professionals to move from right to wrong without changing their behavior (Palmer, 2012). These boundaries are defined by the sets of actors, locations, and their relationships with each other (Abbott, 2005). Understanding misconduct thus requires an analysis of how extant rules are set and interpreted and how actors navigate the fine line between acceptable and unacceptable practices (Cooper et al., 2013). The uncertainty surrounding actors’ positioning on this line creates ambiguity, concerning both whether something is right or wrong (i.e., moral ambiguity) and who is to blame for a transgression (i.e., attribution ambiguity). This ambiguity opens a space for discursive work based on a “blame game” (Roulet & Pichler, 2020, p. 1).

Whether or not something is a transgression is determined by social-control agents who adjudicate when the line between right and wrong is crossed based on legal or ethical grounds, or broader societal concerns (Greve et al., 2010). A social-control agent is “an actor that represents a collectivity and that can impose sanctions on the collectivity’s behalf,” such as the state, regulatory bodies, or professional institutes (Greve et al., 2010, p. 56). Notably, actors may be subjected to the judgment of multiple social-control agents, possibly leading to diverging views on the acceptability of their conduct. As social-control agents draw the line between right and wrong, they can also be seen as the creators of wrongdoing, such as when they “promulgate rules that are difficult to interpret or enforce laws in ways that are hard to fathom” (Palmer, 2012, p. 247). The inability or unwillingness to draw lines with precision may then create heightened risk for actors to be labeled as wrongdoers. In that process, the

organization and social-control agent are influenced by their respective capacities, resources, opportunities, and self-interest (Gabbioneta et al., 2019; Greve et al., 2010; Roulet & Pichler, 2020). Social-control agents are hence not unmotivated, objective parties, since they need to gain or maintain legitimacy, which for a large part relies on “their success at apprehending wrongdoers” (Palmer, 2012, p. 247).

While the audit profession for a long time operated based on self-regulation in the form of internal quality and peer reviews (Aobdia & Petacchi, 2022; Camfferman & Quadackers, 2023; Houston & Stefaniak, 2013), it witnessed the establishment of independent regulatory bodies in the early 2000s (Couchoux & Malsch, 2022). The creation of new social-control agents led to changed dynamics in the audit field, where the regulatory body now determined whether an audit entailed a transgression, leaving limited room for negotiating potential findings (Couchoux & Malsch, 2022; Westermann et al., 2019). The punitive and publicized nature of auditor-oversight body interactions left little doubt that auditors’ work fell short of societal, professional, and regulatory expectations. Accordingly, inspection findings trigger material consequences for both firms and individual auditors, in terms of career trajectories, fines, and reputation loss (Gipper et al., 2021; Gold et al., 2022). However, Couchoux and Malsch’s (2022) notion of different conceptions of professionalism implies that differences of opinion on audit outcomes do exist, as have been documented for the audit of fair value measurements (Glover et al., 2019). Building on the social-control literature, we suggest that audit work comprises considerable room for different perspectives on what constitutes a good-enough audit. However, it is unclear how inspection findings are given shape in a regulatory inspection process, to what extent they are contested, and in what ways the interactions between a given audit firm and the oversight body affect inspection outcomes. In view of the severe consequences of inspection findings, it is important to gain more insight into this process of

social construction that unfolds in an oversight inspection. This leads to the following research question:

RESEARCH QUESTION: *How is the meaning of a good-enough audit constructed and contested in an oversight inspection process?*

4.3 Research methods

4.3.1 Data collection

Urban Realty is a pseudonym we use for a Dutch housing corporation whose financial statement audit is the subject of the present paper. This audit went through three cycles of quality review (see Table 3). First, the audit firm subjected it to an internal quality review; second, the Dutch oversight body inspected the engagement as part of its inspection program “Grip on Quality” (AFM, 2021a); and third, the audit firm conducted an internal investigation of the diverging outcomes of the internal and external reviews. The Urban Realty engagement was brought to the attention of the first author, who combines their work at the firm with doctoral research, during an ethnographic study of the audit firm’s root cause analysis (RCA) practice (see Study I, Chapter 3). During an RCA meeting, the team leader described the audit of Urban Realty on which the team was to conduct an RCA to understand how the audit firm and the oversight body could differ in their assessment of the audit engagement.¹⁶ These varying interpretations of the same audit work triggered our interest, prompting us to consider this case as a valuable context to elucidate the divergent criteria that the audit firm and, respectively, the oversight body perceive as constituting a good-enough audit. We hence draw on the Urban Realty engagement as a case that informs us about the nature of quality reviews and inspection findings. Case studies are a way of gaining in-depth knowledge and understanding of certain concepts (Flyvbjerg, 2006) and we expect that using a case of

¹⁶ The firm has given formal approval to observe the RCA practice and to conduct this study. For the interviews conducted, informed consent was obtained from the interviewees. The study has been approved by the Institutional Ethics Review Board of the corresponding author’s university.

conflicting assessments of an audit engagement is informative for studying the outcomes of regulatory inspection processes because such rich cases “activate more actors and more basic mechanisms in the situation studied” (Flyvbjerg, 2006, p. 229).

| | Internal review | External inspection | | | Internal RCA | |
|--------------------|------------------------|----------------------------|-----------------------|----------------------|---------------------|--------------------------|
| Period | <i>Oct–Nov 2020</i> | <i>Nov–Dec 2020</i> | <i>March–Apr 2021</i> | <i>May 2021</i> | <i>Dec 2021</i> | <i>Dec 2021–Feb 2022</i> |
| Phase | Review process | Review process | Checking findings | Negotiating findings | External reporting | Root cause analysis |
| Involvement | Engagement team | Engagement team | Engagement team | Engagement team | | Engagement team |
| | Lead internal reviews | QEs | Re-reviewers | Re-reviewer FS | | Lead RCA |

Table 3: Overview of timeline

The data collection involved four steps (see Table 4).¹⁷ First, the first author observed the RCA on Urban Realty, involving meetings among RCA team members and interviews with the auditors involved in Urban Realty. Second, we collected both confidential internal sources and publicly available documents pertaining to the inspection and the RCA process. These included interactions between the firm and the oversight body, but also progress reports and “lessons learned” documents from the firm’s RCA. Notably, public documentation included an episode of a podcast featuring insights from an AFM board member and a senior supervisor¹⁸ discussing the inspection program of which the Urban Realty case was a part.¹⁹ Third, we interviewed auditors involved in the Urban Realty engagement, the internal review, and members of the RCA team. The interview process followed the chronological sequence of the Urban Realty case, beginning with the internal quality review, progressing to the external

¹⁷ The interviews were conducted in Dutch and transcribed verbatim. The observations were also written in Dutch, as were most of the documents. The excerpts selected for the paper were subsequently translated to English.

¹⁸ The AFM has declined to participate in this research. Beyond this podcast, views from the oversight body were gleaned exclusively from publicly available sources.

¹⁹ BusySeasonTalks (BST) is a podcast focusing on the Dutch accounting profession, with guests discussing current professional affairs, such as the inspection report in this case. The first author has occasionally hosted this talk show, albeit not the episode with representatives from the AFM.

inspection, and concluding with the RCA (see Appendix for the interview script). This structured approach, akin to the “critical incident technique,” facilitated a focused exploration of events, aiding in refreshing participants’ memories (Flanagan, 1954). The repeated requests for reflection on the case during interviews encouraged the involved actors to convey the results of their sensemaking, and hence helped us achieve a thick description of events. Fourth, we conducted additional informal interviews with individuals not directly involved in the Urban Realty case. These discussions, termed triangulation interviews (*TIs*), served to validate and refine our emerging insights. While not recorded, detailed notes were taken during and immediately after the interviews. Table 4 provides further details about the types of data collected.

| Nr. | Role | Level | Years of experience | Length |
|------------|--|--------------------------------|----------------------------|---------------|
| I#1 | Engagement partner | Director Public Sector | 21 | 00:59 |
| I#2 | Engagement manager | Manager | 14 | 01:04 |
| I#3 | Lead internal reviews | Partner Public Sector | 34 | 01:14 |
| I#4 | Quality Expert (QE) I Lead live consultation team | Director national office (NO) | 28 | 01:03 |
| I#5 | Lead Root Cause Analysis | Senior Manager NO | 25 | 01:00 |
| I#6 | Re-reviewer methodology | Partner NO, methodology leader | 30 | 01:03 |
| I#7 | Re-reviewer FS | Partner Financial Services | 24 | 01:03 |
| I#8 | QE II Firm’s inspection process supervisor | Partner NO | 27 | 01:00 |

Panel A: Interviews

| Nr. | Topic | Attendees ²⁰ | | |
|--------|-------------------------------|-------------------------|-----------------------------|--------------|
| | | <i>Urban Realty</i> | <i>RCA-team</i> | <i>Other</i> |
| Obs#1 | Meeting on RCA approach | | QEn, RCA, first author | |
| Obs#2 | Podcast on inspection program | | | Public |
| Obs#3 | Interview RCA | QE II | RCA, first author | |
| Obs#4 | Interview RCA | Engagement partner | QEn, RCA, first author | |
| Obs#5 | Interview RCA | QE I | RCA, first author | |
| Obs#6 | Interview RCA | Lead internal reviews | RCA | |
| Obs#7 | Interview RCA | Engagement manager | RCA, first author | |
| Obs#8 | Interview RCA | Re-reviewer FS | QEn, RCA lead, first author | |
| Obs#9 | Interview RCA | QE II | RCA, first author | |
| Obs#10 | Meeting on RCA progress | | RCA, first author | |
| Obs#11 | Meeting on RCA findings | | RCA, first author, intern | |
| Obs#12 | Interview RCA | Engagement partner | RCA, first author | |
| Obs#13 | Meeting on RCA progress | | RCA, first author, intern | |
| Obs#14 | Meeting on RCA reporting | | RCA, first author | |

Panel B: Overview observations

| Nr. | Topic | Source | Date | Pages |
|--------|---|--------|-----------|-------|
| Doc#1 | Firm's response to preliminary findings | Firm | 18-6-2021 | 31 |
| Doc#2 | Reporting on AFM findings at the firm | Firm | 5-10-2021 | 50 |
| Doc#3 | RCA approach | Firm | 2-12-2021 | 15 |
| Doc#4 | AFM report—Grip on quality | Public | 9-12-2021 | 37 |
| Doc#5 | Observation database RCA | Firm | 24-1-2022 | 25 |
| Doc#6 | Progress reporting 24_1 | Firm | 24-1-2022 | 5 |
| Doc#7 | Progress reporting 31_1 | Firm | 31-1-2022 | 2 |
| Doc#8 | Lessons from AFM—concept | Firm | 3-3-2022 | 5 |
| Doc#9 | Lessons from Urban Realty | Firm | 3-3-2022 | 9 |
| Doc#10 | Lessons from AFM—final | Firm | 25-3-2022 | 7 |

Panel C: Overview of documents

²⁰ QEn = Quality Enhancement leader, RCA = Root Cause Analysis team members (two individuals).

| Nr. | Role | Level | Years of experience | Length |
|------|--|----------------|---------------------|--------|
| TI#1 | Auditor and strategic manager, audit board | Manager | 8 | 00:30 |
| TI#2 | Member Methodology team NO and fraud panel | Senior manager | 18 | 00:42 |
| TI#3 | Auditor Financial Services | Senior manager | 18 | 00:30 |
| TI#4 | Auditor | Director | 17 | 00:40 |
| TI#5 | Auditor | Partner | 24 | 00:30 |

Panel D: Triangulation interviews

Table 4: Overview of data collection

The qualitative research approach adopted in our study acknowledges the omnipresence of the beliefs, motivations, and assumptions of the involved researchers, necessitating a reflexive consideration of their position and influence on the research (see Chapter 2). Notably, the first author was actively involved as an RCA team member within the firm where the case study was conducted. This approach offers the advantage of providing first-hand, insider information from the audit firm, resulting in empirically informed research that is relevant, timely, and topical (Bamber & Tekathen, 2023a; Malsch & Salterio, 2016; Power & Gendron, 2015). However, this “emic” perspective of a “native insider” (Lukka & Modell, 2010, p. 464) introduces a potential drawback, as insufficient reflection on the researcher’s position may obscure the findings (Fine, 1993). Specifically, being a member of the RCA team, the first author assumed the role of a researcher and was (indirectly) part of the research object. Notably, they did not take an active role in the RCA on the Urban Realty engagement, but only participated as an observer. Yet, to mitigate possible validity and trustworthiness concerns, we made reflexivity an integral element of our data collection process. Specifically, the first author’s memos included personal reflections to facilitate ongoing awareness of their role and potential impact. Additionally, the author team engaged in thorough discussions regarding both the collected data and the reflective memos, so as to reflexively consider the first author’s position from an outsider (etic) perspective (Lukka & Modell, 2010). As such, the analysis of

the data was a collaborative effort among the author team. Finally, we employed triangulation as a methodological strategy to deepen our understanding of the case and to validate our findings (e.g., Flick, 2019; Hastings, 2012; Mason, 2002).

4.3.2 Data analysis

Our data analysis commenced with a broad question on how the different interpretations of review and inspection findings emerged. In making sense of the rich data from different sources, we used multiple ways to analyze the data. First, during data collection, the author team regularly met to inductively discuss the data including the observation memos, seeking to develop a comprehensive understanding of the case.

In a second step, we employed an abductive approach to interpret the data, aligning it with our emerging theoretical framework (Klag & Langley, 2013; Malsch & Salterio, 2016; Power & Gendron, 2015). As part of this process, we shifted our focus from the construction of findings to the inspection process and the negotiations of these findings between the oversight body and the audit firm. The contested nature of the observed deliberations then directed our attention to the social-control perspective on organizational misconduct (Greve et al., 2010; Palmer, 2012), which crystallized as a suitable theoretical lens for our empirical data. Our analysis of the case material then yielded three themes: the professional ambiguity surrounding the findings; the negotiation of different logics underlying this ambiguity in a power play between the oversight body and the audit firm; and the influence of collective memory of prior interactions on current regulatory interactions.

Finally, we conducted triangulation interviews (TIs) to validate the conceptualization of the dominant themes. Triangulation seeks to enhance the trustworthiness of research insights and can also enrich the narrative (e.g., Birt et al., 2016; Lincoln & Guba, 1986). Accordingly, we used these additional interviews to further develop our insights and their conceptualizations.

4.4 Case context and chronology

This section provides an overview of the regulatory context pertaining to the Dutch profession as well as a chronology of our case which is the basis for our discussion and interpretation in section 5. The outline of the chronology follows the three phases of quality control as depicted in Table 3, namely the internal review, the external inspection and the additional reviews from both the audit firm and the oversight body, and the subsequent RCA.

4.4.1 Case context

The AFM was established in 2002 as an oversight body overseeing financial markets. In 2006, its mandate was expanded, in line with similar European initiatives, but also in response to the Royal Ahold scandal in the Netherlands, which became known as “Europe’s Enron” (*The Economist*, 2003). Following these developments, the AFM initiated inspections of audit firms, consistently reporting subpar quality of audit services (Detzen, 2024; Humphrey et al., 2018). The regulatory pressure reached its peak in 2014, when the AFM published a devastating report on the Dutch audit firms, asserting that half of the inspected audit files were insufficient (AFM, 2014). These interactions created a highly antagonistic relation between the oversight body and the audit profession.

Reflecting on its formative years, the AFM (2022, p. 2) candidly acknowledged the need to build a reputation: “We were certainly not authoritative immediately. To achieve that, we had to build a lot of trust and relevance ourselves.” Interviewees who engaged with the AFM during that period confirmed the AFM’s initial struggle to be taken seriously (*QE I*, I#4), potentially hindering its attempts to enhance audit quality (Johnson et al., 2019). Consequently, the AFM took deliberate steps to establish its relevance in the inspection work that it undertook, ensuring it had the necessary resources. In the early stages, the oversight body also adopted a punitive style, evident in the harsh tone of its inspection reports (Humphrey et al., 2018):

“Initial reports were fierce and then there was a clash with the profession. A fight ensued, put bluntly, on who is really in charge here” (*Doc#2*). QE I confirms this:

Look, when you start in oversight, you have to show your teeth from time to time as a rookie, demonstrating you can't be messed with. Because in the beginning, the AFM was just not taken that seriously (...) I sat on the other side then, well, I really did not always feel taken seriously. Then there was a bit of a chuckle [about the AFM], [...] it really happened to me. And then it made sense to dig in your heels and say: 'To here and no further, this is not good enough'. (...) But at a certain moment you have to develop your style of supervision and let go of the stick and move to other types of interventions. (*QE I, I#4*)

Auditors also vividly remembered the AFM's confrontational style, with one stating: “During her introduction, the inspector said that she had never approved an audit of a construction company; I remember these words literally” (*TI#4*). Other auditors perceived the AFM's prior leadership as “aggressive, even if they tried to be friendly” (*TI#3*). As recounted by *TI#5*, some auditors initially questioned the competence of the oversight body, going so far as to view “the AFM people [as] the dumbest people on earth.” This antagonism between oversight body and auditors was also experienced at the AFM (2022, p. 2) as they recall being perceived as “young and inexperienced, somewhat like cowboys,” leaving the oversight body to conclude that “the feeling that you have to prove yourself as an organization was not uncommon” (AFM, 2022, p.8). Simultaneously, the audit firms seemed reluctant to engage in a constructive relation: “[Audit] partners were half gorillas back then” (*TI#2*), such that “the AFM would almost be put in the broom closet when they came over” (*TI#3*). This perception of the oversight body resonates with Canning and O'Dwyer's (2013) analysis of the regulatory realignment phase in Ireland, where audit firms resorted to active, resistant strategies vis-à-vis the newly established oversight body.

However, in recent years, the AFM has sought to shift its regulatory style from fierce intervention towards attempts to build effective relations with the firms (*Obs#2*). This development appears to have occurred following a change in leadership at the institution in the years after the regulatory peak in 2014. During the BST podcast on the “Grip on quality”

program, which included the Urban Realty engagement, an AFM board member highlighted the improved alignment between the oversight body's expectations and the work delivered by the audit firms, suggesting that "the fighting comes to an end" (*Obs#2*).

The AFM's "Grip on quality" program involved inspections of a total of 18 audit engagements at the six Dutch audit firms licensed to audit Public Interest Entities with a focus on the firms' internal quality review practices. In view of the oversight body's revised stance, the inspections were meant to be conducted in a less confrontational style and hence a constructive spirit (*Obs#2*).

4.4.2 Stage 1: Internal Review

According to the firm's internal reviews lead, the Urban Realty engagement was included as part of the firm's regular internal review cycle in 2020.²¹ The review of the Urban Realty engagement commenced with a kick-off presentation delivered by the engagement manager. Subsequently, the reviewers examined the audit file, engaging in close to daily discussions with the engagement manager. The review process spanned approximately a week, which is an average length for a file of the Urban Realty magnitude, noting that more extensive files can extend up to two weeks (*QE II, I#8*). The reviewers focused on compliance aspects, including independence requirements, and scrutinized significant audit issues such as those pertaining to revenue. Ultimately, the file was deemed "satisfactory," with no findings documented.²² The engagement manager, upon being notified of this outcome via email, expressed a sense of relief, despite the positive anticipation prompted by the line of questioning and tone during the

²¹ In fiscal year 2020, the audit firm conducted approximately 60 internal reviews of audit engagements (*Doc#2*). Such reviews are performed for multiple different reasons: once every few years the firm selects a file for review for each engagement partner or director; once every few years high-profile clients are reviewed; the firm selects auditors seeking promotion to director or partner positions for review (*Lead internal reviews, I#3*); and files that were previously assessed as unsatisfactory are reviewed again in the following year (*QE I, I#4*).

²² As noted by Aobdia and Petacchi (2022), internal reviews can yield three different outcomes: "satisfactory," "satisfactory with findings," and "unsatisfactory." The severity of any findings is further qualified as "high," "moderate," or "low." High-severity findings or a combination of moderate findings can lead to a classification of the audit file as unsatisfactory.

internal review. This reaction implies an underlying tension associated with any form of quality review, where findings can have severe consequences primarily for the engagement partner, but also other (certified) auditors on the audit team. These include financial consequences (*Lead internal reviews*, I#3), negative impacts on performance appraisals and promotion decisions (*Re-reviewer FS*, I#7; *engagement manager*, I#2; *Doc#2*). The involved auditors are also required to come up with a remediation plan for the following year, at which point the file will be reviewed again (*QE I*, I#4; *engagement manager*, I#2). Furthermore, the audit firm reports any findings from its internal reviews to the global firm network.

4.4.3 Stage 2: Oversight body's inspection

Following this “satisfactory” outcome of the internal quality review, Urban Realty was one of three audit engagements at the focal firm that the AFM had selected as part of its inspection program “Grip on Quality” (AFM, 2021a).²³ The inspection process commenced with a kick-off meeting, followed by a series of nine sessions involving two AFM inspectors and representatives from the firm. These meetings unfolded over the course of about one week. During the kick-off meeting, the engagement partner presented the client and the team’s audit approach to the oversight body. Compared to the internal review, the engagement partner assumed a more active role in the inspection, with the firm providing additional internal support. Specifically, the firm’s audit leader and compliance officer actively participated in the inspection, as did the team leader of the “live consultation team”²⁴ (*QE I*) and a partner from national office (*QE II*). Both *QE I* and *QE II* had previously worked at the AFM and thus represented “quality experts,” which Couchoux and Malsch (2022) identify as brokering actors between audit firms and the oversight body. Due to their knowledge of inspection processes,

²³ In selecting files for the inspection program, the AFM’s initial criterion was the presence of an internal review, without knowing its outcome at that stage. The AFM contended they did not select files where they had reason to assume deficiencies (*Doc#2*). This assertion, however, drew doubt from certain interviewees who perceived the AFM’s approach as actively scoping in potentially erroneous engagements (*Engagement manager*, I#2; *TI#3*).

²⁴ The “live consultation team” (a pseudonym used in this paper) is part of national office and offers advice to engagement teams throughout their audit engagements.

they joined the meetings with the AFM, advised the engagement team on how to answer questions and ways “to come up with strategies to fill the gaps” in the documentation of the audit work (*Obs#5*). In addition to the full week during which inspectors stood in close contact with the engagement team, they also had access to the engagement file both before and after this period. This allowed them to inspect the documentation related to the audit approach and evidence, resulting in more extensive time commitment to the inspection compared to the internal review.

Following the inspection, the AFM communicated its preliminary conclusions to the firm. These portrayed the audit team’s use of the work of an expert as unsatisfactory and deemed the collected and documented audit evidence on the valuation of real estate as insufficient. These conclusions found expression in a total of five findings, which all revolved around different aspects of the use of the expert’s work and the valuation evidence. Each of these findings further comprised several more detailed findings and were corroborated by a description of underlying facts and circumstances (*Doc#2*).

The disparities between the AFM’s assessment and the outcome of the internal quality review prompted firm leadership to appoint two experienced audit partners for another firm review of the Urban Realty file. One of the partners (*Re-reviewer Methodology*) was the firm’s methodology leader, while the second re-reviewer (*Re-reviewer FS*) was specialized in financial services and valuations and was a member of the firm’s claims team. While the two partners disagreed with several of the AFM’s findings, they acknowledged the file had shortcomings—a conclusion that firm leadership agreed with. Subsequently, they discussed their conclusions with the engagement partner (*Re-reviewer methodology, I#6*).²⁵

²⁵ These findings also led to adjustments in the work program used in future audits of Urban Realty and other real-estate entities (*Obs#8*).

In response, Re-reviewer FS presented an “alternative narrative” for the audit in the correspondence with the AFM. The main message conveyed that the collected audit evidence would have sufficed if the audit of the real estate valuation had been set up differently. For example, the firm acknowledged that the valuation report had not been sufficiently validated in the file but argued that this report would now only play a secondary role in the audit of the real estate’s value, given the availability of other, stronger supporting evidence. The firm’s letter concluded by requesting an additional review of the AFM’s inspection. This subsequent review, conducted by a senior AFM inspector, led to a meeting between the firm and the regulator. Despite the firm’s efforts, the AFM maintained its inspection outcome, classifying the Urban Realty audit file as “unsatisfactory” also after the additional review.

In December 2021, the oversight body released its report “Grip on Quality” (AFM, 2021a). Overall, the report conveyed a “mostly positive” assessment of the internal quality reviews, while highlighting that three of the 18 audit engagements inspected were deemed unsatisfactory by the oversight body but had passed internal reviews by the audit firm.²⁶ The report also noted the audit of estimates and the use of work by other parties as “relevant areas of attention” (AFM, 2021a, p. 22), suggesting that the issues identified in the Urban Realty case were representative of wider concerns that the oversight body gleaned from its inspection.

4.4.4 Stage 3: Root cause analysis

Following the inspection process, the firm subjected the engagement to a third quality control procedure, involving an analysis by the firm’s Root Cause Analysis (RCA) team (*Obs#1*). An RCA aims to identify the leading causes of adverse events, such as review and inspection findings, audit failures, or restatements (Groot, 2021). In this case, the RCA was specifically geared towards understanding the disparities in outcomes between the internal review and the

²⁶ By contrast, in one of the engagements, the regulator was more positive than the firm’s internal review, and in three cases both the regulator and the firm agreed that the audit files had been insufficient.

AFM inspection, on the one hand, and identifying the root causes behind the AFM's findings, on the other. The RCA did not seek to reassess the findings, as had been the objective of the re-review. Instead, its goal was to extract lessons from the inspection processes (*Doc#3*).

Two members of the RCA team conducted the analysis, engaging with the key actors involved in the Urban Realty audit (see Table 4, Panel B). Following their analysis, the RCA team identified three causes contributing to the diverging outcomes, subsequently reported to firm leadership. First, the internal reviewers were deemed overly familiar with the firm's operational procedures, creating a predisposition to accept the audit team's procedures and potentially overlook inherent shortcomings. Second, the RCA team noted a disparity in the nature and depth of the two reviews, with the AFM conducting an in-depth examination of specific areas, whereas internal reviewers adopted a broader approach primarily centered on compliance. Third, the internal reviewers lacked specialization in real estate, potentially resulting in a less comprehensive review (*Doc#10*). Regarding the AFM's findings, the RCA team identified three primary factors. First, they noted that the audit work program required improvements to enable a more appropriate audit approach and documentation. Second, the audit team, due to their expertise in the sector, had assumed knowledge of certain information, thus leading to inadequate documentation. Third, the team deemed the audit manageable, given its limited size and low-risk profile, potentially resulting in reduced professional skepticism.

The preceding section has outlined our case context and timeline of events, whereas the next section departs from this chronology to focus on the themes revealed in our analysis of the empirical data.

4.5 Case discussion and interpretation

This section discusses the themes that emerged from our analysis of the Urban Realty case. First, the inconsistent outcomes in review and inspection highlight the notion that findings are not merely identified but actively constructed by the audit firm and oversight body. This gives

rise to what we conceptualize as professional ambiguity, indicating the different interpretations of the nature of an audit finding. Second, the interactions between firm and oversight body display how this ambiguity is strategically leveraged in an unfolding power play between the oversight body and the audit firm. Finally, we argue that these interactions are permeated and shaped by actors' own or second-hand recollections of past interactions, revealing the impact of auditors' collective memory on extant attitudes towards the oversight body.

4.5.1 Professional ambiguity: How divergent professional logics materialize in the inspection process

Roulet and Pichler (2020) maintain that instances of misconduct or wrongdoing can be morally ambiguous (i.e., uncertainty whether behavior is wrong) and/or attributionally ambiguous (i.e., uncertainty who is to blame). Our data reveal internal discussions on whether the engagement partner was to be blamed, whether internal reviewers could have done something differently, whether national office had played a sufficiently large role in the audit, and whether the client had been sufficiently cooperative in providing audit evidence. However, attribution ambiguity only played a marginal role in the current case, likely due to the firm's primary focus on addressing the AFM's findings.

Meanwhile, our observations indicate ample ambiguity in the interactions between the firm and the oversight body, especially concerning differing interpretations of audit technicalities. Following Roulet and Pichler (2020), we conceptualize this notion as professional ambiguity that arises from the existence of multiple interpretations regarding the appropriateness of professional judgment and decision-making and the manifestation of these in the execution and documentation of the audit work. Professional ambiguity embodies the uncertainty about whether an audit is good enough. In other words, it entails the varying perspectives on the level of audit quality, stemming from the distinct professional logics deployed by auditors and regulators (Couchoux & Malsch, 2022). We show how professional

ambiguity materialized in the present case, in terms of varying understandings of the audit, diverse interpretations of audit standards, and diverging perspectives on the essence of inspection findings.

Variations in actors' understanding of the audit

Based on our case, we propose that the extent to which actors' understanding of the audit varies affects their perception of whether it meets the standards of being good enough, grounded in internalized norms of appropriateness and sufficiency. We suggest that actors' understanding is shaped by their respective immediacy to the audit and their roles and positions in the professional field. The notion of immediacy captures how close actors are to the judgments and decisions made during the audit, in a physical, temporal, but also an emotional sense. For example, the engagement partner and manager, having been physically present throughout the audit, possess the most intimate practical and situated knowledge of events. Their tangible involvement in the audit, coupled with an ensuing emotional investment, results in a (likely corresponding) construction of the appropriateness and sufficiency of their respective judgments and decisions, and how these manifest in the audit plan and execution of the audit. Internal reviewers, while possessing a common understanding of the firm's processes and procedures, stand one step removed from the engagement. However, unless they identify severe shortcomings, internal reviewers still experience emotional immediacy that could potentially bias their view of how a particular audit engagement aligns with firm processes and procedures:

There is a risk that people are reviewing their colleagues, and they may find it difficult to make a point, because it is a colleague after all, and you don't want to attack your colleague. Or it is [the belief that the firm] is doing good work, so they cannot imagine that too many things are going wrong. (*QE II*, I#8).

This quote illustrates the potential inclination of internal reviewers to overlook problematic issues to avoid causing offense among their colleagues. Furthermore, they seem to conduct their reviews under the assumption that their firm inherently does the right thing. Consequently, professional actions and judgments may be positively interpreted as being in line with required

policies and procedures. In the absence of severe findings that could lead to consequences for the individuals involved, internal reviews may become somewhat ceremonial interactions that ensure that the reviewed audits indeed subscribe to a shared understanding of the audit.

This contrasts with the high-stake inspection carried out by the oversight body. Due to its role and position in the professional arena, the oversight body is positioned at a distance from the audit. As a result, the oversight body does not share the same understanding as auditors. Accordingly, inspectors require more persuasion to assess auditors' judgments and decisions as appropriate. This perspective was also recognized by Urban Realty' engagement partner and manager:

You have to prove yourself more [with the AFM] than with your own colleagues. (*Engagement partner, I#1*).

I think it's easier to convince people in [the firm] than externally [i.e., the AFM]. So, when we explain how we did our work and that we've read the [valuation] report and did not find anything special, that these [valuation] reports are quite standard, then within the firm, they are more agreeable than the AFM. (*Engagement manager, I#2*).

For example, one of the AFM's findings noted that the auditor had not sufficiently detailed the work they had conducted on the valuation reports. Rather than providing notes or documenting what they had seen, the team had merely placed a tick mark in the working paper of the audit file. For the audit team, this tick mark indicated agreement with the report requiring no further work, which was also accepted by the internal reviewer as the firm's way of documenting such work and was thus deemed sufficient, possibly spurred by a general trust in and acceptance of the expert's work (Griffith, 2020; Smith-Lacroix et al., 2012). By contrast, the AFM inspectors contended that the tick mark displayed limited engagement with the valuation report, did not provide any insight in the auditor's considerations and represented insufficient documentation of the audit work conducted, if any. This was contested by the engagement manager (I#2):

The meaning of the tick mark is that we have audited the report. I think [the AFM] wants us to mark every page of the report—but we work differently.

In reflecting on (the lack of) shared understandings of the audit, interviewees seem to recognize two types of inspectors, described as hard-liners versus soft-liners (*QE I*, I#4), and X versus Y-people according to McGregor's management styles (*QE II*, I#8). These descriptions captured the level of antagonism with which inspectors were perceived to open an inspection:

Do [they] actually think that the Big Four are more or less greedy and don't do their job properly and are only out to maximize income? You have those people too [at the oversight body]. (*QE II*, I#8)

Accordingly, there are different premises based on which internal reviewers and oversight inspectors operate. At the extreme, some inspectors may seek to rein in "greedy" auditors by working hard to identify the shortcomings that inevitably exist. This dynamic aligns with the notion that the location of the demarcation between right and wrong becomes a source of conflict between competing groups (Greve et al., 2010, Palmer, 2012). For example, audit firms aim to uphold their reputation for delivering high-quality audits while operating profitably. Conversely, the oversight body may seek to pinpoint findings and unsatisfactory audit files. Both parties would appear to be "motivated by a combination of self-interest, organizational capacity, and opportunity" (Greve et al., 2010, p. 83). The differing assumptions, fueled by distinct interests, contribute to the internal reviewer's inclination to label auditors' judgments and decisions as appropriate, whereas the oversight inspector would, in cases of ambiguity, disagree and tend to view the same audit as inadequate.

Notably, our findings indicate that the oversight body's (perceived) role and position in the professional field are subject to discursive constructions. Despite the AFM's attempts to reshape its relationship with the audit profession and the generally constructive tone of the "Grip on Quality" program, auditors' collective memory of prior interactions with the oversight body persisted. This lingering collective memory was manifested in auditors' animosity towards and continued perceptions of the oversight body as the fierce regulatory institution of the past. Accordingly, the inspection process was metaphorically described as a "war" (*lead internal reviews*, I#3), and auditors who had been subjected to an inspection recounted their

experiences as “war stories” (*Engagement manager, I#2*). The AFM was resolutely framed as the “opponent” (*Engagement partner, I#1*), with some individuals considering it to be comprised, at least in part, of “hardliners” (*QE I, I#4*) that seek to accumulate “ammunition” against the audit firm (*Obs#7*).

Auditors were aware that their attitudes towards the oversight body were influenced by the earlier experiences of their peers with the AFM (*TI#2*). However, this only appeared to further enhance the salience of their collective memory, fostering a defensive stance towards the oversight body and engendering a lack of trust. These dispositions permeated the inspection process of the Urban Realty audit. For example, the engagement manager expressed a belief that the AFM had deliberately selected engagements with the objective of identifying unsatisfactory files, “because what they want of course is telling us we didn’t do a good job; that’s how it feels” (*Engagement manager, I#2*). This perception resonates with Greve et al.’s (2010, p. 83) argument that a social-control agent’s choice of targets, such as the AFM’s selection, is shaped “by the desire to increase its win rate [...], or to raise its public profile.”

In general, an AFM inspector suggested that when the inspection team identifies issues, their initial goal is to assist the audit team in addressing and resolving these concerns: “If we identify findings, we must share them as soon as possible and give the auditor a chance to share their views” (*Obs#2*). This approach is possibly aimed at establishing a shared reality. For example, if an audit team collected insufficient evidence for its audit of revenues, the inspection team may propose leveraging the audit evidence for accounts receivable to corroborate the audit of revenues. However, rather than interpreting this as an attempt to establish common ground, the audit team tends to view it as a source for heightened concern that the AFM is “just looking into the file until they find something” (*Engagement manager, I#2*), asserting that “they use all the little things they can to build their story” (*Obs#7*). The auditors’ suspicious stance towards the AFM not only reflects a lack of trust in the oversight body’s potentially

positive intentions but also suggests that efforts toward a more constructive and relational inspection style dissipated amidst auditors' suspicions and antagonism. Therefore, we posit that auditors' collective memory shapes their perception of the oversight body through the historical lens of a fierce oversight body, attributing the AFM a relentless and uncompromising role and position in the professional field.

Our case thus reveals the effect of the varying understandings of the audit. The closer one is physically, temporally, and emotionally to the audit, the more likely there is a tendency to defend one's actions (Gold et al., 2022; Guénin-Paracini et al., 2014). The impact of immediacy, coupled with actors' respective roles and positions in the professional field, extends beyond the Urban Realty engagement. For instance, in a case conveyed by *TI#1*, the audit team encountered a disagreement with national office on varying interpretations of sufficient audit evidence. Whereas the team's situated knowledge derived from its familiarity with the client, national office seemed to perceive the team as potentially influenced by the client's position. This suggests that the degree to which individuals' understandings of the audit differs is a delicate balancing act, coloring their assessment of the appropriateness of judgments and decisions made during an audit.

Different interpretations of audit standards

Actors' immediacy to the audit may also yield varying interpretations of auditing standards as an expression of professional judgment (Glover et al., 2019; Knechel et al., 2013). Professional judgment leaves discretionary room in the interpretation of auditing standards, enabling individual auditors to devise an audit approach that they consider to be in accordance with the firm's and profession's guidelines and policies. This discretion also led to different interpretations of what the auditors should have done in the case of Urban Realty:

We think [the AFM] read wrong things in the standards, that they should be read [differently]. (*Re-reviewer methodology, I#6*).

You see big differences [among files] emerging; it's always the interpretation of an individual, how you look at things and maybe also depending on the situation. (*Engagement partner, I#2*).

The different interpretations mainly related to the point at which they deemed sufficient audit work had been conducted and whether the documentation of audit evidence, such as the valuation report, was considered adequate. Our data suggest a general distinction in these perceptions between the firm and the AFM, corresponding with the diverging understandings and conflicting interests discussed earlier. Specifically, according to the interviewees, the oversight body appeared to interpret audit standards to the letter, meaning that if audit standards asked the auditor to *consider* something, the oversight body expected the audit team to have done so by definition. In contrast, the firm viewed certain tasks as required only if deemed necessary by the team. For example, in assessing the appropriateness of a valuation expert's work, the oversight body invoked International Standard on Auditing (ISA) 500.8 letter c to point out shortcomings in the audit work and documentation. According to this interpretation, the auditor had conducted insufficient work to evaluate the expert report. Conversely, the audit firm cited ISA 500.A48 to assert a certain discretion in determining the "considerations" that "may" be relevant for such an assessment. The firm argued that this wording allowed for "professional judgment" in deciding the nature of the audit work and emphasized that the suggestions of ISA 500.A48 were thus not mandatory (*Doc#1; Doc#2*). Furthermore, while the oversight body grounded its views solely in ISAs, the auditor also relied on a government-issued handbook on the valuation of real estate of housing corporations in their audit approach (*Doc#1*).²⁷ This led to different interpretations of a good-enough audit:

What is really the anchor point in the audit? We have a handbook for the valuation for this sector, prepared by the Ministry, which we also went through entirely. But that is of course different from the [audit] standards that we adhere to, which say that you rely on a valuation expert, then there are other factors to consider [too]. (*Obs#4*)

²⁷ The Dutch Housing Act requires housing corporations to value their real estate based on the market value in rented condition. The Ministry of Infrastructure and Water Management has issued a *Handbook for Model-based Determinations of Market Values* to provide guidelines for this valuation.

Based on the auditor's experience, the Ministry's handbook and the latitude for professional judgment provided by ISA 500.A48, the audit firm deemed the expert's work to be appropriate and the audit work to be sufficient. In contrast, the oversight body, using the same ISA, contended that the audit work lacked sufficient documentation as the auditor relied heavily on tick marks without sufficiently documenting their considerations, making it challenging for inspectors to assess the thoroughness of the work conducted. This example illustrates the nature and extent of professional ambiguity that goes beyond an appropriate presentation of the audit file to the regulator (Westermann et al., 2019). Instead, our case highlights that professional ambiguity entails auditors' judgment and decisions—how the expert's work should be audited—and the documentation of the audit work—reflecting auditors' judgment and decisions in the audit file.

The firm's internal review leader explained how the oversight body may subscribe to an interpretation of the ISAs with which the firm disagreed:

We can disagree here, because conceptually we did have a difference of opinion. (...) And [to me] it also feels like [their stance is]: 'Okay, that is what it says, but we as the AFM think you have to do it this way.' And then I speak with [QE I], who has also worked at the AFM, and s/he sometimes says: '[The ISAs] say that it is something that should be considered, not that it has to be done regardless.' So, there's a difference in interpretation there. (*Lead internal review, I#3*)

This strictness seemingly led the inspectors to engage in a more detailed and effortful approach in the inspection, compared to the internal reviewers. This was likely related to the duration of the inspection process:

It was a disadvantage that they had so much time for the review, because they were capable to dive into an Excel sheet with 10,000 rows and dozens of columns and then ask a question about cell AC424000. (*Engagement manager, I#2*)

The oversight body's strict interpretation and detailed approach are consistent with the abstract knowledge and detailed level of analysis that characterize the oversight body's mechanical logic of professionalism (Couchoux & Malsch, 2022). In contrast, the firm adopted a less stringent approach, asserting that consideration of certain factors is not necessarily mandatory.

This approach invoked practical knowledge and cost-benefit considerations in line with a judgment-laden, clinical logic of professionalism (Couchoux & Malsch, 2022). The oversight body's stance created room for accusations of wrongdoing, a space which social-control agents may exploit to maintain or enhance their legitimacy in apprehending wrongdoers (Greve et al., 2010). This, in turn, leads actors to perceive a higher risk of being labeled wrongdoers (Palmer, 2012).

Although the actors in our case acknowledged that these differing interpretations stem from professional ambiguity and are therefore inherent to their work, they also felt uneasy about the consequences emanating from these differences. The internal review leader even suggested introducing another layer of review to prevent outcomes like those observed in the Urban Realty case. Another suggestion, as indicated by *TI#4*, involved proposing the appointment of a third party to review the external inspection, possibly in the form of a judge who would assess whether the inspection was conducted appropriately.

Despite professional judgment being an essential cornerstone of the profession, our data also reveal a discomfort surrounding the notion of professional ambiguity. This unease may stem from the exposure and uncertainty that professional ambiguity yields about unfavorable regulatory outcomes. The engagement manager, for instance, noted that “experts will now get their valuation reports back with 80 comments,” as evidence that auditors have carefully read the report (*Obs#7*). The engagement partner also shared their struggle in meeting the expectations they perceived the oversight body to espouse, expressing a reluctance to make mistakes:

Of course, I have become more careful. Yes, and it's difficult to say whether you do this because of the judgment of others, or whether you think it's relevant. That's a grey area. (*Engagement partner, I#1*).

The engagement partner, as the authority responsible for signing off on the audit, experiences some level of anxiety in determining when they are on the safe side of the line between right

and wrong. Eventually it is the social-control agent, in this case the AFM, that judges when the auditor transgresses this line (Greve et al., 2010).

In conclusion, we suggest that the oversight body can formulate inspection findings with which the firm does not entirely agree due to differing interpretations of the standards and the threshold at which audit evidence and documentation are deemed sufficient. This disparity arises from distinct interpretations of professional norms, ultimately shaping diverging assessments of the appropriateness of professional actions and judgments. As a consequence, despite accepting the discretionary room for professional judgment, auditors exposed to this ambiguity also displayed a discomfort that prompts them to reconsider their ways of working, aiming to prevent (manifestations of) their judgments and decisions that may be seen as inappropriate in the eyes of the regulator (e.g., Gold et al., 2022; Westermann et al., 2019).

Different perspectives on the essence of inspection findings

As the line between right and wrong is conceptualized differently between social-control agents and organizational actors (Greve et al., 2010; Palmer, 2012), Couchoux and Malsch (2022) find that auditors' professional mission is geared towards mitigating investor risks, emphasizing the detection of material errors, while the regulator focuses on best practices to enhance investors' confidence. Similarly, Gold et al. (2022, p. 2713) assert that "the acculturated mindset of the profession [leads auditors] to think of errors in terms of materiality, suggesting that only errors leading to material misstatements require attention." Our data resonate with such an error conception on the part of auditors who held strong views that audits were insufficient only when financial statements were materially flawed, whereas insufficient audit documentation was seen as a technical detail or simply sloppiness. Specifically, the inspection findings in the case of Urban Realty concerned the documentation of audit evidence and the team's engagement with the expert's work, neither of which directly impacted the financial statements. The AFM states in their "Grip on Quality" report, that their inspection focused "on obtaining

sufficient and appropriate audit evidence regarding all assertions that the auditor has identified for the selected focus area” (2021a, p. 21). Furthermore, the report states that “an insufficient audit does not mean that the financial statements are incorrect” (AFM, 2021a, p. 33). Accordingly, although a particular finding in the case of Urban Realty might not have led to a material error in the financial statements, it could potentially do so in another engagement or, more gravely, evolve into a routine that becomes embedded in firm practices. This perspective, again, aligns with the interests of the oversight body as a social-control agent in the audit profession. If the oversight body is the entity delineating the line between right and wrong, crossing this line becomes an important issue (Greve et al., 2010; Palmer, 2012).

The majority of auditors, however, held a different view. Even QE I thought the oversight body placed excessive emphasis on ISA compliance at Urban Realty, suggesting that the oversight body might not fully understand user expectations:

It used to be about the reliability of the financial statements, you do that for society, the broader stakeholders' expectations, not just because they expect you to be 100 percent compliant with the ISA standards. (QE I, I#4).

Other auditors involved in the Urban Realty case, including the engagement partner and manager, shared the perception of an overly mechanical focus on standard compliance by the AFM. This perspective was further enriched by insights from other cases discussed in the TIs, where the concept of trust was invoked. These interviewees opined that, if an audit is done well, encompassing sufficient appropriate audit work, and the financial statements accurately reflect the reporting firm, then trust in the auditor should prevail, even in the presence of flaws in the documentation (TI#2; TI#4). This line of argumentation invokes the notion of auditing as a credence good that is easily damaged in case of doubt. It also reflects an outcome-based view where the result matters more than the process of obtaining this result. Indeed, the sentiment was that “many roads lead to Rome,” suggesting that reaching the destination was more important than the road traveled (TI#2; TI#5). By allowing themselves this leeway in defining what constituted an appropriate manifestation of professional judgments and

decisions, the auditors also invoked professional ambiguity in a defensive spirit, as a means to deflect accusations of possible wrongdoing.

In addition, our data reveal that these norms of (in)appropriateness evolve over time. What was deemed acceptable a decade ago may not be considered acceptable today, and vice versa (*TI#4*). Following an initial emphasis on compliance issues, the internal review leader at the firm recognized a shift in the internal reviews towards evaluating the substance of the audit. Although review findings related to audit documentation were still seen as moderate and were therefore taken seriously, the primary importance now lied with the audit work itself:

There is a shift in what is deemed an important finding and what's not. For example, in prior years a typo in the audit opinion was deemed an important [finding]. Now [the global network] has decided such a typo doesn't necessarily represent the quality of the audit and it is a moderate [finding]. (*Lead internal reviews, I#3*).

The actors also described an evolution in perceptions of what constituted doing a good job over time. One example was the growing importance that on-the-job learning seemed to give to working with extant audit guidance, rather than relying on mentors' experience and knowledge:

RCA team member: "I had not experienced that that much emphasis was given to the audit manual. Now you hear that more and more often: 'Let's look at the audit manual.' So, this has become more of a habit."
Lead RCA: "Yes, as a point of attention, that it is also internalized at all those function levels." (*Obs#13*).

This example shows how previously, sufficient work quality could be achieved on the basis of auditors' professional judgment. Now, the use of the firm's audit manual seems more deeply embedded in the organization, potentially aligning the firm's perception more closely with that of the AFM's. This evolving attitude is recognized in the oversight body's perception that the audit profession has adjusted its work to meet the AFM's expectations (AFM, 2021a). Accordingly, an AFM board member notes that the quality of the inspected audits has improved (*Obs#2*), leading to higher expectations of future audits, and thus shifting norms. This observation aligns with interviewee perceptions reported by Couchoux and Malsch (2022, p.

17) of regulators “not remediating major issues anymore, [but] fine-tuning small technical details in the audit process.”

The three differences discussed above reveal how professional ambiguity materialized in the Urban Realty case. The varying understandings of the audit, different interpretations of audit standards, and diverging perspectives on the essence of an audit are dimensions through which review and inspection findings are constructed. As detailed next, professional ambiguity is also a resource that is leveraged in the interactions between the oversight body and the audit firm.

4.5.2 Power play within the oversight body-firm dyad: Leveraging professional ambiguity

In analyzing the interactions between the audit firm and the oversight body, we identified three strategic responses aimed at negotiating the appropriateness of professional judgments and decisions, and hence the existence of inspection findings. Taken together, these responses can be seen as the firm’s attempt to invoke professional ambiguity, while the oversight body sought to minimize it. This points to an asymmetry on the use versus dismissal of professional ambiguity, which yielded a highly laden interaction that we characterize as a power play between the firm and the oversight body.

First, the firm leveraged institutional ambidexterity to “bridge the institutional divide between inspectors and auditors” (Couchoux & Malsch, 2022, p. 760). The firm also involved senior auditors to create a buffer between the engagement team and the oversight body. Second, the firm and the oversight body engaged in a discursive struggle over the appropriateness of the audit, with the firm proposing a compromise to deescalate the interaction, while the oversight body employed framing strategies to defend and maintain its position. Third, in the final stage, the line between right and wrong was drawn, amid professional ambiguity. In this section, we elaborate on these three strategies.

Leveraging institutional ambidexterity

Upon receiving the oversight body's preliminary findings, firm leadership recognized the imperative to thoroughly understand these findings, especially as the internal review had not revealed any findings. Consequently, they appointed two re-reviewers to make sense of the inspection findings, with the intention of strengthening the firm's position in the "trial" (Westermann et al., 2019, p. 694). Alongside the re-reviewers, the Quality Experts (QEs) remained involved in the process. Furthermore, the firm's compliance officer was consulted, and the leader of the national office made themselves available for questions (*Engagement partner, I#1*). This reinforcement created a buffer between the engagement team and the inspectors, serving to protect and support the team while safeguarding the firm's interests by leveraging institutional ambidexterity (Couchoux & Malsch, 2022). Ultimately, though, the firm's main aim was to identify areas where professional ambiguity could be employed. The following quote illustrates how the involvement of certain actors may be targeted at such a purpose:

I am the methodology lead, which means I am supposed to be an expert methodologically. And I have also conducted reviews, both at the AFM as internally at [the firm], so I know how to conduct a review and where to look at. (*QE II, I#8*).

By mobilizing actors familiar with the understandings of both the oversight body and the audit firm, the firm hoped to shift the line between right and wrong, aspiring to secure a more favorable inspection outcome. At the same time, it became evident that the oversight body employed similar brokers who, as former auditors, understood both the oversight body's and the firm's perspective, thereby leveraging institutional ambidexterity as well. For the engagement partner and manager, the buffering resulted in receiving additional internal support:

That is also nice, because everyone is also involved to support you: 'You know, we do this together. This is not just your file, this is a [firm] file. And we're going to get the most out of it, together.' So that's very nice, of course. (*Engagement partner, I#1*).

The increased support also signaled the importance of the inspection: “people at the firm get anxious when the AFM comes in; suddenly there is a lot of central support” (*Engagement manager, I#2*). Involving more actors also changed the setting in which the appropriateness of the audit engagement was negotiated. The incoming auditors were more technically skilled and occupied senior positions in the firm, making them adept at negotiating divergent audit perspectives. For the engagement partner and manager, the involvement of more senior partners also signaled that the stakes were high:

Especially with this case, where of course it became a very long process and where [re-reviewers] also got involved [after the review of the AFM], and then you do see a kind of complexity arising, and that doesn't always make it easier, because everyone has an opinion of course and these are not always the same. (*Engagement partner, I#1*).

While the firm's reputation was at stake, the engagement leader personally also feared potential repercussions, including the stigma of having a “stamp of disapproval on his head, [which] is very tough” (*QE I, I#4*). At a certain point, the engagement leader felt that it was no longer about right or wrong but about “winning this match” (*Engagement partner, I#1*). This reaction resembled the defensive mechanisms that auditors resort to when being confronted with errors, given the strong condemnation that such negative outcomes entail (Gold et al., 2022; Guénin-Paracini and Gendron, 2010). The oversight body also noted how the firm's reinforcement changed the interaction between the two parties. As an AFM inspector noted during the BST podcast about the regulatory inspection: “When the AFM shared its findings, more people at the firm joined the conversations, which is difficult for the AFM. The discussions then become more intense” (*Obs#2*).

Although involving more senior actors made sense to create a feeling of support for the engagement team and to best represent the firm's interests, it also revealed that the firm had become more anxious, thus creating a tenser and escalating environment. It was in this context that the two re-reviewers tried to make sense of the oversight body's findings. In doing so, they

were compelled to delve into greater detail than they normally would (*Re-reviewer FS, I#7*) because the AFM had exhibited similar detail in its preliminary report (*Doc#2*):

The AFM had more findings, but mainly very detailed points. So, really, column D, row 36 states X, 35 cells further it states Y. Well, we didn't look that closely into the file. [...] If you took 80 items for test work, they'll check all 80. That's how simple life is with them. (*Re-reviewer FS, I#7*).

As a result, this additional scrutiny also yielded findings that lacked much ambiguity. In the case of Urban Realty, the re-reviewers concluded that the audit team had left a reconciliation difference unexplained and had made documentation errors in its file regarding the valuation. Despite criticisms of the AFM's detailed approach, Re-reviewer FS (*I#7*) acknowledged that the engagement team should have noted and corrected these issues during the audit. Some of the preliminary inspection findings were hence acknowledged, whereas others seemed to leave enough scope for initiating a discursive struggle on the appropriateness of the audit.

Discursive struggles on the appropriateness of the audit engagement

In many cases, it seems that audit firms accept the oversight body's "verdict" by agreeing with the preliminary findings, after which the oversight body proceeds with the "sentencing" of the transgressors (Westermann et al., 2019). In the Urban Realty case, however, the two re-reviewers perceived the professional ambiguity as sufficiently large to refute the oversight body's accusations of wrongdoing:

Neither of us were enthusiastic about the file, and in the end, we really did look for ways how we could make the file work. So, we had discussions with the team: 'How did you do this? And maybe there's some information there?' And we were able to include more information, but at a certain moment we said: 'Well, look, this point made by the AFM, they are right, and we cannot argue with that.' (*Re-reviewer methodology, I#6*).

The re-reviewer shared his critical assessment of the audit with the engagement partner who was disappointed with this reaction:

[Leadership] was in that call too, saying: 'This is a step too far, we have to be realistic about that, there is a shortcoming.' But look, it's quite normal that you feel attacked by the letters from the AFM. So, then you start thinking about: how could we look differently at that audit, is there another way? And is that a potential line of defense? It almost becomes a legal discussion, but legal based on the audit standards, right? (*Re-reviewer methodology, I#6*)

While acknowledging that the audit engagement was not entirely consistent with the initial audit plan, firm leadership opted to contest the findings. Leveraging arguments for negotiation identified during the re-review, the second re-reviewer composed the firm's 31-page response letter to the AFM. The letter consisted of an introduction of the auditee, an explanation of the accounting for the line item in question, a presentation of the audit approach originally taken, an alternative narrative of the audit, and a response to the AFM's preliminary findings. A perusal of the letter suggests that the firm's arguments, while less organized than the AFM's, were geared at refuting the identified deficiencies, which to the re-reviewer entailed strategic thinking:

It is a chess game for me: If I can't play out the chess game my way, then I don't have the right storyline there. So, I have to think of a storyline that lets me play out the chess game, so I have to think 10 or 20 steps ahead when I build a storyline. (*Re-reviewer FS, I#7*)

The firm's response letter acknowledged that the audit evidence collected on the valuation of the real estate may not have been sufficient according to the initial audit plan. However, the essence of the response letter put forth an alternative narrative of the audit. In this slightly modified audit approach, the audit evidence would have been deemed sufficient, given that the opinion of the valuation expert would have carried less weight due to other, more relevant factors. Contrary to the AFM's conclusion that the audit team had not adequately engaged with the report, this new perspective asserted that the valuation report would not have been critical to the audit in the first place. Instead, the audit team could supposedly rely more on publicly available data for the valuation, which they could audit independently without the need for an expert. As the expert valuation report became redundant in this alternative narrative, the lack of audit documentation on the expert's report would be less of an issue. The audit engagement team would thus have arrived at the same conclusion, albeit through a different pathway than the one initially chartered. Likewise, the alternative audit approach would not have resulted in a different audit opinion or required any changes in the financial statements. In creating this

alternative narrative, the firm exploited the ambiguity inherent in professional judgment to offer a different interpretation of the engagement by way of engaging in discursive work.

The response letter can be seen as a potential compromise presented by the firm to the oversight body, both to make the oversight body's case less straightforward and to offer a pathway towards de-escalation. The firm hence sought to invoke professional ambiguity to prompt the oversight body to reconsider its findings. If the AFM had accepted the alternative audit approach, it might have been inclined to agree that the file included sufficient audit evidence, leading to a potential dismissal of its initial conclusions. References to the interaction being "a game of chess" and traveling an "alternative road to Rome" reveal the actors' awareness of professional ambiguity and reflect the firm's strategies that underscore the constructivist nature of wrongdoing.

The AFM similarly engaged in discursive work in their communication, albeit with different objectives. Specifically, the oversight body reported five overall findings, substantiating each with underlying "facts" and "findings" (*Doc#2*). The facts provided detailed descriptions of the audit work conducted, such as the information the audit team had entered in a given cell of a spreadsheet or what it had written on a particular page of a document. They also included the inspector's observations of documents used, such as "the auditor has taken note of an Excel sheet from [system] with [information in the document]" (*Doc#2*). The AFM used these facts to substantiate its "findings," hence deriving these directly from its detailed observations of what happened in the audit engagement. The conclusive language employed by the AFM signals objectivity and authority, possibly aiming to discourage objections from the firm.

Both the firm and the oversight body hence deploy discursive strategies in their interactions, each seeking to draw the line between right and wrong from their own perspective, albeit with different objectives. The firm tried to invoke professional ambiguity by suggesting

an alternative interpretation of the audit engagement, while the oversight body aimed to minimize such ambiguity by resorting to conclusive language that was difficult to challenge. This asymmetry on embracing versus dismissing professional ambiguity shaped the unfolding contest in the inspection process. In the case of Urban Realty, the oversight body's writing style seemed to have an impact, as even re-reviewer FS, who wrote the firm's response letter, anticipated that the AFM would uphold its position firmly due to the abundance of collected "facts" that left little room for alternative viewpoints, also because:

They must think: 'We have spoken dozens of hours with you and then it was storyline A, and we based our opinion on it. And then we also have several objective findings. Then this chap [name re-reviewer FS] comes by, telling us that it is storyline B. Right (...) we won't fall for that. (...).' And I also got quite the impression that they didn't [change their letter] because they also didn't want to annoy their own review team, saying: 'Yeah, you know, just rewrite this and yeah, this too, because if storyline B is in the file, we need to change our letter a bit.' (*Re-reviewer FS, I#7*)

The excerpt demonstrates awareness that there are limits to the extent to which professional ambiguity can be exploited in a given interaction with the oversight body. Positions are unlikely to change entirely, and the AFM needs to consider its own objectives and acknowledge the work of its inspectors, which it should not undermine.

Drawing the line between right and wrong amid professional ambiguity

Following the exchange of positions on the appropriateness of the Urban Realty audit, the firm had requested an additional review of the inspection by the oversight body (*Engagement partner, I#1*). The AFM agreed with this request, suggesting that the firm successfully leveraged professional ambiguity, creating enough discursive space to influence the regulatory interaction. Although the firm did not hold high expectations for the oversight body to change its assessment, the AFM (2021a, p. 31) notes that an audit firm's response to inspection findings may lead "to the facts, findings, and conclusions being adjusted." In the case of Urban Realty, the additional review did not lead to a different outcome, and the audit was still deemed unsatisfactory. This was confirmed in a meeting arranged to address the firm's alternative narrative, the outcomes of the additional review, and the AFM's conclusions regarding its

inspection. The meeting took place between the AFM’s supervisor, who had not been involved in the case prior to the additional review, and audit firm representatives. Ultimately, the oversight body affirmed that it had inspected the initial audit approach chosen by the engagement partner and manager, rather than considering the newly presented narrative.

Although the additional AFM review did not yield a different inspection outcome, the engagement partner perceived it positively. This sentiment stemmed from a feeling of recognition and appreciation by the AFM:

So, in that last conversation, [name AFM supervisor] also got involved, but [AFM supervisor] explains it in a different way. [AFM supervisor] chose a completely different approach to explain why the file is not sufficient. Well, at that stage, of course, you no longer have the time, and you don't discuss everything with each other, it was a bit of a last shot. But I did like this more, because the findings were not communicated to me in this way before. If someone had said to me, like [AFM supervisor name] did, '[name engagement leader], we just don't see enough where you're challenging [the valuation of this account]. We understand that you did it, but we don't see it in the file, so we can't determine the depth with which you did that.' You know, then I would sympathize, because then I think yes, I partly agree with them as well. (*Engagement partner, I#1*)

In turn, the AFM generally acknowledges the importance of staying connected with the audit firms (*Obs#2*) and that there is some potential for learning by sharing their observations with the firms, providing insights into what the AFM considers problematic (AFM, 2021a).

In reflecting on the interaction with the oversight body and coping with the unfavorable outcome of the inspection, several auditors noted that the AFM’s (2021a) “Grip on Quality” report adopted a more aggregate and generic approach compared to previous reports, which provided anonymized findings on an audit file level. While this approach made the outcome more palatable (*Engagement partner, I#1*), the report still left the involved auditors with a sense of discomfort (*Engagement manager, I#2*). During the BST podcast, an AFM board member disclosed internal discussions about whether to identify the firms by name, illustrating their considerations about an appropriate influence strategy (AFM, 2022, p. 4). Eventually, the oversight body chose not to disclose the firms’ identities, because:

We wanted to avoid rankings, especially because the differences between [the firms] were not so big. So, we felt the risk of [naming of firms] leading to inappropriate consequences to be too significant. (*Obs#2*)

Accordingly, similar to audit firms' concerns about their reputation and the desire to manage impressions, the AFM also seeks to influence the audit profession as in an "appropriate" manner.

4.6 Discussion

This study has examined the regulatory inspection process at an audit engagement of a Dutch Big Four audit firm. Our case study has provided valuable insights into the contested nature of inspection findings and the discursive struggles unfolding in the inspection process, which are typically shielded from public view. Indeed, the process leading to the final inspection outcome is intricate and involves extensive interactions and negotiations among the involved actors. Drawing on the social-control literature on organizational wrongdoing (Greve et al., 2010; Palmer, 2012), we argue that the inspection outcome is only the oversight body's final and most visible conclusion on whether an audit is deemed appropriate or involves a transgression, thus establishing criteria for what constitutes an audit that is good enough. Yet, given the severe consequences of audits being labeled as unsatisfactory, the inspection process itself is a forum for laden interactions regarding the interpretation of what constitutes findings. Specifically, our case study has unveiled three key insights into these interactions, revolving around the notion of professional ambiguity, the unfolding power play between the oversight body and the firm, and the role of auditors' collective memory. We discuss these insights in the following.

First, our data reveal how the different professional logics described by Couchoux and Malsch (2022) manifest in the inspection process, culminating in what we conceptualize as professional ambiguity. Professional ambiguity arises from the coexistence of multiple interpretations of the appropriateness of professional judgment and decision-making that manifest in the execution and documentation of the audit work. Notably, this definition goes beyond a mere packaging of audit information for the oversight body, which prior literature has referred to as impression management (Westermann et al., 2019). Our case underscores

that professional ambiguity also extends to audit judgments and substantive audit work. We argue that professional ambiguity emerges due to the differences in the degree to which auditors and reviewers experience shared understandings of the audit. We suggest that auditors possess nuanced, situated knowledge of the audit engagement, guiding their approach to conducting the audit. Provided that there are no severe shortcomings in the audit, this knowledge can be effectively conveyed to the internal reviewers, who share the understanding of the audit firm's policies and procedures and the ways of "how things are done" at the firm. However, the oversight body, positioned at a greater distance from these pragmatic approaches to audits, adopts a different perspective on how audits should be conducted and documented. The delineation between right and wrong thus becomes an object of conflict, with both parties having their motivations and interests in the matter (Greve et al., 2010; Palmer, 2012). This divergence in outlooks leads to discrepant interpretations of audit standards, with auditors and inspectors perceiving and interpreting the requirements differently. Most gravely, we see how these disparities yield different perspectives on the essence of an inspection finding. Echoing Gold et al. (2022), we observe auditors often invoking notions of materiality to argue that non-material findings have no impact on financial statements and hence should not be construed as inspection findings. In contrast, inspectors emphasize the importance of an appropriate audit process and documentation, regardless of the impact on clients' financial statements.

Overall, we suggest that the existence of professional ambiguity creates a discursive space where the firm and the oversight body negotiate inspection findings. Contrary to prior literature suggesting limited opportunities for pushback from audit firms against the regulator (Couchoux & Malsch, 2022; Westermann et al., 2019), our findings reveal that the audit firm actively mobilizes professional ambiguity to influence the inspection outcome. At the same time, we suggest that the ambiguity around audit work provides grounds for ex-post

rationalization serving as a resource for auditors to defend themselves in review and inspection processes.

The paper's second key insight relates to the ways in which this professional ambiguity is leveraged, sparking a power play between the oversight body and the firm. Invoking professional ambiguity involves the deployment of discursive strategies. Generally, transgressions are constructed through discourses, in the form of written documents, symbols, or speech (Clemente & Gabbioneta, 2017; Hardy et al., 2005; Pichler & Roulet, 2020). This process creates the opportunity for a discursive struggle by "reorganizing existing information and conventions associated with the prior schema" (Werner & Cornelissen, 2014, p. 1456). We find that professional ambiguity is mobilized to create a new schema of what constitutes a good-enough audit. At the same time, the oversight body seeks to diminish or dismiss professional ambiguity by framing its findings as being directly derived from facts. By minimizing the scope for ambiguity, the oversight body narrows the discursive space, possibly to constrain negotiations and expedite the inspection process. This reveals an asymmetry around professional ambiguity, which the audit firm actively embraced, while the oversight body engaged in efforts to minimize it. Furthermore, the oversight body's seemingly stricter perspective on what constitutes a good-enough audit leaves more space for accusations of wrongdoing. This potential labeling of wrongdoing can be wielded by the oversight body, acting as a social-control agent, to maintain its own legitimacy (Greve et al., 2010). Vice versa, it may also lead to a perceived higher risk of being labeled a wrongdoer (Palmer, 2012).

Notably, Couchoux and Malsch (2022) have brought attention to the role of quality experts at audit firms, individuals with prior regulatory experience aiming to mediate between the oversight body and the audit firm. Our case in the Dutch context confirms the existence of such quality experts and supports Couchoux and Malsch's (2022, p. 783) argument that they should not be seen as "willful heroes of inspection processes." We find that the oversight body

similarly deploys inspectors with a background in auditing, indicating a mutual adaptation between regulatory and audit practices. As norms evolve over time and space (Greve et al., 2010; Palmer, 2012), these quality experts can become a means in shaping those changing norms, seeking to shift the line between right and wrong. As such, these experts can become resources to leverage or minimize professional ambiguity, such that the success of institutional ambidexterity hinges on the quality experts' ability to use professional ambiguity. For quality experts at the audit firm, this involves constructing an alternative narrative of the audit that the oversight body finds acceptable. Our case demonstrates the challenges of such a strategy, as the oversight body may resist acknowledging the existence of professional ambiguity. Similarly, we reveal how such strategizing inevitably leads to a power play between audit firm and oversight body, as there is an escalation of commitment by way of involving senior partners at the firm as well as higher-level inspectors at the oversight body. This escalation introduces considerable tension in the interactions, which were resolved by the oversight body, as the social-control agent, invoking the authority of its position to uphold its findings.

Third, we find that the interactions between oversight body and audit firm are shaped by auditors' collective memory, which affects the context in which the current regulatory inspection takes place. Auditors vividly recall the AFM as an aggressive and fierce oversight body, drawing from hearsay and war stories recounting colleagues' prior interactions with the oversight body. We argue that the accuracy of these recollections of the AFM's early days is less critical than their role in generating stories as "the primary mechanism by which collective memory is created, maintained and changed" (Suddaby et al., 2023, p. 249). This collective understanding can shape memories in individual actors, even if they have not directly experienced them (Olick, 1999; Olick & Robbins, 1998). Accordingly, past events are socially (re)constructed in the context of contemporary beliefs and norms (Daoust & Malsch, 2019; Mena et al., 2016).

Although prior literature supports the view of fierce regulators (Humphrey et al., 2018; Johnson et al., 2019), it is the “shared interpretations of the past held by a social entity” that form collective memory (Suddaby et al., 2023, p. 247). We argue that these stories have established the image of the AFM as a staunch oversight body, an image which auditors share, maintain, and nurture. In turn, this image shapes attitudes towards the oversight body and frames perceptions of the AFM’s current actions. Despite the oversight body’s efforts to adopt a more constructive and relational stance than in the past, our study reveals how the image of a stick-wielding oversight body (Ege et al., 2020; Johnson et al., 2019; Westermann et al., 2019) has contributed to the formation of a collective memory pertaining to regulatory inspections. This collective memory complicates ongoing interactions between the oversight body and the firm, leading the firm to potentially misinterpret the oversight body’s actions and approach interactions with suspicion and defensiveness (Gold et al., 2022). The collective memory proves pervasive, influencing auditors who have not personally undergone an inspection; they too partake in the sharing of war stories, thereby shaping the perceptions of newer cohorts of auditors. As a result, the oversight body’s attempts to foster a more constructive and relational approach seem to face significant obstacles and likely yield only limited success for the time being.

Moving beyond our case, we argue that the divergent views between the oversight body and the firm create an ongoing challenge for defining audit quality—a target that remains elusive. The lack of consensus on the criteria distinguishing an audit that is good enough from one with shortcomings can give rise to frustrations among auditors and potentially diminish the effectiveness of the oversight body. While our data confirm the different perspectives of inspection findings (Couchoux & Malsch, 2022; Glover et al., 2019), it is the oversight body who wields the authority to determine the significance of findings and their impact on the inspection outcome, often with limited consideration for the auditor’s views (Ege et al., 2020;

Johnson et al., 2019; Westermann et al., 2019). This authority seems justified in view of the scandals that prompted the establishment of these institutions to ensure the appropriateness of audit work. However, their judgments also entail a dynamic that has fostered an overly defensive stance among auditors when dealing with the regulator (Gold et al., 2022). The existence of professional ambiguity means that auditors can never be entirely certain about the appropriateness of their audit work, as there may always be a potential “error” in an audit file waiting to be discovered by the oversight body. Accordingly, our paper supports audit firms’ ongoing reconsideration of the consequences they impose on auditors that receive inspection findings.

By contrast, professional ambiguity also enables audit firms to contest inspection outcomes. Warnings by prior literature about professional disempowerment and a bureaucratization of auditing may hence not be fully warranted (Couchoux & Malsch, 2022; Ege et al., 2020; Glover et al., 2019; Johnson et al., 2019; Westermann et al., 2019). Our data highlight the need for more open dialogue concerning the essence of an inspection finding. Establishing a shared understanding of what constitutes an audit could foster more constructive interactions between auditors and inspectors. While recognizing the oversight body’s distinct position and role in the professional landscape, we surmise that a shared understanding of the essence of an audit might mitigate frictions in the inspection process and potentially contribute to further enhancing the quality of audit services. These discussions could help decrease the professional ambiguity and bring about more clarity on what constitutes a good-enough audit.

4.7 Conclusion

This paper has sought to further our understanding of how the different professional logics held by auditors and regulators manifest in the inspection process. Our empirical data, drawn from a case study of a Big Four audit engagement undergoing three cycles of quality control (internal review, external inspection, and RCA), elucidate the emergence of professional ambiguity—a

phenomenon strategically leveraged throughout the inspection process. Moreover, we have uncovered the enduring impact of auditors' collective memory, shaped by prior interactions with the oversight body, on current inspections.

We acknowledge that our study focusses on the locally situated regulatory space in the Netherlands. Accordingly, certain characteristics and dynamics identified in our study might prove unique to our context, leaving opportunities to study inspection processes in other contexts. The oversight body's adaptive and possibly changing oversight approach over time as well as across different (types of) audit firms, including non-PIE audit firms since 2022 (AFM, 2021b), offer interesting avenues for future research. Such investigations could shed light on the impact of regulatory strategies and the potential countervailing influence of auditors' collective memory, which our study has shown to be pervasive. In addition, given our finding that auditors adjust their working methods in response to regulatory inspections, future research could delve into the extent and impact of these potential shifts in audit practices and the extent to which these may benefit or harm (perceived) audit quality. Exploring different working approaches may reveal improved alignment among different actors but may also come at the expense of professional judgment that, as the present paper has shown, exposes auditors to unfavorable inspection outcomes.

Appendix: Interview scripts

The first author started the interview with small talk, then introduced the study, explained the topics of the interview, and discussed informed consent. As the first author and most of the interviewees were already acquainted, no introduction was necessary.

- Could you walk me through the Urban Realty case?
 - o First, discuss involvement, role, and responsibility.
 - o How do you feel about the internal review, AFM, re-reviewers, and RCA?
Probes for: goal of the internal review, interaction with the review team, tone of the review team, stance of the firm in the process, accountability, and possible consequences.
Similarly, probes for: goal of the AFM, interaction with the AFM team, tone of the AFM team, stance of the firm in the process, accountability, and possible consequences.
 - o Discuss interaction with the different parties.
- Discuss the different findings between the review and inspection.
 - o How can this happen?
 - o Who's right? Who decides who's right?
 - o What is a finding?
When is a finding important? What could be a big vs. a small error? How do you know what is what?
When is an audit a "good" audit? When are you happy?
- You have been working in the audit and at the firm for a while now (all the interviewees are (senior) partner, (senior) director or (senior) manager). Reflecting on what we discussed about findings, how do you think this perception has developed in the last years?
Probes for: tone of internal review, tone of AFM, error culture within the firm.
And have these developments led to a different perspective on findings (e.g., what they constitute, how they are perceived, and the consequences)?

5 Study III

Making Change Auditable: An Analysis of a Big Four Audit Firm's Change Trajectory

Co-authored by: Dominic Detzen

This paper studies the change trajectory undertaken by a Big Four audit firm in the Netherlands in response to intense public and regulatory scrutiny. Drawing on interviews with key actors in the firm, we mobilize the literature streams on social-symbolic work and professional service firms to study the firm's attempted shift from a client focus to prioritizing the quality of its audit services. We find that the firm's change trajectory is a continuous process in which it responds to manifold and potentially conflicting change signals. As auditors become change actors, the various reform initiatives are *made auditable*. That is, they are translated into an action and task-based approach that is understandable for and palatable to practice. Change hence occurs in the form of revised terminology, teams and roles, and performance indicators. These social-symbolic objects represent the boundaries to attainable change as well as change aspirations. As it is ex ante unclear which change initiatives will permeate audit practice, we argue that signaling willingness to change is an important element of the firm's attempts to embrace progress and respond to extant pressures to change.

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5.1 Introduction

Occasionally, you have to explain that we are going to work in a different way, on approximately the same things. (Laughter) (*Manager, I#6*)

The firm thinks we should push back deadlines [when the audit work is not done yet]. I only understood that [we mean it] when I was once in an audit committee meeting. I was there as a senior manager and the partner next to me said [to the client]: ‘We’re not ready yet.’ And the first time you witness that, you think: ‘What?! So, we’re really doing this?’ (*Director, I#7*)

Over the past decades, the audit profession has operated under intense public, regulatory, and political scrutiny. A considerable literature stream has examined the profession’s reactions to the establishment of audit oversight bodies in various countries, often highlighting resistance to these new regulatory bodies (Canning & O’Dwyer, 2013; Malsch & Gendron, 2011). Other studies have documented the profession’s lobbying efforts (Baudot et al., 2017) and defensive approaches or mere signaling of willingness to change (Humphrey et al., 1992; Moore et al., 2006), amid attempts to preserve auditors’ professional foundations (Malsch & Gendron, 2013). While these perspectives suggest that audit firms seek to maintain the status quo in their operations and organizations, other studies have revealed the firms’ proclivity for change when it suits them, such as when experimenting with new organizational forms (Greenwood & Suddaby, 2006), or adopting new audit methodologies (Robson et al., 2007) or assurance services (O’Dwyer, 2011). Likewise, change can serve as an important signal of progression, such as when promoting gender diversity (Kornberger et al., 2010) or adopting a narrative of tech-savviness to enhance auditors’ professional identity (Lajoie & Gendron, 2024). This contrast highlights the role of professional interests in auditors’ responses to public concerns (Humphrey et al., 1992). That is, audit firms appear to change only when it is profitable or when they perceive an urgency to do so, but otherwise strive for continuity. Despite these prior studies, we argue that there is lack of insights into firms’ internal considerations that public, regulatory, and political criticism may trigger to potentially adapt internal processes, policies, or procedures, but also behavioral patterns. Prior research on audit firms’ reactions to extant

pressures has mostly focused on public responses, leaving a gap in understanding whether audit firms indeed seek to continue existing practices, the extent to which they attempt to initiate change, and the impact of such change on audit practice.

This paper addresses these questions within the Dutch branch of a Big Four audit firm, representing a context in which change has been a key theme over the past decade (Detzen, 2024; Detzen et al., 2021; Gold et al., 2022; Humphrey et al., 2018). As the Dutch audit profession has been exposed to considerable societal, regulatory, and political scrutiny, the ensuing pressures to change auditing have resonated with debates on auditors being led by commercial, rather than professional, values (Dermarkar & Hazgui, 2022; Malsch & Gendron, 2013). Our study is based on 17 interviews with key informants in the audit firm who played various, but central roles in change initiatives, contributing to the firm's attempts to refocus on audit quality. These changes mainly entailed cultural aspects, such as fostering psychological safety, wellbeing, and learning, as well as technical matters, such as implementing new regulation, digitalization, and work programs. We adopt a social-symbolic work perspective and further draw on the literature on professional service firms to delve into the complexities of change as it unfolds within the audit firm. Social-symbolic work refers to the ways in which organizational actors shape or maintain discursive, material, or relational objects in their social context (Lawrence & Phillips, 2019). In an audit setting, such objects can include tangible items, such as budgets, plans, and key performance indicators (KPIs), as well as more abstract elements like discourse, identities, and emotions. The meaning assigned to these objects depends on the specific social world in which they are interpreted (Rallens et al., 2023). In our study, this social world is a professional partnership that has been said to foreground the autonomy of auditors, largely hold centralized control in contempt, and involve professionals taking on managerial roles (Cooper et al., 1996; Greenwood et al., 1990). The social-symbolic work perspective allows us to develop a deeper understanding of what change means and how

it materializes within an audit firm, based on an in-depth analysis of first-hand information, reflections, and experiences from our focal audit firm's change trajectory.

Our findings reveal that the firm embraces change as a continuous process that materializes through different social-symbolic objects. As illustrated by the opening quotes, the meaning assigned to these objects can yield both symbolic and substantial change. The first quote shows how discourse can sometimes merely connote change, whereas the second quote reveals how it may translate into substantially changed behavioral patterns. While documenting instances of both superficial and effective change, we argue that loose coupling of social-symbolic objects does not necessarily result from the firm's unwillingness to change. Instead, the outcome depends on how auditors, as change actors, engage in social-symbolic work to effectuate change in a highly structured context where individual professionals strongly value their autonomy and maintain their established ways of working. Paraphrasing Power (1996), we argue that change initiatives need to be *made auditable*. That is, they need to be measurable and take an action and task-based approach, similar to the processes underlying an audit. As such, they must be translated into bundles that are palatable for practice, such as through revised terminology, teams and roles, or performance indicators. Conversely, change initiatives become ineffective when they are not made auditable, such as when they employ unsuitable social-symbolic objects, are misaligned with audit practice, and lack suitable social-symbolic work. We argue that this creates boundaries to attainable change and likewise delineates the firm's change aspirations. That is, initiatives are only acceptable if they can be deployed quickly and in a measurable way, but they also need to leave the firm's business model intact, which remains taken for granted.

Our paper contributes to the literature by enhancing our understanding of how an audit firm engages in adaptation processes in response to societal, regulatory, and political pressures to change. Prior literature has highlighted firms' resistance to changed regulatory oversight

(Canning & O'Dwyer, 2013; Malsch & Gendron, 2011) and a largely defensive and seemingly symbolic approach to changing its practices (Humphrey et al., 1992; Malsch & Gendron, 2013; Moore et al., 2006). The present paper unravels how an audit firm mobilizes social-symbolic objects to shift from what the firm diagnosed as an overly strong client focus to prioritizing the quality of its audit services. Our findings reveal that change initiatives appear to be effective only when they are accompanied by appropriate social-symbolic work and the initiatives are sufficiently conciliated with the firm's prevailing logics. We argue that change functions as an important signal to convey adaptability, not only in response to economic and societal developments (Kornberger et al., 2010; Lajoie & Gendron, 2024), but also when confronted with pressures to change extant practices. We infer that signaling willingness to change—to the public, the oversight body, and internally—appears as important to the firm's effort to embrace progress as the actual change undertaken.

5.2 Theoretical framework

To understand change within our focal audit firm, we mobilize the literature streams on social-symbolic work (Lawrence & Phillips, 2019) and the organization of professional service firms (e.g., Faulconbridge & Muzio, 2008; Von Nordenflycht, 2010). The social-symbolic work perspective allows us to conceptualize change as part of the organizational work within the audit firm and hence part of its daily practice. Furthermore, professional service firms are organized and managed as partnerships, comprising and being run by professionals. Understanding these particularities helps us contextualize how change is conceived and operationalized in the audit firm we investigate.

5.2.1 Social-symbolic work and a practice perspective on change

From a constructivist perspective, organizations are composed of patterns of action that collectively bring an organization to life (Lawrence & Phillips, 2019). These actions entail work routines and everyday activities, which enable a shared understanding of the

organizational context (Rallens et al., 2023). Although these practices might seem insignificant individually, together they provide meaning to how activities are supposed to be conducted (Jarzabkowski, 2005; Smets et al., 2012). This shared understanding and meaning is shaped by the broader cultural network in which the activities occur, reflecting the institutional logics that prevail in a given context (Jarzabkowski, 2008; Sahlin & Wedlin, 2008).

Building on this conception of organizations, Lawrence and Phillips (2019, p. 24) propose the notion of social-symbolic objects as the “combination of discursive, relational, and material elements that constitute a meaningful pattern in a social system.” These objects range from tangible items, such as budgets, work plans, KPIs, and presentations, to more abstract matters, such as identities, emotions, and discourse (Barberá-Tomás et al., 2019; Jarzabkowski, 2008; Mantere & Whittington, 2021; Vaara & Whittington, 2012). Social-symbolic work then entails organizational actors’ intentional and reflective actions to maintain or shape these objects with a view to giving meaning to organizational life (Lawrence & Phillips, 2019; Rallens et al., 2023).

Social-symbolic objects do not hold any meaning by themselves; they only become meaningful through their combination of the discursive, relational, and material properties. The meanings of these objects are dependent on the context and prevailing actors, making them malleable as they are shaped by these actors, but also taken for granted due to a shared understanding (Rallens et al., 2023). For example, managers may engage in strategy discourse to self-identify as managers, project their career aspirations, and give their work new meaning (Mantere & Whittington, 2021). The use of social-symbolic objects can help achieve desired goals, with the associated discourse having disciplinary as well as emancipatory functions. At the same time, social-symbolic objects can be highly contested (Song, 2021), have opposite effects (Claus & Tracey, 2020), or even reshape the meaning of other social-symbolic objects,

either intentionally or unintentionally (Rallens et al., 2023). Consequently, social-symbolic objects can trigger both the coupling and decoupling of organizational policies and practices.

Although social-symbolic work can be employed through a single object, such as managerial discourse, it can also manifest as “programs of action,” where actors combine different elements of social-symbolic work into clusters or work streams (Lawrence & Phillips, 2019, p. 29). These programs can contribute to a larger agenda, where the involved actors link individual behaviors, decisions, or instances across different levels and/or over longer time frames. While actors might easily change their minds or intentions and lose focus over time, programs of action may ensure a coherent aim, allowing social-symbolic work to drive and sustain organizational change initiatives and serve as a foundation for pervasive change (Rallens et al., 2023).

Despite literature showing that social-symbolic objects play a role in (changing) organizational practices, it is less clear how these objects are utilized (Lawrence & Phillips, 2019; Rallens et al., 2023; Vaara & Whittington, 2012). This applies a fortiori in the context of professional service firms, whose unique ways of organizing and operating provide a compelling setting to study the use of social-symbolic objects as part of the firms’ efforts to shape (perceptions of) these objects.

5.2.2 Organizational work within audit firms

Professional service firms differ from other types of firms due to their organization as partnerships, the professional autonomy of firm members, and the knowledge asymmetry vis-à-vis their clients (Cooper et al., 1996; Faulconbridge & Muzio, 2008; Greenwood et al., 1990; Von Nordenflycht, 2010). These features grant professionals significant bargaining power, as their knowledge and skills are readily transferable to other firms. Audit firms also exhibit these traits. Operating as partnerships, they combine operations, management, and ownership with the role of being a partner in the firm (Greenwood et al., 1990; Smets et al., 2017). Audit firms

emphasize a decentralized level of operating control, granting much decision-making authority to partners, while centralized functions mainly entail project management and quality assurance (Cooper et al., 1996; Suddaby et al., 2009). Likewise, they are often organized based on a traditional hierarchy, shaped as a pyramid, where fewer partners exert control over larger numbers of audit staff (Andiola et al., 2020; De Vries et al., 2022).

The emphasis on professionals' autonomy also becomes apparent in the firms' decision-making (Greenwood et al., 1990). Partners in the firm "allow" some of their peers to take up leadership roles (Noordegraaf, 2015, p. 191), appointing senior partners to lead the firm, either in the national or international office. However, these leadership roles are largely symbolic rather than executive (Faulconbridge & Muzio, 2008), as the actual power for decision-making and formulating strategies lies within the offices and their partners (Greenwood et al., 1990). Combining the roles of managing the firm and being a practicing auditor requires auditors to both *offer quality* in their work and *organize for quality* in their firm (Noordegraaf, 2015). This dual responsibility requires them to become hybrid professionals (Cooper et al., 1996; Smets et al., 2017). However, although auditors might be experts in their field of practice, that is service professionals, they are not necessarily experts in managing organizations, or managerial professionals (Noordegraaf, 2011). That is, auditors are trained in standardized skills and behaviors, and they are socialized into their profession, but this training does by and large not include managerial skills. And, vice versa, professionals' preference for autonomy makes them difficult to manage, as they dislike organizational procedures and directions (Faulconbridge & Muzio, 2008).

One key area in which auditing has likely benefitted from some form of organization is that of quality control. This has become ever more important in recent decades, given mounting tensions between the notions of professionalism and commercialism (Malsch & Gendron, 2013). Where professionalism emphasizes auditors' traditional mission of protecting and

serving the public interest, commercialism reveals the incentives for auditors to predominantly serve their clients (Andiola et al., 2020; Chandler & Edwards, 1996; Dermarkar & Hazgui, 2022). These notions are no isolated matters but entail social concepts that are given meaning to by the individuals involved, through their beliefs and behaviors (Berger & Luckmann, 1966), and depend on the organizational context (Suddaby et al., 2009). Despite a plethora of scandals suggesting that a commercial focus has severely harmed professional values (Malsch & Gendron, 2013), auditors justify their commercialism in relation to their professional values as intertwined logics, questioning the tension between them (Dermarkar & Hazgui, 2022; Suddaby et al., 2009). Considerable societal and political pressures have emerged for audit firms to refocus their activities in the aftermath of incidents involving the audit profession, such as at Ballast Nedam and Imtech in the Netherlands or Carillion in the United Kingdom. These have prompted investigations to reform auditing (e.g., in the United Kingdom: Brydon, 2019; Kingman, 2018; and in the Netherlands: Cta, 2020; Kwartiermakers, 2023; MCA, 2020). These voices have variously called for “cultural change” (Kwartiermakers, 2023, p. 43), changes to the firms’ organizational structures (MCA, 2020), or even conceptual change of what an audit is or could be (Brydon, 2019). However, as yet, little is known about how audit firms have responded to these pressures internally and how these change ambitions materialize in the firm. In other words, we lack knowledge of how audit firms have attempted to embrace organizing for quality as “a central ingredient of professional work” (Noordegraaf, 2015, p. 188).

5.2.3 Research question

Prior literature on change in audit firms has mainly studied change initiatives separately and as discrete phenomena, often employing an institutional focus. For example, research has focused on globalization as a driving force for evolving forms of transnational firms (Greenwood & Suddaby, 2006), the use of new audit methodologies (Robson et al., 2007), or the development

of new assurance services (O'Dwyer, 2011). In studying firms' responses to professional change, prior literature has documented symbolic gestures (Moore et al., 2006), rhetorical strategies (Suddaby & Greenwood, 2005), or resistance strategies (Canning & O'Dwyer, 2013). Only rarely do we gain insights into firms' attempts to embrace change as a signal of progress, such as in the case of gender diversity (Kornberger et al., 2010) or when drawing on digital transformation to enhance audit work (Lajoie & Gendron, 2024). Although this literature provides rich insights into audit firms' ability to respond to changed settings and requirements, it has not explored how professional service firms seek to change their practices, behaviors, or how they approach change. Accordingly, we know little about how change materializes in the daily practices of an audit firm and how social-symbolic work is employed to affect organization-wide change. A focus on the social-symbolic objects that might enable or impede change allows us to study the discursive, material, and relational elements that audit firms mobilize in pursuing reforms. In addition, auditors' preference for autonomy, extant tensions between professionalism and commercialism, and the organizational context of professionals managing other professionals constitute a setting in which change cannot be centrally developed and decreed. Instead, it is likely to entail an intricate and dynamic process that is the subject of our study and that triggers the following research question:

RESEARCH QUESTION: *How is social-symbolic work deployed in an audit firm's attempt to change prevailing organizational practices?*

5.3 Research methods

5.3.1 Research context

Our study takes place within a Dutch branch of a Big Four audit firm. The Dutch audit profession has seen considerable upheaval in the last decade, triggered by critical inspection reports from the national audit oversight body, the Authority for the Financial Markets (AFM), auditors' involvement in a range of scandals, and government scrutiny aimed at overhauling

the regulatory framework of auditing (e.g., Detzen, 2024; Detzen et al., 2021; Gold et al., 2022; Humphrey et al., 2018). This environment has exerted significant pressure on local audit firms to engage in change initiatives to fend off or mitigate the looming government intervention. Accordingly, a range of working groups and committees have been appointed by both the professional institute, the Royal Netherlands Institute of Chartered Accountants (NBA) as well as the Ministry of Finance, to study ways in which the audit profession needs to reform to realign with its public interest mandate.²⁸ In response to a profession-wide reform trajectory (NBA, 2014), audit firms have undergone reforms to enhance both the quality of audit services provided and their organizational structures, including governance, incentive structures, and work culture (e.g., Humphrey et al., 2018).

In light of these developments in the Dutch audit profession, our focal audit firm decided in 2018 to further investigate the alleged quality shortcomings. Although the firm had already undergone considerable change in line with the profession's recommendations (NBA, 2014), these measures had not prevented additional quality findings from the oversight body (*Partner I#14*). Accordingly, the firm conducted a large, in-depth investigation, internally termed thematic root cause analysis, to better understand why the firm had not met quality standards and to identify levers for more effective reform efforts. This investigation and reform project pertained solely to the Dutch practice, aiming to initiate change measures tailored to the local context.

The analysis was coordinated by three "young partners" (*Doc#1*), including Partner I#11 and Partner I#14, and took about eight months (*Partner, I#11*). It led the group to identify several causes for the quality shortcomings. One example was that auditors' dispositions to their work, internally labeled mental models, were not fully aligned with the firm's professed

²⁸ Examples of these working groups and committees are the working group "In the Public Interest" (NBA, 2014), the Monitoring Commission Accountancy (MCA, 2020), the Commission Future Accountancy (Cta, 2020), and the Kwartiermakers (2023).

strategic focus, as auditors were seen to prioritize serving their clients and meeting deadlines at all costs, often at the expense of work quality. While this is exemplary of the commercialism-professionalism debate (Malsch & Gendron, 2013; Demarkar & Hazgui, 2022), the firm's leadership team took issue with this diagnosis and initiated a change program.²⁹ They communicated an openness to additional change initiatives conducive to shifting the firm's focus towards a "quality-driven practice" (*Doc#1*). This mission was to be achieved continuously and needed to be organized and embedded within the firm, rather than being limited to a defined set of reforms.

One notable manifestation of the change program was the establishment of an Audit Quality Team within national office. This team was tasked with initiating and monitoring quality initiatives, such as root cause analyses, a revised approach to culture and behavior, and an increased focus on business intelligence. The establishment of this team aimed to implement and institutionalize a continuous process to *organize for quality*. As will be described in more detail below, the team introduced various change initiatives. For example, it set up a program on high-performing teams, which surmised that audit quality is determined in the engagement teams. This program aimed to help teams assess how they worked together and how members perceived their team's atmosphere and culture. If needed, the program offered a set of interventions to enhance their teamwork and job satisfaction. This initiative is just one example of the range of reforms that the firm sought to implement to institutionalize its change program and quality mission. As detailed below, our empirical focus is on the various initiatives that the firm launched to investigate how social-symbolic work is deployed in the firm's attempts to change extant organizational practices.

²⁹ In this study, leadership refers to the board responsible for the firm's audit branch. Other leadership functions at the firm include the executive board, which bears overall responsibility for the firm (including the audit, tax, and advisory arms), and the supervisory board, which oversees the executive board and the partnership more widely. The latter two did not emerge as key actors in our study.

5.3.2 Data collection

Our interest in how change materializes in and is managed by the focal audit firm emerged during the first author's ethnographic study of the firm's practice of conducting root cause analyses (see Study I, Chapter three). These were set up by the firm to learn from adverse events, such as restatements or inspection findings. A recurring concern was how the insights from these investigations would be followed up and lead to meaningful change within the firm.

To gain a better understanding of what change means and how it manifests in the audit firm, the first author conducted 17 interviews with individuals identified as change actors. These individuals worked on various change initiatives in the firm or occupied a function that required them to work on change. Interviewees ranged from senior associates to partners and included both auditors and non-auditors. Since the first author has a dual role as a doctoral student and employee of the firm, she drew on her network as well as her position in the firm's national office to identify these actors, thus enabling her to collect unique insider information.³⁰ Her affiliation with the firm also meant she had prior knowledge of certain change initiatives and shared a common understanding of the firm's way of operating. We did not use standardized interview scripts; instead, we allowed the interviewees to guide the conversation on what change means to them, how they experience it, and how they seek to shape it.³¹ This approach creates more opportunities for uncovering new insights and concepts (Gioia et al., 2005). Such analytical interviews require the interviewer to be open to new themes and to carefully listen to an interviewee's perspective, rather than following a meticulously developed interview plan (Kreiner & Mouritsen, 2005). Furthermore, they entail more interaction between interviewer and interviewee, multi-directional learning, and the pursuit of new meaning (Kreiner & Mouritsen, 2005). This approach meant that each interview built on the previous

³⁰ The firm approved the study and informed consent was gathered from the interviewees. The study also received approval by the Institutional Ethics Review Board of the university with which the authors are affiliated.

³¹ The interviews were conducted in Dutch and transcribed verbatim. Most of the documents and observations were in English, as the firm strives to cater to its large number of non-Dutch employees.

one(s) and that “interview questions must change with the progression of research” (Gioia et al., 2005, p. 20).

We deemed such an inductive approach to data collection suitable because the subject of our study appeared elusive. That is, while the Audit Quality Team was most involved in change initiatives, no particular function, unit, or department within the firm seemed to coordinate all change initiatives, reflecting the decentralized nature of professional service firms (Greenwood et al., 1990). Change appeared omnipresent, and it was unclear where or with whom it started or ended. As a result, our interviewee sampling approach relied on snowballing, as we continuously asked interviewees to refer us to further informants on the firm’s change program. Our final set of 17 interviewees includes those actors who influence how change is conceived, approached, and materializes at the firm (see Table 5, Panel A). Most interviewees worked from a centralized team, such as national office. Six interviewees primarily worked in audit practice and combined their audit roles with being change actors. Although the interviewees varied greatly in their positions and seniority, they all occupied significant roles in the firm and were in some capacity involved in developing and implementing change initiatives in the firm.

We concluded our interviews when we received no additional referrals and could not identify other relevant actors to gain further insight into our research object. We are confident that we reached saturation because we developed an in-depth understanding of our empirical phenomenon towards the end of our interviewing process. Beyond our interviews, we substantiated our emerging empirical insights through triangulation by drawing on a small set of observations and internal documents (see Table 5, Panel B).

| Nr. | Role | Working in audit practice | Level | Years of experience | Length |
|------------|---|--|---------------------|--------------------------------|---------------|
| I#1 | System of Quality Management | | Director | 14 | 01:11 |
| I#2 | Quality Improvement Process | | Senior manager | 33 | 01:00 |
| I#3 | Root Cause Analysis | | Senior manager | 26 | 01:02 |
| I#4 | Change Actor in audit practice | ✓ | Partner | 25 | 01:01 |
| I#5 | Quality Improvement | | Senior associate | 5 | 01:04 |
| I#6 | Culture and Behavior | | Manager | 19 | 01:04 |
| I#7 | Culture and Behavior | | Director | 18 | 01:08 |
| I#8 | Compliance Office | | Director | 26 | 01:08 |
| I#9 | Compliance Office | | Senior manager | 15 | 01:37 |
| I#10 | Culture and Behavior | | Senior associate | 7 | 01:10 |
| I#11 | Quality Improvement | ✓ | Partner | 23 | 01:02 |
| I#12 | Senior political advisor | | n/a | 26 | 00:47 |
| I#13 | Change Actor in audit practice | ✓ | Senior manager | 15 | 01:11 |
| I#14 | Culture and Behavior | ✓ | Partner | 25 | 01:07 |
| I#15 | National Office | ✓ | Partner | 25 | 01:07 |
| I#16 | Young Professional in audit practice ³² | ✓ | Manager | 7 | 01:05 |
| I#17 | Quality Improvement | | Director | 33 | 01:08 |

Panel A: Interviews

³² The interviewee was a member of the firm's board of young professionals, being appointed to convey insights to leadership on attitudes among audit staff.

| Nr. | Topic | Pages |
|-------|--|-------|
| Obs#1 | Meeting with change actors at national office | 3 |
| Obs#2 | Opening presentation by leadership at firm-wide event on audit learning | 4 |
| Obs#3 | Webcast by leadership on the new fiscal year | 14 |
| Obs#4 | Training on team performance for the root cause analysis team | 6 |
| Doc#1 | Introduction to the firm's in-depth investigation ('Thematic Root Cause Analysis') | 6 |

Panel B: Other data

Table 5: Overview of data collection

5.3.3 Data analysis

Our data analysis began with the broad question of how change manifests in the audit firm. To gain an in-depth understanding of our empirical data, we used the Gioia method (Gioia et al., 2012). We started with a close reading of the transcripts and embraced an open, inductive approach to the data. This approach also considered the first author's position within the firm, which could potentially obscure and distort findings by introducing bias into the data collection (Fine, 1993). To mitigate any such concerns, the authors comprehensively discussed the interview transcripts as they were completed. These discussions helped develop new themes for subsequent interviews and allowed the first author to reflect on her personal experiences and affiliation with the firm. This process fostered ongoing awareness of the first author's role and maximized the benefits of her immersion in the firm.

We began coding the transcripts while data collection was ongoing, using a purely inductive approach. In coding, we adhered to the terminology used by the interviewees to stay close to the language of the firm and the interviews. This process generated more than 300 inductively developed codes, which we consolidated based on comparisons and identifying differences and similarities to create suitable descriptors. This iterative process eventually yielded a set of 18 first-order concepts, which we conceptualized into six second-order themes that tie together the first-order concepts on a more abstract level. As a broader narrative emerged from this analysis, we captured these themes in three umbrella constructs (see Figure

2). First, we show how change is a continuous process that requires the firm to constantly manage, rationalize, and respond to different, potentially conflicting signals. Second, the resulting change initiatives are foremost run by auditors and for auditors. Third, change within the audit firm materializes through social-symbolic objects, but is also bound by forms of change that seem attainable, thereby revealing a disconnect between change ambitions and the implementation of change initiatives.

In the process of consolidating and analyzing our first-order concepts, we were drawn to the importance of change in the firm's daily practices, the contests about the meaning of change, and the firm's nature as a professional network in the form of a partnership. These impressions led us to the literature streams on social-symbolic work (e.g., Lawrence & Phillips, 2019; Rallens et al., 2023) and professional service organizations (e.g., Cooper et al., 1996; Greenwood et al., 1990; Noordegraaf, 2015; Von Nordenflycht, 2010), which we subsequently sought to engrain into our analysis and conceptualization of the empirical data. That is, in abstracting from the first-order concepts, we went back and forth between our data and the literature to develop the second-order themes and, finally, our umbrella constructs. Through this abductive process, we developed the theoretical framework outlined in the prior section and went back to the empirical data, with a view to interpreting our interview data theoretically and further conceptualizing our emerging findings.

| 1st order | 2nd order | Umbrella constructs | | | | | | |
|--|--|--|--|--|--|--|--|--|
| <table border="1"> <tr><td>Generating signals from within local firm</td></tr> <tr><td>Requirements from global network</td></tr> <tr><td>External signals from oversight body, regulation, media</td></tr> </table> | Generating signals from within local firm | Requirements from global network | External signals from oversight body, regulation, media | <table border="1"> <tr><td><i>Continuous stream of interacting change signals</i></td></tr> </table> | <i>Continuous stream of interacting change signals</i> | <table border="1"> <tr><td>Change as continuous process that needs to be directed</td></tr> </table> | Change as continuous process that needs to be directed | |
| Generating signals from within local firm | | | | | | | | |
| Requirements from global network | | | | | | | | |
| External signals from oversight body, regulation, media | | | | | | | | |
| <i>Continuous stream of interacting change signals</i> | | | | | | | | |
| Change as continuous process that needs to be directed | | | | | | | | |
| <table border="1"> <tr><td>Aligning conflicting signals and demands</td></tr> <tr><td>Leadership priorities for change initiatives</td></tr> </table> | Aligning conflicting signals and demands | Leadership priorities for change initiatives | <table border="1"> <tr><td><i>Responding to and prioritizing change signals</i></td></tr> </table> | <i>Responding to and prioritizing change signals</i> | | | | |
| Aligning conflicting signals and demands | | | | | | | | |
| Leadership priorities for change initiatives | | | | | | | | |
| <i>Responding to and prioritizing change signals</i> | | | | | | | | |
| <table border="1"> <tr><td>Change as an additional role</td></tr> <tr><td>Locating change in the firm's hierarchy</td></tr> <tr><td>Changes through the organization's demography</td></tr> </table> | Change as an additional role | Locating change in the firm's hierarchy | Changes through the organization's demography | <table border="1"> <tr><td><i>Change is steered by and for auditors</i></td></tr> </table> | <i>Change is steered by and for auditors</i> | <table border="1"> <tr><td>Auditors as change agents that conciliate change with the firm's audit logics</td></tr> </table> | Auditors as change agents that conciliate change with the firm's audit logics | |
| Change as an additional role | | | | | | | | |
| Locating change in the firm's hierarchy | | | | | | | | |
| Changes through the organization's demography | | | | | | | | |
| <i>Change is steered by and for auditors</i> | | | | | | | | |
| Auditors as change agents that conciliate change with the firm's audit logics | | | | | | | | |
| <table border="1"> <tr><td>Translating and diffusing change within the firm</td></tr> <tr><td>Being attuned to daily practice</td></tr> <tr><td>Mustering people's willingness to change</td></tr> </table> | Translating and diffusing change within the firm | Being attuned to daily practice | Mustering people's willingness to change | <table border="1"> <tr><td><i>Making change auditable</i></td></tr> </table> | <i>Making change auditable</i> | | | |
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| Mustering people's willingness to change | | | | | | | | |
| <i>Making change auditable</i> | | | | | | | | |
| <table border="1"> <tr><td>Creating or abandoning roles and teams</td></tr> <tr><td>Using revised language</td></tr> <tr><td>Adopting new KPIs and reports</td></tr> <tr><td>Emergence of new behavioral patterns</td></tr> </table> | Creating or abandoning roles and teams | Using revised language | Adopting new KPIs and reports | Emergence of new behavioral patterns | <table border="1"> <tr><td><i>Materialization of change in practice through social-symbolic objects</i></td></tr> </table> | <i>Materialization of change in practice through social-symbolic objects</i> | <table border="1"> <tr><td>Targeting social-symbolic objects to drive change and meeting the limits to attainable change</td></tr> </table> | Targeting social-symbolic objects to drive change and meeting the limits to attainable change |
| Creating or abandoning roles and teams | | | | | | | | |
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| Adopting new KPIs and reports | | | | | | | | |
| Emergence of new behavioral patterns | | | | | | | | |
| <i>Materialization of change in practice through social-symbolic objects</i> | | | | | | | | |
| Targeting social-symbolic objects to drive change and meeting the limits to attainable change | | | | | | | | |
| <table border="1"> <tr><td>Limits to depth and breadth of change</td></tr> <tr><td>Measurable, action and task-focused approach</td></tr> <tr><td>Short-term perspective</td></tr> </table> | Limits to depth and breadth of change | Measurable, action and task-focused approach | Short-term perspective | <table border="1"> <tr><td><i>Boundaries to attainable change</i></td></tr> </table> | <i>Boundaries to attainable change</i> | | | |
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| Short-term perspective | | | | | | | | |
| <i>Boundaries to attainable change</i> | | | | | | | | |

Figure 2: Data structure

5.4 Empirical findings

In this section we elaborate on the three umbrella constructs identified in our data structure (see Figure 2). Accordingly, we discuss how change manifests as a continuous process, how auditors become change agents, and how change materializes through social-symbolic objects.

5.4.1 Change as a continuous process that needs to be directed

Continuous stream of interacting change signals

As noted in the research context, our focal firm sought to shift from a client focus to prioritizing the quality of its audit services. As part of this shift, the firm developed a professed openness to taking up salient change signals to develop initiatives that would help in its transformation.

Our interviews revealed that such reforms could be triggered by various cues:

We are talking about a lot of different developments, both internally and externally, that have an impact on the work we do, not only on the content of the work we do, but also on how we work together. (*Senior manager, I#3*)

First, *change signals are generated from within the local firm*, such as through internal quality reviews of audit engagements, the firm's system of quality management, or root cause analyses (*Partner, I#15*). These sources provide insights into the nature and level of identified quality shortcomings in audit practice and point to causes of these findings that may signal a need for change (*Partner, I#14*). Another channel through which change signals emerge are internal "ambassador networks," which include employees with a common interest in topics such as diversity, innovation, or change (*Senior associate, I#10*). Additionally, employee surveys are used to gain an understanding of what is happening in audit practice. Such surveys have, for example, been used to gauge employees' psychological safety, satisfaction with career opportunities, or the extent to which they experience an inclusive environment and a sense of belonging at work. Yet, as we discuss later, while these signals can trigger change initiatives, they provide only a partial view of practice and hence require interpretation.

Second, *requirements from the firm's global network of member firms* may also signal a need for change. Although the local firms have a large degree of freedom to take decisions for the respective branch (*Partner, I#11*), in line with the decentralized character of a professional partnership (Greenwood et al., 1990), membership in the international network comes with certain requirements. These regularly entail the adoption of new or revised material social-symbolic objects, such as KPIs (*Director, I#7*) or templates for quality management (*Director, I#1*):

We receive guidance from the [global] network almost monthly, which we have to process again, and we have to revise our own procedures, templates, and the way of documentation. (*Director, I#1*)

Despite this guidance, auditors' inclination towards autonomy and their contempt of centralized directions (e.g., Cooper et al., 1996; Greenwood et al., 1990; Noordegraaf, 2011) seemingly imply that any given social-symbolic object needs to be interpreted and

implemented in the local context. This is evident in updates of “procedures, templates, and the way of documentation” which are perceived as a compliance-type of requirement (*Director, I#1; Senior manager, I#3; Senior manager, I#2*):

I am probably exaggerating, but in the past, it was really purely focused on our [reporting] obligation to global (...) And there was just a template for that, which we filled in. Then I think once a year we were asked: “How far are you, what have you done?” That was it! So, it was more of a compliance exercise maybe, rather than something we embraced as our own process. (*Senior Manager, I#2*)

The lack of local ownership of these requirements hence led to a mechanical, or symbolic, adoption. At the same time, when such ownership was taken and global requirements were “embraced,” local practice could also be impacted, as we show below.

Third, *external signals from the oversight body, changes in regulation, or media attention* might trigger change. This has been a major factor for the firm, given the close scrutiny of the Dutch audit profession over the past decade (Detzen, 2024; Gold et al., 2022). Accordingly, any such signals have developed particular force, for example in terms of the firm’s working culture:

It is also driven by the oversight body [who asks us]: “How do you develop a culture and behavior program? How do you ensure that people have enough time for reflection to deliver good quality, that they are not overworked and rush through various tasks?” And so the regulator also has been a very big driving force behind [such change initiatives]. (*Senior manager, I#9*)

This regulatory pressure has led to the establishment of culture programs as well as investigations into the firm’s prevalent culture. Similar signals arise from (changes in) regulation, such as mandatory firm rotation (*Partner, I#4*), the revision of audit standards, such as ISA 220 on quality management at the engagement level (*Manager, I#16*), or the implementation of the European Union’s Corporate Sustainability Reporting Directive (CSRD) (*Director, I#17*). While some of these changes require limited and often technical changes that are made through training sessions or adjustments in audit workpapers, others have broader implications. For example, mandatory firm rotation had a significant impact because “suddenly a lot of big [audit] engagements vanished and a lot of [other, new] big engagements suddenly

had to be staffed” (*Partner, I#4*). This triggered internal changes in the firm’s planning procedures, leading to the centralization of engagement staffing at the business-unit or even national level.

External signals are also an important conduit for the firm to convey the urgency of change initiatives. Some interviewees even argued that external pressure is needed for change to materialize in the first place:

I think we need a strong push from the outside before we start doing [something]. And only when we get going, I think we realize that it is indeed something positive. (*Director, I#8*)

I think that sometimes we also need pressure, and what that pressure should be, I don't know. [Following the outbreak of the war in Ukraine,] why was everyone suddenly able to save a lot more gas and electricity when the energy bill went up? Suddenly it was possible. Make a pack of cigarettes 30 euros and I bet that more people will quit. Then suddenly it's all possible because you see, as long as it doesn't hurt too much, we will continue to do whatever we do. (*Partner, I#11*)

In sum, we argue that the firm is exposed to manifold change signals from various sources. These signals are often entangled and arise in a continuous stream, necessitating careful management and response, as will be illustrated in the following section.

Responding to and prioritizing change signals

As the firm sifts through potential triggers for change, it needs to *align conflicting signals and demands*, which represents a “complex dynamic” (*Senior manager, I#3*):

It’s all about the interaction [of signals]. You hear and see things from outside the firm, whether it is client inquiries, regulations, the regulator, and you hear and see things from inside, where there are also dynamics continuously at play. And when people say that certain things don’t work or do work, it is because of a combination of those [signals] that often lead to change. (*Partner, I#15*)

You want to provide the best service possible to your clients, on the one hand. But on the other hand, you also have to deal with regulators and their increasing pressure, and with the global organization, which of course also has another body overseeing them. (*Senior manager, I#9*)

Internal signals might hence lead the firm to go one way, whereas the regulator expects another path, necessitating the firm to prioritize among different signals. One salient notion from the interviews was that the firm’s auditors find documentation requirements excessively high, contributing to an overwhelming workload. In contrast, the regulator takes the opposite

position and demands even more thorough audit workpapers. The strong external pressures in the Dutch audit profession play a significant role, seemingly prioritizing external signals, possibly at the expense of internal ones. As one interviewee noted, “90 percent of our change [initiatives] are driven by external forces” (*Senior manager, I#13*).

In responding to the different signals, the firm constantly assesses how these require responses in line with the demands placed on it. Our interviewees broadly acknowledge the firm’s (and the Dutch profession’s) apparent shift over the past decade from a more commercialist orientation to a stronger focus on professionalism. This shift also influences how signals are assessed within the firm. One interviewee ascribes these changes to the firm’s reform programs since 2014:

You see, we used to prioritize profit, but that has been replaced by [a focus on] audit quality. This change [program] has had a significant impact [on the firm]. It changed executive discussions, trainings, and [audit] programs, making us focus on quality and not on other things. We have made a huge leap forward. You can see [the impact of the reforms] when you compare audit files before and afterwards. (*Partner, I#11*)

As the dichotomy between professionalism and commercialism appears to be at least in part socially constructed (Dermarkar & Hazgui, 2022; Malsch & Gendron, 2013), this quote reveals how the professed re-focusing of the firm’s priorities took shape through social-symbolic objects, such as “discussions, trainings, and [audit] programs,” which affected how the audit work was conducted.

At a certain moment, however, there seemed to be a realization that the firm’s auditors had become overly focused on their audit files, at the expense of developing an in-depth understanding of clients, such that “[our auditors] are good at documenting but cannot communicate with the client” (*Senior manager, I#13*). This apparent reconsideration of the firm’s priorities also took on a discursive note (Lawrence & Phillips, 2019), giving rise to what the firm calls a focus on “business acumen,” meaning an in-depth understanding of clients’ businesses. Accordingly, profit is reframed as enabling, rather than juxtaposing quality, thus

intertwining a professionalism and commercialism perspective (Dermarkar & Hazgui, 2022).

As a result, the firm needs to be profitable to do quality audits:

We cannot be societally relevant if we do not earn enough money to invest in the development of our people. We must be sufficiently profitable. (*Partner, I#11*)

This reframing of profit in relation to quality seems to have led to a shift in the firm's focus:

[Throughout the past decade] we had to say: "We are fully committed to quality and therefore we have not looked at our budgets, and we have not looked at our clients either." (...) This has been changing in the past year. We need to be more outgoing again, not to sell something to the clients, but to society and demonstrate what we can do. The pendulum is indeed starting to swing back a bit. We have achieved our goals in terms of quality, at least, the quality is good, and we need to maintain that, but that gives us the opportunity to look beyond [such a quality focus]. (*Partner, I#14*)

In line with the idea that many issues recur within the audit profession (Chandler & Edwards, 1996), our interviewees use metaphors such as "pendulum" and "waves" to connote that the audit firm is in a continuous state of change, requiring it to assess signals in line with its strategic priorities and outside demands.

Accordingly, the firm's *leaders need to set priorities for change initiatives*, to "decide on which issues you want to focus" (*Partner, I#4*). Despite the decentralized character of the firm (Greenwood et al., 1990), determining priorities is the responsibility of the firm's leadership team and is therefore dependent on the composition of that team:

I think that having a vision [on change] is an important factor: the vision of the firm's leadership, my vision, or that of the national office management team. There is a risk in that as well (...), because many change initiatives and improvements primarily depend on the perspectives of one or a few individuals. And you can always find signals that confirm your own view. Maybe you let your view prioritize the signals [in the form of motivated reasoning]. (*Partner, I#15*)

This suggests that the views of key individuals determine the firm's change trajectory. These views may also differ and, in turn, a change in firm leadership may trigger a shift in priorities:

When [leadership] changes, new plans need to be written, and they want to leave behind the old ones: Out with the old, that's done, and in with the new. It's very strategic. (*Manager, I#6*)

You have leaders who focus on their tenure, just as politicians, where you see that a leader wants to achieve something in his or her term. (*Director, I#7*)

As new organizational leaders use change initiatives to signal new leadership, they mobilize different change signals to rationalize their agendas. Subsequently, as priorities are (re-)set by different leadership teams, the plethora of potentially contradictory change signals as well as initiatives may lead to ambiguity as to what is expected of the firm's auditors. One salient example relates to the tension between the firm's growth ambitions and an initiative that required auditors to accept clients only after careful assessment:

I get that [confusion]! If I was a partner, I would say the same: "What is this? You want me to grow and generate more revenue, but now you also want me to be more selective in accepting clients?" (*Director, I#17*)

Such conflicting priorities are said to result from leadership's insufficient prioritization:

You constantly hear about these conflicting priorities. (...) It means that [leadership] has too much on their plate, they are not good at choosing real priorities, which leads to them speaking of conflicting priorities. No, you just have to choose one, two, three, four, five, that's a priority. If you don't choose, you are in fact also choosing, but [ambiguity]. (*Manager, I#6*)

In sum, in sorting through the different change signals, the firm appears susceptible to ambiguity as a result of a variety of change signals and initiatives. In a context where power is distributed informally among the firm's autonomous professionals (Greenwood et al., 1990; Von Nordenflycht, 2010), this may undermine the firm's reform trajectory, as social-symbolic objects take on contradictory meanings or misalign. This implies that it falls to change actors to enhance the firm's change focus, as we will show next.

5.4.2 Auditors as change agents that conciliate change with the firm's audit logics

Change is steered by and for auditors

Our analysis reveals that the firm's change initiatives are predominantly managed internally, with its auditors assuming the role of change actors. Interviewees convey that *change is an additional role* taken on alongside their primary role as auditors. This role duality results from the enormous value the firm places on conducting audits:

You also see that the leadership team still do audits for clients. They think this is important, because they feel they should not be isolated in an ivory tower, and they want to understand what's happening in practice. (*Senior manager, I#13*)

There appears to be a presumption that the firm's assurance arm is made up of auditors and, in turn, that practicing auditors also run the firm. Consequently, the firm's auditors "wear different hats," assuming various roles next to their day-to-day audit work, such as being "the HC [Human Capital] partner, Operations partner, and Quality partner" (*Partner, I#4*). As auditors "do everything themselves" (*Senior manager, I#13*), they become hybrid professionals, combining professional work and managerial control (Noordegraaf, 2011; 2015). While these additional roles are considered important, it transpires that auditors' primary focus remains on their professional work, with other roles needing to be managed alongside. Change initiatives are organized similarly, regardless of whether they entail longer lasting or temporary projects (*Partner, I#4*). It appears, though, that the time spent on the additional roles is limited:

[Generally,] 70 or 80 percent [of the time] is about one's primary [audit] role and [on top of that] there is the need for quality improvement [and] change initiatives, to develop those, and they are focused more on the long term. (*Partner, I#15*)

Organizing change roles in addition to one's primary role has three important consequences. First, change actors have an in-depth understanding of practice, or the "audit logic," which is the way things are done at the firm. They can thus relate initiatives to daily operations and have credibility within the firm, which in turn may enhance both the fit of and the level of support for the change (*Partner, I#15*). This credibility seems essential, especially in a context where power is distributed informally (Faulconbridge & Muzio, 2008), making successful change dependent on agents' ability to persuade their fellow auditors. Second, change actors tend to prioritize their primary roles, which potentially compromises the speed and/or quality of change initiative progress (*Partner, I#15*). Third, change actors that are foremost auditors might lack experience in implementing change initiatives:

I think we are too one-dimensional in our organization, because when you only have auditors in your leadership, you have a very one-dimensional worldview, you know, they all come from that command-and-control world. (*Director, I#8*)

I don't think it's that difficult, but it is [difficult] if you think you as an auditor can manage change, because you can't. You really need some help from people who specialize in this: What steps do I need to take in this [change] process to inspire and guide people? How do I get them into the right mindset? (*Partner, I#4*)

The actors justify their additional responsibilities for change based on the decentralized characteristics of the professional partnership (Cooper et al., 1996; Greenwood et al., 1990). However, this may create difficulties, given that auditors are not necessarily trained as managerial professionals (Noordegraaf, 2011). In our setting, it might also establish boundaries to change, as will be discussed later in the paper.

Another complicating factor in effecting change is *locating change in the firm's hierarchy*. This begins with conflicting perceptions of where the power to change the audit firm resides. One interviewee likened the partnership to a shopping mall in which partners run their own stores (*Director, I#17*). Similar to such entrepreneurs, partners are responsible for their clients, teams, and revenue streams. Yet their work is located within the broader construct of the partnership, necessitating leadership to keep the arrangement operational. The ensuing power balance and mutual dependence between individual “stores” and the “mall” resonates with the question of centralization versus decentralization within audit firms (Cooper et al., 1996; Faulconbridge & Muzio, 2008; Greenwood et al., 1990):

There is always a discussion about [power] in a matrix organization of partners. How many independent, stubborn people do you want to put together and ask for an opinion? [...] “Who else has an idea?” That's hopeless! (*Partner, I#11*)

Audit partners, with their considerable “experience and confidence in the firm” (*Partner, I#14*), are unlikely to become passive bystanders but need to be led in a manner they can understand (*Partner, I#4*). Subsequently, these partners have to convey this change to lower-level auditors, because “[t]he great power for change actually lies not so much with leadership (...) but rather with the people who do the work in practice” (*Manager, I#6*). This quote conveys a practice view on change (Jarzabkowski et al., 2007) and suggests that change can only be conceived by leadership but needs to be embraced by the partners as well as audit practice:

You need people from practice, that is associates [and] managers. They understand what really happens in practice, because I obviously don't understand half of what goes on in the teams. (*Partner, I#4*)

The firm appears to recognize that change initiatives need to be embraced by the different levels of the firm's hierarchy, as it has taken attempts to involve all ranks, such as by mobilizing the board of young professionals or ambassador networks:

We had set up the change network in the same way, [to have] antennae in the business units, where we gather insights from the firm, asking: "What is important? What is going on?" Then you have five people per business units who are the frontrunners to contribute to and work on initiatives. (*Partner, I#14*)

Such a decentralized approach seeks to ensure that change is developed in proximity to practice, even though the different perspectives might turn out to be irreconcilable (*Manager, I#16*).

In addition, auditing is described as a people's business, implying that change may also be realized *through changes in the organization's demography*. Auditors were described as a community whose members work together closely within their teams and thus develop a shared understanding of their work (*Director, I#8*). "In principle, all our auditors by and large deal with the same issues, they encounter the same things" (*Partner, I#15*), meaning that they are schooled, trained, and experience their work in similar ways. Although this shared background and understanding might connect the auditors, making them feel like "fellows" amongst each other, it also implies a lack of new perspectives that appears to be essential for change. These new perspectives may rather come when new cohorts of people enter the firm, bringing along new attitudes and ways of thinking along with these cohorts' *zeitgeist* (Durocher et al., 2016): "You see this new generation coming in and they know quite well what they want and what their boundaries are" (*Manager, I#16*). Such a clash between generations also triggers incumbents to reflect on their ways of working:

I recently had a conversation with a female partner, who is still young, and I had heard that she used to be really hardcore, working hard, [being] tough, no kids, only [focusing on her] career (...) She told me: “Yeah, well, I’m in a conversation with a Senior associate who tells me they won’t do [overtime]. And then I thought: ‘Really, wait a minute... Who’s the crazy one here? Is it them or is it me?’” So, gradually there is a realization that maybe the way in which the world [currently] works is not the only way it works. And if we don’t learn from the new generations, well, then it will be tough for [the organization]. (*Manager, I#6*)

Such confrontations might lead to changes in mindsets among the firm’s incumbent auditors and hence also change work practices. In this sense, new auditors can become drivers of change at the firm:

I even dare to say that a large part of our cultural change comes from turnover. If you look at who has left [the firm] in the past five years and which people have been promoted to director or partner levels in those five years, you see that their profiles are different. [This is also how] you actually change and reinforce your culture. (*Partner, I#14*)

When [name] was going to stop as head of audit, we deliberately searched for someone like [the new chief auditor], with a completely different profile, because that’s where we wanted to go as national office. So, they indeed tap other people, with a different signature. (*Partner, I#15*)

Changes in the firm’s demography might stem from newcomers, turnover, and a promotion policy that prioritizes desirable traits. Even when auditors are not coordinating change initiatives, they can become change actors as their dispositions and conduct may come to constitute new reference points within the firm’s social system.

Making change auditable

One of our key findings is that the change initiatives need to be translated to fit the firm’s audit logics and be diffused to the different parts of the firm. Invoking Power (1996), we argue that they need to be made auditable. To *translate and diffuse change within the firm*, any initiative needs to be tailored to specific local needs, in line with the decentralized structure of the firm (Faulconbridge & Muzio, 2008). This entails the translation of global requirements to the local setting (*Director, I#1; Senior manager, I#2*) and the translation of firm-wide initiatives to the assurance arm or specific business units (*Partner, I#4*), the different departments within the business units (*Director, I#17*), and the different hierarchical levels (*Manager, I#16*). Translation is needed because “terminology, such as care and recognition, quality, safe learning

environment and growth mindset, [or] realistic planning [...] have very different meanings for different people” (*Senior manager, I#2*). However, it appears that translation and diffusion are not always addressed thoroughly:

[They would send] a little template, in an email. And good luck with it! ... Yeah, try changing deeply rooted belief systems like that... (*Senior associate, I#5*)

If you just throw [change] over the fence and don't follow up on it, nothing will happen. (...) We're really good at that! We do it 90 percent of the time. (*Partner, I#4*)

Despite the apparent awareness that the firm needs to engage in social-symbolic work to give the objects (i.e., templates, email) meaning, interviewees conveyed instances where this was not done appropriately:

There is simply a lot lost in translation and that's why I am increasingly trying to find the right language [for us] as a culture and behavior team, [that is] the language that [audit practice] understands. [However,] I never know if they fully understand [what we try to convey]. (*Senior associate, I#10*)

The interviewee, who is not an auditor, acknowledges that language use in the culture and behavior team differs from that of auditors and may therefore be ambiguous or not easily understood. Another example was the implementation of a new IT system that was intended to simplify engagement-level risk management procedures. However, there seemed to be a misalignment between the intended and actual meaning. One interviewee acknowledged that practice was never made aware of why the system was implemented and thus did not appreciate the attempt at simplification (*Manager, I#16*). This misalignment diminished not only the effectiveness of the initiative, but it also decoupled the practice from its goal.

Ensuring that change initiatives diffuse throughout the firm requires social-symbolic work, which includes the discretion to act as one deems appropriate for initiatives to gain traction: “I took a lot of liberty [in deciding on change] and never got any comments” (*Partner, I#4*). This discretion is also actively provided, for example in the case of the initiative on high-performing teams:

We created all these [interventions], but [the teams] have to take that step themselves. Of course we'll help them, with supporting and facilitating means, but it's up to them. (*Manager, I#6*)

The program on high-performing teams provided interventions, such as exercises to enhance a team's feedback culture and discussion guidelines on fostering a positive working climate. The initiative was further diffused throughout the firm by deploying coaches and ambassadors from practice to ensure that "change and attention will follow" (*Partner, I#14*). This trickle-down approach is also used with other change initiatives, such as enhancing psychological safety. In this case, "a combination of different [training] sessions by the culture and behavior team" was organised, first "informing our partner and director group" and then "influenc[ing] managers and senior managers" (*Partner, I#4*). Central coordination thus does not mean imposing new practices, but rather seeks voluntary adoption and diffusion through the business units and audit teams.

Making change auditable also implies that change initiatives are *attuned to daily practice*, to enhance the likelihood of adoption:

I may be simplifying it now, but [leadership] is very busy with all kinds of changes, projects, and plans. But for whom? Practice keeps thinking: "I am busy enough already." (...) And all these changes, plans, and everything, that's nice but in the end, practice actually has to take them up and apply them. (*Senior manager, I#9*)

Audit practice occupies a crucial role in embracing or disregarding the different initiatives. Even though change actors still work in practice and are thus familiar with the day-to-day business (*Partner, I#15*), the goals of the change initiatives do not always fit this practice. "[Change] might be conceived in a particular department, and it looks good on paper, and because they made it up, they support it, but does it gain sufficient traction in practice?" (*Senior manager, I#13*). Given that audit practice "is very resistant" (*Partner, I#14*), well-intended initiatives might be at conflict with the realities of engagement teams:

[Practice] hears what leadership says, everybody sends these emails to practice and then you speak with people, through focus groups or so, and then you think: (...) 'That doesn't match [with what happens in practice]'. (*Director, I#7*)

This decoupling may lead to cynicism and frustration:

It can be very frustrating when you get these nice messages from leadership, but you see something completely different on your teams! (*Director, I#7*).

In other cases, change initiatives even defeat their purpose. Returning to the example of the outsourcing initiative, an interviewee recounted how foreign colleagues were assigned to Dutch-language audit teams:

It's amazing that that is possible! They speak English, they can't read Dutch, they don't speak Dutch either! (...) They don't have to. But when I am auditing [a local client] and you tell me I have to outsource a certain percentage to these [colleagues] who can't read or document in Dutch... That means somebody from the engagement team, who probably never reads, speaks, or writes in English, needs to coach this colleague in English on subjects they're not familiar with, such as the Dutch healthcare system. (...) They both learn a lot, but it's no use for them. Let them work on [something more useful]! (*Partner, I#11*)

These examples show how the change initiatives failed to attune to auditors' daily practice, thus leading to inadequate implementation or unintended outcomes.

Beyond translating and diffusing a given change initiative and attuning it to audit practice, we suggest that *people's willingness to change needs to be mustered*. This entails not just the ability to implement an initiative, but also attempts at enrolling people and appealing to their understanding of the firm's mission by creating a sense of urgency to adopt a measure. Resonating with the prevalence of autonomy in a partnership (Von Nordenflycht, 2010), auditors do not easily accept imposed changes but want to understand the underlying reasoning and be convinced of the path taken (*Director, I#1*). For example, when the leadership team discussed their strategic plans for the upcoming fiscal year, they adopted new terminology, which was met with some skepticism in the audience, as one participant noted sarcastically: "I finally knew all the previous words, and now we have all these new ones!" (*Obs#3*). This is indicative of the need to make change understandable, but also of a sentiment that the firm is meeting the limits of how many change initiatives it can undertake:

How can you expect people to keep having that ability to adapt, if you keep bombarding them with new things they have to do? I think we should ask ourselves very critically whether we shouldn't just do fewer things, because that often is a very good solution—to simply do less. (*Senior associate, I#5*)

At the same time, interviewees agreed that the audit firm operates in a dynamic environment, which requires the firm and its auditors to constantly adapt. Accordingly, the firm's change

actors try to fit the different initiatives within this broader picture, enabling practicing auditors to understand their roles in the change initiatives:

I try to make links between [change initiatives], so that people understand that it all adds up, rather than being some unrelated thing that you have to do, making it a bigger burden. No, together it helps to improve quality. (...) People thrive when they understand how it fits a purpose. But if we don't explain it well, they'll lose that sense of purpose, too. (*Manager, I#6*)

Most of our people are very willing, are enthusiastic, want to understand what they are doing and if you've explained this well, they will do it too! (...) The tricky thing is to [be able to] reach them even when it's hectic, explain why you think it's important, and why you want them to help you reach that goal. (...) The benefit of [working in this audit firm is that] we are all well-educated, super intelligent, and hard-working. If we really want something, we'll get it done. (*Partner, I#4*)

Adaptability hence depends on auditors' understanding of the firm's mission. If combined with a sense of urgency, auditors are said to be willing to subscribe to a given change initiative:

There is a correlation between a sense of urgency and change. Look at COVID. A lot of things that were not possible before [the pandemic] suddenly became feasible, because we had to, we had no other choice. If it wasn't for COVID, these changes would have probably taken us five years or so, such as virtual global calls. (*Director, I#7*)

People want to help. We have very smart people working with us and the moment you'll call them and explain to them the importance and necessity [of the change], appeal to their emotions, people are willing to help. (*Senior manager I#13*)

Appealing to people's understanding of the broader change trajectory hence seems essential to justify the manifold initiatives that the firm has launched and to gain support from the auditors. This underlines the discursive and relational elements of social-symbolic work (Lawrence & Phillips, 2019; Rallens et al., 2023), which return in the next section that discusses the use of social-symbolic objects in realizing change.

5.4.3 Targeting social-symbolic objects to drive change and meeting the limits to attainable change

Materialization of change in practice through social-symbolic objects

In realizing change, the audit firm focuses on social-symbolic objects. One way in which change manifests is the relational element that constitutes organizations (Lawrence & Phillips, 2019), as the firm frequently *creates or abandons roles and teams*. For example, by establishing the Audit Quality Team, the firm signaled commitment to its revised mission, by

way of naming the team, giving it a dedicated function in national office, assigning it approximately 40 people, and mandating it to devise measures targeted at improving audit quality within the organization:

We now have the [Audit Quality Team] within national office. [This] makes us look at things differently and consider them more important. (*Senior manager, I#2*)

And we also see that the [ambition to be a] learning organization is embraced more [throughout the firm]. That's also why we have a project group *Building a Learning Organization*. This wording aligns very well with the [firm's objective]. (*Senior manager, I#3*)

As these new teams set off to work on change projects, such as improving the firm's learning culture, they become social-symbolic objects themselves that convey meaning to organizational members (Lawrence & Phillips, 2019). That is, the names of the teams introduce and endorse terminology and objectives, and the teams themselves mandate new actions in line with these objectives.

Change can also materialize by dissolving teams or roles. For example, the role of Change Partner was created to facilitate and implement change, but was dissolved in 2022, "because change is constant and everywhere, so everyone has change in their portfolio" (*Partner, I#14*). This reading suggests that change has sufficiently diffused throughout the firm to be seen as everyone's responsibility, as opposed to that of an individual partner. However, it could also convey a different meaning, as seemed the case when one of the firm's ambassador networks was discontinued, with one interviewee concluding cynically that the network and its mission were apparently not important anymore.

Another way in which change materializes is through discursive social-symbolic objects (Lawrence & Phillips, 2019), such as *revised language* when teams are renamed or roles change. For example, internal reviews of audit engagements had previously been termed compliance reviews and were renamed quality reviews, shifting the emphasis from a formal examination to an effort that aligns with the firm's quality mission. As discourse affects meanings and hence mindsets (Rallens et al., 2023; Vaara & Whittington, 2012), the revised

terminology was meant to trigger different perceptions of the reviews and thus affect how they are approached and experienced. However, it appeared to be too similar to another of the firm's quality controls, such that the firm reverted to compliance reviews after only one year. As the reason for this change was not openly communicated, it may invite speculation that the changed terminology had not yielded more positive connotations. Another example is the firm's quality improvement *plan* that became a quality improvement *process*, to signal that it is an ongoing effort that takes time and requires the firm's auditors to take "ownership" (*Senior manager, I#2*). This new terminology was accompanied by various actions by the change actor, such as meetings with stakeholders to incorporate their input, thereby fostering a sense of ownership, and by creating a dashboard to track progress made. This latter example illustrates how changing discourse alone is not enough to (re)shape meaning but requires social-symbolic work from the change actors.

The introduction of new discourse also appears to facilitate discussion. This was particularly evidenced in the firm's in-depth investigation in the mid-2010s, which introduced the term "mental models" to describe auditors' belief systems and the resulting conduct:

A mental model is really a concept that has come to life in audit practice, because people started holding each other accountable based on it: "Hey, I see this mental model [in your behavior or thinking]." And ultimately, our goal was for people to be aware of their mental models and how that translates into behavior, so that you can also hold each other accountable for behavior. And that's how we could then [in a next step] improve quality. (*Partner, I#14*)

This anecdote illustrates that making terminology available to discuss (non-)desirable conduct has been important for the firm's change trajectory. The first author's experience at the firm confirmed that mental models are frequently used during peer discussions, quality initiatives, and projects to enhance work culture. In a similar spirit, new language itself may signal progress:

After a few years, people need something new. (...) People become very happy with the feeling of progression, because if you don't [progress], you'll lose interest [and] that's not useful. (*Manager, I#6*)

Discourse may be used deliberately as an enabler of change (Lawrence & Phillips, 2019). Accordingly, shifts in language also accompany or result from more substantial change, such as when the firm moved from “accountability,” a term that is familiar to auditors, to “authentic confidence,” to capture auditors’ belief in themselves and their professional abilities:

Four years ago, we couldn’t have used [certain] words. Leadership would have never allowed it! [They would have said:] “Stop it, that’s too vague.” That [progress] is quite telling! (*Manager, I#6*).

Since new discourse can eventually lead to different behavior (Lawrence & Phillips, 2019; Rallens et al., 2023), the firm embraces such progressive use of language and terminology in its attempts to realize change.

Material social-symbolic objects are also deployed to facilitate change, such as when the firm *adopts new KPIs and reports*. These objects make the desired change tangible, revealing how change can be achieved. They also enhance transparency and attach consequences to (un)desirable conduct. An example is the firm’s attempt to establish a learning culture, where auditors are encouraged to view file reviews more positively and learn from mistakes. To launch this initiative, the firm began with a pilot project that used revised KPIs to alter incentives:

Our [remuneration and accountability policies] are shifting towards behavior and away from outcomes, and [the Dutch branch] is a pioneer in this with a pilot project on KPIs on [a team’s] collective responsibility for quality. It is still in the pilot phase, but it means that if you receive a low rating from a file review, (...) it doesn’t immediately mean that you will be punished, like receiving a low appraisal, for example, which is currently the case. Instead, there needs to be an assessment of the reasons behind it: Did the person really make a mistake? Did they overlook something? (*Senior manager, I#9*)

Such revised KPIs change the firm’s incentive structure, potentially making people less fearful about mistakes, thus enabling an error management culture (Gold et al., 2022). This approach is seen as important across the firm:

I think that KPIs, with recognition and accountability linked to them, are very important, because ultimately, we are all largely motivated by our goals, simply because [they are] also linked to our rewards. (*Director, I#7*)

In turn, KPIs can also hinder change by incentivizing behavior that is undesirable from the perspective of a change narrative:

We are far from where we want to be in [establishing a safe learning environment] and that's also because we are ultimately a profit-driven organization, with strict [financial] KPIs. (*Senior manager I#3*)

Accordingly, the firm faces an ongoing dilemma of revising its incentive structure to motivate people to do the 'right' thing, such as facilitating a psychologically safe environment. At the same time, it struggles to reconcile this work culture with the realities of running a business and meeting reporting deadlines. This dilemma raises the question of how much an audit firm can truly change. Given the firm's highly structured organizational characteristics (Greenwood et al., 1990; Noordegraaf, 2015), the possibilities for substantial change might be limited, as we will discuss in the next section.

Beyond KPIs, new reports also provide an opportunity for new narratives, "[b]ecause [when] I start to report on [something], people begin to see it as important and take action on it. So, that's already a good step" (*Senior manager, I#2*). This interviewee had developed a dashboard for the quality improvement process, which included quality findings from internal reviews, regulatory inspections, and restatements, supplemented with proposed remedial actions and follow-ups on these actions. This tool was deemed effective both in diagnosing quality shortcomings and revealing where the firm stood on its revised mission. By monitoring actions, it also introduced a form of accountability, thus seeking to sharpen the firm's focus.

Lastly, change materializes through *new behavioral patterns*, in the form of changed relations among auditors or between auditors and their clients. These new patterns partly result from the social-symbolic objects discussed above. For example, discussions in training sessions on learning among partners and directors seem to have changed, revealing less resistance to discussing errors and displaying vulnerability (Gold et al., 2022):

I see that [partners and directors] no longer hold on to [the belief that] “We cannot fail” (...) or that they can’t say to their team “I don’t know”, because then the team might think they are some kind of loser. (...) Nowadays more important, personal questions come up! (...) So, we are having very open, honest conversations. (*Manager, I#6*)

The paper’s second opening quote shows another forceful example of changed behavioral patterns, demonstrating that auditors appear more comfortable to stand up to clients. The Director (*I#7*) in the quote notes how the firm wanted to promote client selectivity and the importance of pushing back deadlines in the interest of audit quality. These messages were shared widely through webcasts, mailings, and trainings, and the Director experienced first-hand how this changed discourse materialized in a new attitude towards clients. Seeing the strategy being enacted in practice led to revised beliefs about the firm’s attitude towards clients, which has the potential to further diffuse throughout the firm.

Boundaries to attainable change

Despite the potential of initiatives to change conduct and attitudes among auditors, there are *limits to the depth and breadth of change*, as actors’ ability and willingness to make fundamental changes to the firm’s ways of organizing and operating are finite. One of these limits concerns the firm’s business model that espouses the well-known tensions between commercial incentives and professional attitudes (Dermarkar & Hazgui, 2022; Malsch & Gendron, 2013). Despite good intentions and efforts to mitigate some of the incentives inherent in this model, auditors continue to be paid by their clients, leading to an inclination to please the client at the expense of their public interest task (*Senior political advisor, I#12*). Likewise, auditors continue to have high workloads, resulting in persistent time pressure and high turnover (*Director, I#8*). It is hence recognized that there are boundaries to the firm’s ability to fundamentally change:

[The culture and behavior team] can only give small pinpricks and we will never be able to make this giant oil tanker change course. (*Senior associate, I#10*)

[The attitude is:] “It’s all nice and well, that [name I#6] comes over for a talk and [they] bring up good things, but [they] must not touch our business model.” And maybe the business model is the most perverse incentive. (*Manager, I#6*)

I am positive about a number of changes that we have initiated, I am really excited about that, but I also see that (...) the more fundamental [the change] becomes, (...) the more difficult it is for us to deal with it, because then you are approaching the limits of your command-and-control worldview. (*Director, I#8*)

Despite well-intended attempts to change the organization, “the system is inherently focused on stability, preservation, and continuity” (*Director, I#8*), and so only responds when triggered by its professional interests (Humphrey et al., 1992). As a result, change focuses on less controversial areas:

I don’t think (...) we will make very fundamental changes to our business model to achieve change. It’s a bit of maneuvering, you go a little bit to the left, do a little bit more on quality. Sometimes you go a little right and focus on behavior. Sometimes you go back a bit, and you focus on financials. But in the end, the train is just moving along. We don’t suddenly lay down another track or take another locomotive. (...) I think we have a pretty good model for what we are trying to achieve, namely, good audits of large companies in very fast-moving times. (*Partner, I#4*)

The firm’s business model is thus taken for granted, thereby establishing a clear boundary to the scope and nature of change initiatives, which are to mitigate, rather than resolve, inherent risks of the audit function.

Another limit results from the nature of professional work. The audit firm is comprised of professional knowledge workers, who cherish autonomy and whose work quality and motivation are critical to the firm’s success (Von Nordenflycht, 2010). Managing these professionals’ attitudes and belief systems is inherently difficult:

Most of the things which we need to address [are big issues]. They’re about mental models. Then we’re talking about the beliefs that exist within the organization. So, how about trying to change the beliefs of 200 partners, with a little program, which should fit everybody? [laughter] (*Senior associate, I#5*)

Change programs may remain unable to affect how the firm’s auditors conduct their work:

The direct trigger [for the firm’s change trajectory] was [the finding] that quality was not sufficient. Many measures were taken [to rectify] that, also between 2014 and 2018. Processes were changed, new obligations [introduced in the audit], [and we’ve had] consultations to increase the quality. And it worked! But we also saw that it was not enough to embody quality in the culture. (*Partner, I#11*)

The limits to attainable change might partly stem from the way change is addressed. Being made auditable means that initiatives take on *measurable, action and task-based approaches*.

As auditors become change actors, they undertake this role similarly to an audit:

It's inherent to the profession that you focus on everything that you can document and audit, as this is the easiest to change. So, all the processes and procedures, and the boxes you can check, that's where they focus on first. This means additional reviews of an audit [and] a larger role for national office. (*Manager, I#6*)

An audit firm that is going to change sees that as a technical change. (...) I think that's because of the mindset of auditors, they think they're dealing with a technical problem: "We have A. A is not good, we need to go to B. A and B differ in the following aspects." So, we create a timeline and formulate actions. And then we go from A to B. Auditors work based on a command-and-control worldview (...) they assume you can control everything. That's their work, their world. (*Director, I#8*)

References to this technical approach to change were plentiful (e.g., *Senior manager, I#2*; *Senior manager, I#3*). One interviewee recalled how they had written a report of 140 pages on the effects of the firm's change trajectory, seeking to provide in-depth insights to substantiate their conclusions. Yet leadership asked for a traffic-light summary that would signal which initiatives were completed (green), on track (orange), or off track/not yet started (red):

I hated [this traffic-light model], but [leadership] needed it. (...) They wanted to see it all in one overview, actually on one page: "Did it work or not? Is everything green?" But... How do we determine what was green then? (*Senior associate, I#5*).

This anecdote illustrates efforts to make change measurable, regardless of its complexity or possible nuances, similar to how an audit is approached. By doing so, the firm evaluates progress, confirms completion on some measures, and moves to the next initiative as if ticking off a checklist. Boiling down a 140-page report to a one-page summary using traffic-lights implies a simplistic approach to managing complex change.

Similarly, when faced with technical (e.g., digitalization) and non-technical (e.g., culture) changes, auditors are said to prefer the technical kind, given the closer alignment with their audit skills:

We are trying to approach [change] with templates (...) and you get completely worn out with all these rules. [They are] numbing you. I find that quite paradoxical. We expect people to be intrinsically motivated to want to get to know the client and each other, but then we impose those [rules and templates] on them. (*Senior associate, I#5*)

[The cultural change] was tackled so [meticulously] with all these dashboards (...). But it's also about the strategy of [the organization] that needs to be integrated, it has to feed decision-making processes. This is a completely different process. (*Director, I#17*)

There is now an additional check in the [quality management system], which means that three members of the management team need to authorize the portfolios of new [engagement partners] and they actively steer on whether these authorizations are in place. But this says nothing about the quality of the conversations and choices made. This is a typical example of thinking: "OK, there is a check in place, that will fix it." (*Senior manager, I#3*)

Change is conceived through social-symbolic objects: templates are introduced to stimulate curiosity; dashboards are created to measure cultural change; authorizations are required to balance client portfolios. While these objects might prompt some change, they appear mostly appropriate for technical initiatives (i.e., adoption of audit tools), but fall short of capturing the complexities of auditors' professional work. Yet it appears that, if these changes were not approached in a technical manner, auditors might be less open to them, perceiving them as "too vague" (*Manager, I#6*). This paradox illustrates the balancing act between identifying with audit practice and introducing fundamentally new social-symbolic objects.

Auditors' preference for a carefully managed approach is seen as not fully aligned with the firm's ambition, because change requires "space and tolerance for chaos, accepting that you don't know everything upfront and are not in control all the time" (*Director, I#8*). As auditors generally identify as knowledgeable professionals (Greenwood et al., 1990; Noordegraaf, 2015), not knowing "everything upfront" seems daunting, such that auditing appears as "a very difficult profession to change" (*Director, I#8*).

Interviewees also convey that the firm tends to deploy *a short-term perspective* on change in line with its fiscal year. Change thus is approached reactively and as a project, rather than a program (*Senior manager, I#3; Director, I#17*):

It's not much different from politics, where you often see that a leader just wants to achieve something during his or her term. But (...) large-scale changes often go beyond that. So that means that sometimes you have to very painfully plant seeds now and maybe show little progress as a result, in order to harvest in the long term. But then the harvest will be somebody else's credit. (*Director, I#8*)

Although “change takes much longer than we have patience for” (*Senior associate, I#5*), leadership might not feel compelled to initiate changes that extend their four-year terms. Other reasons for the firm’s short-term focus are of an external nature:

The outside world is not patient either. There is a constant pressure [to change] and all these inspections [further increase pressure]. You don’t really get the time to say: “Well, let’s come up with a thorough improvement plan.” Because you know you will be reviewed again next year, and you already know what the message will be if something comes out of [that inspection]. (*Director, I#8*)

The implementation of ISA 540 [on audits of accounting estimates] and the implementation of 220 now, those should be multi-year projects. But that’s not possible, because we have to apply it immediately, so we focus on the technical aspects. [But] what it means for the people, the client relationship, or financially? What does it actually mean? No, we’re not going to talk about that. (*Partner, I#11*)

In sum, it appears that both internal factors and outside pressures foster the firm’s short-term focus, meaning that change is further delimited and constrained. As a result, we argue that it inevitably needs to materialize through social-symbolic objects that are within the control of the firm and its change actors to effect change that is attainable.

5.5 Discussion and conclusion

This paper has explored how change is conceived and has materialized in the daily practices of an audit firm that embarked on a reform trajectory over the past decade. These changes mainly focus on cultural (i.e., fostering psychological safety, wellbeing, and learning) and technical matters (i.e., new regulation, digitalization, and work programs), with a view to revising the audit firm’s extant work practices. The impetus for change stemmed from both developments within the Dutch profession (AFM, 2014; NBA, 2014) as well as an internal investigation that identified quality shortcomings and sought to implement a change culture in the firm. Based on interviews with key informants in the firm, we developed a data structure that has revealed three insights (see Figure 2). In this section, we seek to theorize these themes and constructs, utilizing a grounded model derived from our data structure (see Figure 3).

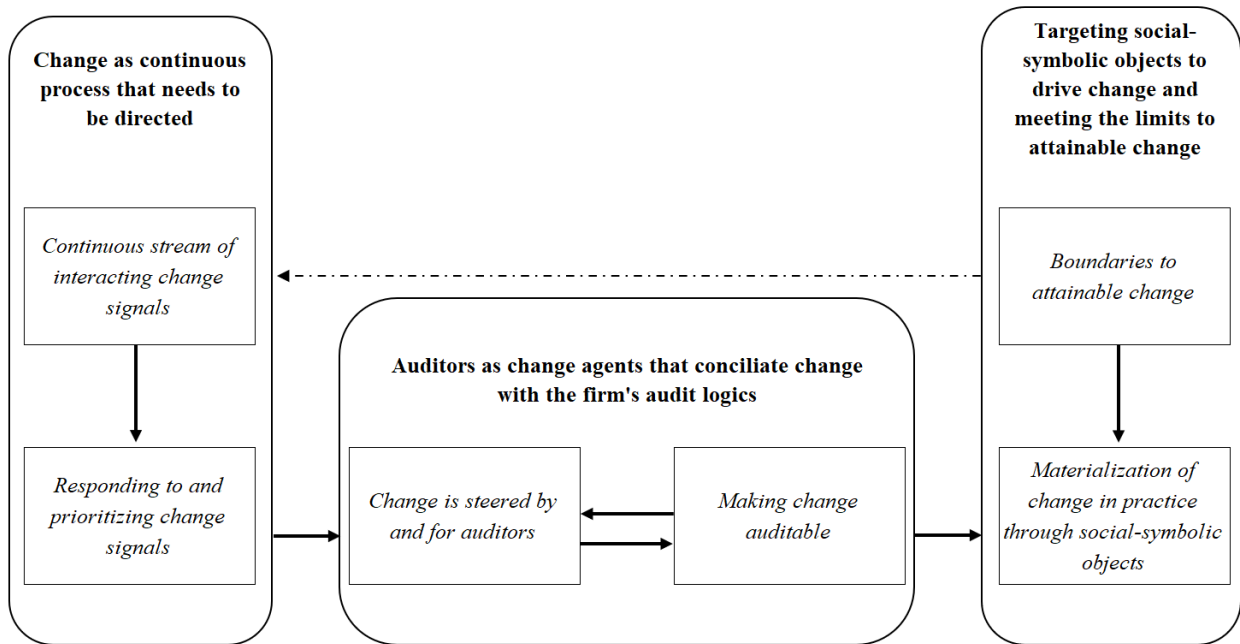


Figure 3: Conceptual model

First, we argue that change is conceived and hence materializes through social-symbolic objects in the form of the discursive, material, and relational elements that constitute organizations, such as our focal audit firm (Lawrence & Phillips, 2019; Rallens et al., 2023). In our study, a discursive element is evident in the firm's internal reviews that were renamed from compliance to quality reviews, and then back to compliance. This rebranding aimed to emphasize a shift in the firm's focus and alter auditors' attitudes towards these reviews by signaling their importance in achieving the firm's mission. It also sought to foster auditors' willingness to engage with the internal reviewers, thereby including the relational dimension of social-symbolic objects. A material object was mobilized in the form of a dashboard of identified quality findings that also enabled the ensuing monitoring of remedial actions. Again, in addition to the material dimension, the dashboard entailed a relational dimension, as it introduced accountability into the progress report, thus shaping the relationships between individuals. As the audit firm responded to multiple, possibly conflicting signals, we find that

change by and large materialized through (a combination of) social-symbolic objects, which the firm sought to imbue with new or changed meanings.

Audit firms are composed of professionals who value their autonomy (e.g., Greenwood et al., 1990; Noordegraaf, 2011; Smets et al., 2012). They are also led by auditors who generally lack formal training in change management. This creates unique challenges for implementing change initiatives, particularly when they revolve around the fundamental tensions between professionalism and commercialism that are aggravated in an environment of extensive public scrutiny (Dermarkar & Hazqui, 2022; Malsch & Gendron, 2013). As these tensions cannot be addressed directly, they rather need to be managed. Mobilizing social-symbolic objects to do so can serve as a form of reassurance for the firm, affirming that it is progressing in the right direction amidst external demands for transformation. This approach appears to be not just to legitimize the firm's actions to external parties but is foremost done in the spirit of self-affirmation, as it resonates with how change is conceived internally. Ultimately, our analysis reveals that addressing change through social-symbolic objects means that it is divided into manageable fragments that are palatable for the firm's auditors. Invoking Power (1996), we argue that this seeks to make change auditable. On the one hand, such an approach makes an initiative understandable to audit practitioners by building on social-symbol objects that are familiar to them, such as by drawing on audit-specific discursive elements like compliance and quality, material elements in the form of dashboards, and relational elements by invoking accountability. On the other hand, especially by mobilizing material elements, that is dashboards, performance measures, and "traffic-light models," it transforms a change project into a clearly demarcated trajectory that can be unrolled, monitored, and hence effectuated in a manner akin to processes unfolding in an audit. This approach to transforming audit practice delineates attainable change as well as change aspirations, as it limits the scope and nature of change initiatives to those that leave the firm's business model intact and that can be executed

in a limited timeframe. It also makes it ex ante unclear whether initiatives will indeed affect material practices.

Second, approaching change through social-symbolic objects might appear as superficial or ceremonial change, but we argue that initiatives may seep through and become effective in changing organizational members' behavioral patterns. This appears to be the case when change is accompanied by suitable social-symbolic work. We find that it is auditors who take up the role of change actor in the firm and who need to conciliate change initiatives with the firm's prevailing logics. As change is steered by and for auditors, they make the change feasible and tenable for the daily practice in which they work and in which change is to occur. Furthermore, we argue that the meanings ascribed to the social-symbolic objects can yield either symbolic or substantial shifts. For instance, discourse can be employed strategically to project an exaggerated sense of change, even though existing practices are merely being reframed, as illustrated by converting compliance into quality reviews. However, we also found instances where changed discourse has led to altered behavioral patterns. A profound example is the introduction of the term "mental models," which was said to enable auditors to discuss the impact of one's values and norms, and subsequently, hold others accountable for their professional behavior (e.g., Partner, I#14). This reveals how the auditors in our focal firm successfully mobilized a discursive object to couple organizational policy with actual practice, thereby signaling meaningful change that is to be diffused throughout the organization. In many other cases, however, we noted that a substantial shift was intended but not achieved, implying that the social-symbolic work deployed was ineffective to generate digestible new meanings for the social-symbolic objects. This might lead to loose coupling, as change initiatives are unrolled that do not appear to affect audit practice. As such, we assert that the resulting loose coupling does not imply active resistance to change at the firm-level, as has been revealed by prior studies taking an institutional perspective (e.g., Canning & O'Dwyer, 2013; Malsch &

Gendron, 2013; Moore et al., 2006; Suddaby & Greenwood, 2005). Instead, our analysis shows that social-symbolic objects appear to be the means through which change needs to be realized in the confines of an audit firm. This approach entails an inherent difficulty to effectuate change, as it requires suitable social-symbolic work to be rendered impactful.

Accordingly, we reveal the central role of change agents that are willing and able to engage in the social-symbolic work needed to endow social-symbolic objects with new or revised meaning. Such dedicated change agents need to drive the organizational work by remaining persistent, personally drawing attention to the specific social-symbolic object, even when their audiences do not immediately understand the importance. For instance, the quality improvement plan had initially been perceived as a mere compliance task, mandated by the global network. Yet, once a change actor took ownership of the plan, it became the subject of social-symbolic work that entailed a discursive element (renaming the plan to quality improvement process), a relational element (creating a feeling of shared ownership), and a material element (establishing a dashboard). By doing so, it was embraced as a local process capable to track and drive change. More generally, as the change agents mainly consist of auditors without formal training in change management, there seems to be variability in their ability to engage in social-symbolic work, which might entail creating or maintaining a support network in favor of the change pursued. A related issue is the prioritization of the role as change actor, which tends to be done next to individuals' day-to-day business. In practice, change agents find it difficult to devote sufficient time and effort to social-symbolic work, as their primary audit tasks tend to be more urgent and consume most of their time, such that change work often is marginalized.

Our third key insight is that change is part of a continuous project that involves the management of a professional service firm run in the form of a partnership. As social-symbolic objects are nested in a social context, any social-symbolic work is situated (Lawrence &

Phillips, 2019). Resonating with the structure-agency paradox, we find that the agentic work necessitated by change in the audit firm takes place in a highly structured organizational context. In our case, this implies that change agents operate within a hierarchical structure, where informal power resides at the level of partners who, as professionals, value their autonomy (Cooper et al., 1996; De Vries et al., 2022; Faulconbridge & Muzio, 2008; Greenwood et al., 1990; Von Nordenflycht, 2010). Individuals who become change agents do not necessarily have a leadership role or work as audit partners. Instead, the change agents engaging in organizational work can be anyone, ranging from staff-level to experienced managers. This requires them to be able to relate to the firm's hierarchy, assess their own status in the firm, and determine which networks of support they might require. Even though change actors' social-symbolic work could be beneficial for the firm, their ability to engage in this work might be hindered due to the firm's characteristics as a professional partnership. As change actors might lack authority and formal power to drive initiatives by themselves, their ability to pursue social-symbolic work might be limited. In a partnership, this implies that structural features create a form of inertia and reluctance to substantially change the ways in which the firm organizes and operates.

We have also shown that the audit firm is exposed to a continuous stream of change signals, which emerge internally (e.g., through reviews or employee surveys), as requirements from the firm's global network, and from external sources (i.e., audit oversight body and regulation). The signals present themselves as interconnected and potentially conflicting triggers for change, thus creating a complex dynamic that needs to be made sense of and managed. Accordingly, it is not always clear to audit practice which change initiatives are to be prioritized. One salient example related to the call for revenue growth amid a desire to becoming more selective in accepting new clients. Another reason could be that the rationale for a given change initiative is not always communicated adequately, which clashes with the

need of autonomous professionals to understand why change is needed. This communicative function is normally assumed by organizational leadership. Yet we find that changes in the composition of leadership teams may even foster ambiguity, such that priorities change and communication conflicts. This ambiguity becomes greater amid the complex dynamic of change signals which presents itself in the form of “waves” or as a “pendulum,” suggesting that continuous assessment is required to adapt to the change signals. We argue that this introduces a feedback loop into our change model, as the firm continuously reacts to change signals by implementation efforts that may themselves become change signals. Our analysis also confirms that the firm changes only when and to the extent it perceives the urgency to do so, in line with its professional interests (Humphrey et al., 1992). Yet we argue that signaling willingness to change appears as an important element of the firm’s attempt to embrace progress and overcome extant criticism of the audit profession. The projecting of adaptability may well help repair and preserve auditors’ sense of professional security (Lajoie & Gendron, 2024), while working to conserve the profession’s business model (Kornberger et al., 2010).

In conclusion, our study has focused on the change trajectory of a Big Four audit firm in the Netherlands. As is the case for any such research scope, our findings may be limited to the characteristics and dynamics of our setting, foremost in terms of the societal and regulatory pressures that the audit profession has been exposed to (Detzen, 2024; Gold et al., 2022; Humphrey et al., 2018). We invite further research into the ways that firms in other settings have responded to reform demands by way of internal change trajectories. Such investigations could assess to what extent behavioral patterns of audit practitioners are indeed responsive to reform attempts from a national office. Likewise, future research could investigate the impact of audit firms’ leadership teams on extant work practices and attitudes. Finally, our paper recognizes that our focal audit firm is reshaping its espoused focus from a quality-driven mission towards one that recognizes the importance of profits again. An analysis of such a

strategic pivot could shed further light on the perennial debate on professionalism versus commercialism in the audit profession.

6 Conclusion

With this dissertation I aim to unravel the organizational work in an audit firm's quest to seek audit quality. I focused on the micro-processes that emerge in the daily operations of the people within the firm, following the threads of implementing an RCA practice, the construction of a good-enough audit in an inspection process, and change in the day-to-day business. My work contributes to prior research that has mostly adopted an institutional perspective on the audit profession and the audit firms (e.g., Canning & O'Dwyer, 2013; Couchoux & Malsch, 2022; Dermarkar & Hazgui, 2022; Malsch & Gendron, 2013; Moore et al., 2006; Suddaby & Greenwood, 2005). My dissertation contributes to these studies by offering insights into how the individuals within an audit firm organize and manage themselves and run their daily operations. Understanding these micro-processes is important, as it sheds light on how an audit firm internally responds to the audit quality concerns that have resulted in considerable societal, political, and regulatory pressures.

In the next section of this chapter, I summarize the three studies' contributions. In the following section, I reflect on the limitations of the studies and provide suggestions for future research. In the final section, I derive practical implications from the dissertation.

6.1 The Unraveled Threads of Organizational Work in an Audit Firm

The first study focused on the implementation of the RCA practice within an audit firm, demonstrating how audit firms respond to institutional pressures internally. It revealed the firm's efforts to adapt the RCA practice. Despite the endorsement of the RCA practice by the professional institute (NBA, 2014) and its mandate by the audit standard setter (IAASB, 2020), its implementation encountered internal barriers. We show how the RCA team had to undertake internal legitimacy work to overcome these barriers. These barriers partly stem from the inherent difficulties in conducting RCAs, which are subjective and complex endeavors, leaving ambiguity about whether the correct root causes are identified (Dien et al., 2004; Fischhoff,

1975; Peerally et al., 2016). This complexity is amplified in the context of auditing, where assessing quality is challenging due to the need for professional judgment (Knechel et al., 2020) and the significant presence of professional ambiguity (see Section 4.5.1 in Chapter 4). Furthermore, as RCAs typically address adverse events, those subjected to RCAs might be unwilling to fully disclose information to the RCA team. This is because auditors often react negatively when confronted with errors, triggering a defensive attitude (Gold et al., 2022). When RCA is implemented in the specific context of auditing, it requires adaptation to fit (Ansari et al., 2010; Czarniawska & Joerges, 1996). However, the study found that such adaptations in the audit context created uncertainty regarding the practice's effectiveness as well as the authority and rigor of the RCA team. This uncertainty necessitated the RCA team to internally legitimize their practice, through both discourse and substantive changes.

In the second study, we investigate an inspection process at an audit engagement, providing insights into diverging understandings of a good-enough audit, a concept we conceptualize as professional ambiguity. We further show how this professional ambiguity is leveraged in the interactions between the oversight body and the firm. Although the boundary between right and wrong is blurry, the responsibility to define this boundary ultimately rests with a social-control agent possessing the requisite authority (Greve et al., 2010; Palmer, 2012). In the auditing context, the oversight body serves as this social-control agent, determining the adequacy of an audit, leaving auditors in a state of uncertainty about the appropriateness of their audit. We also show how auditors' collective memory shapes the interactions between the oversight body and auditor firm. The oversight body is depicted as "prosecutor, judge, and jury" (Westermann et al., 2019, p. 694), ruling with an "iron fist" (Ege et al., 2020, p. 17). Even auditors who have not directly encountered the oversight body are aware of these war stories and have internalized them, leading to a sense of suspicion and defensiveness when faced with inspectors. Consequently, these attitudes of suspicion and defensive attitudes shape these

interactions, hindering the oversight body's attempts at a more relational and constructive approach. The combination of the difficulties in defining audit quality and the influence of the collective memory can lead to frustrations for auditors subjected to the inspection process. However, it also provides audit firms with the opportunity to contest the inspection outcomes.

The third study focused on the notion of change within an audit firm. We argue that change manifests in social-symbolic objects, which can encompass discursive, material, and relational elements (Lawrence & Phillips, 2019; Rallens et al., 2023). The meaning attributed to these objects is situated and shaped through social-symbolic work. In the case of the audit firm, this work is often undertaken by auditors themselves, who assume the role of change actors. These social-symbolic objects are employed in a manner similar to an audit, thereby seeking to render new practices familiar to auditors. Although this familiarity might make the change initiative more palatable, it could also oversimplify the complex nature of change. Furthermore, since these change actors may not necessarily hold leadership positions and are usually not trained in change management, they might lack the authority and formal power to drive change, thus needing to rely on social-symbolic work to effectuate change. In the highly structured and hierarchical environment of an audit firm professionals lean towards autonomy and informal power primarily resides with the partners (Cooper et al., 1996; De Vries et al., 2022; Faulconbridge & Muzio, 2008; Greenwood et al., 1990; Von Nordenflycht, 2010). As a result, the influence of change actors might be limited, and reform initiatives could be hindered. Nevertheless, social-symbolic objects can lead to substantial change, which appears to be the case when combined with appropriate social-symbolic work. As such, loose coupling does not necessarily imply resistance to changed regulatory oversight or a defensive and symbolic approach to change, as suggested by an institutional perspective (e.g., Canning & O'Dwyer, 2013; Malsch & Gendron, 2013; Moore et al., 2006; Suddaby & Greenwood, 2005).

In conclusion, the research presented in this dissertation provides valuable insights into how audit firms address quality concerns by studying the micro-processes within an audit firm in the Netherlands. Given that the audit profession is likely to remain under public scrutiny, especially in the Dutch context, these studies offer useful insights into how audit firms aim to meet the challenge of responding to widespread pressures and concerns regarding the quality of their services.

6.2 Limitations and Future Research

Like all academic work, the research reported in this dissertation has its limitations. Foremost, it is locally situated and focuses on a single firm, implying that the findings may be limited to the dynamics and characteristics unique to either the Dutch professional or the firm-specific context. Furthermore, although my privileged data access within this audit firm yielded novel and valuable insights, it could also introduce bias due to the phenomenon of “going native” (Cresswell, 2007, p. 96). My academic role may have shaped the behavior of the people within the field, particularly given their awareness of being observed. Another limitation stems from the fact that parts of the study were conducted during the COVID-19 pandemic, a period characterized by virtual collaboration.

Beyond these limitations, I also wish to highlight promising areas for future research. Following up on the first study (Chapter 3), I recommend further research on the RCA practice at a more mature stage. While this dissertation focused on the implementation of the RCA practice, it would be interesting to investigate the long-term impact of the RCA practice, especially when it adheres to more apt procedures than in its early stages and when the audit practice has become more accustomed to participating in such investigations. This could provide insights into the evolution of internal legitimacy over time. Additionally, a longitudinal study could help in understanding how the RCA practice develops into a more mature practice and assess whether and how the RCA contributes to enhancing audit quality. It could also be

valuable to study the impact of cultural differences at a national or firm level on RCAs. For example, some national cultures might be more receptive to discussing errors, whereas others might be less willing to do so. The cultural context of the country or the firm could affect the appropriateness of the RCA practice and, subsequently, its effectiveness. Lastly, it would be beneficial to investigate whether the internal legitimacy issues surrounding RCA are unique to this practice or if they are common to the implementation of other novel practices within the audit firm.

As noted, the second study (Chapter 4) is also confined to the regulatory context within the Netherlands. This opens up opportunities to examine the inspection processes in countries with different institutional contexts. Countries with varying degrees of regulatory stringency and oversight approaches could entail different power dynamics between the auditors and oversight bodies. Another interesting avenue could be the study of the evolution of inspection processes, as they might adapt in response to regulatory and professional developments. For example, the scope of the Dutch oversight body has recently been expanded to include non-PIE audit firms. It would therefore be interesting to explore how the dynamics within this context differ from that of the PIE audit firms. Additionally, it could be insightful to study the extent to which collective memory affects auditors working at firms that have not yet been subjected to the AFM, thereby shedding light on the reach of these war stories. Lastly, I suggest further research into the extent to which auditors adjust their working methods to meet the oversight body's expectations of a good-enough audit and the effect of these adjustments on (perceived) audit quality.

Extending the scope of the third study (Chapter 5), I recommend future research into a specific change initiative. Such research could provide deeper insights into the change process, its underlying dynamics, and the way in which social-symbolic work unfolds and accompanies the initiative. More insights could be gathered on the internal deliberations on what kind of

response is needed to address the signals to change. A comparative case study could reveal differences between initiatives that lead to substantial change and those resulting merely in superficial change. A longer-term study could uncover whether these initiatives merely signal change or if daily practices genuinely shift after implementation. Another research avenue could be a study of the role of informal power in change processes—specifically how change actors without formal authority navigate the firm and seek to implement change. Lastly, exploring the impact of formal change management training on auditors’ ability to effectuate change initiatives within the firm would be an interesting avenue for research. This might be studied through (field) experiments or case studies of firms that have implemented such training programs.

6.3 Implications for Practice

While this dissertation primarily contributes to the academic literature, it also provides valuable insights for practitioners, audit firms, and oversight bodies. Considering the audit profession in the Netherlands, it is evident that the last decade has been turbulent. Auditors have faced critical reports from oversight bodies, scandals involving auditors, media scrutiny, and the recent “exam fraud” incident (AFM, 2024, p. 37). Amidst this context, the ever-increasing number of rules and regulations adds pressure on audit firms and individual auditors. They must assess how they deal with these pressures, while oversight bodies seek to fulfill their roles effectively. In the following subsections, I attempt to translate academic insights from this dissertation to practical implications.

6.3.1 Implementing the RCA Practice

Chapter 3 reveals that the RCA practice may prove particularly challenging within the context of an audit firm. Although auditors express a desire to learn from errors, research indicates that when confronted with their own errors, they experience negative emotions and often resort to defensive strategies (Gold et al., 2022). Therefore, implementing a new practice—especially

one like the RCA practice that addresses learning from errors—requires deliberate consideration. Adapting the practice to the audit context and helping auditors become comfortable discussing errors takes time. For RCAs, which generally aim to enhance learning from errors, awareness of the potential sensitivity surrounding errors is crucial.

Against this backdrop, several practical takeaways emerge. First, leadership's attitude plays an important role. For RCAs to become an effective practice, it is essential that leadership actively supports the practice and its goals. Furthermore, leaders should exemplify openness when addressing errors, serving as role models within the firm. Second, there must be a clear boundary between accountability and learning. RCA should primarily focus on learning from errors at a collective level rather than assigning blame to individuals or holding them accountable. While accountability and sanctioning may be necessary in specific cases, these matters should be addressed separately from the RCA process. This approach enhances individuals' openness and the potential for learning. Third, to emphasize the RCA's learning goals, clear communication about the practice throughout the audit firm is essential. Leadership can share identified root causes with auditors and outline their follow-up plans. In interactions with auditors, RCA teams should emphasize the shared learning goal. For example, at the start of the interviews that RCA teams conduct with practitioners, team members should emphasize the importance of learning, how the RCA can contribute to this goal, and that the information they gather is going to be used solely used for learning purposes. Lastly, I recommend that the RCA team members enhance their interview skills. Proficiency in structuring interviews, formulating effective questions, and analyzing gathered data are crucial skills required in conducting RCAs. Teams should consider including team members with expertise in academic research to ensure these skills are well-developed. Strong interview skills will improve RCA efficacy and bolster the team's credibility and legitimacy within the firm.

6.3.2 Dealing with Ambiguous Quality Findings

Quality findings in audits can often be ambiguous, leading to varying interpretations of what constitutes a finding and whether it holds significant importance. This ambiguity can result in auditors and oversight bodies arriving at different conclusions regarding whether an audit is indeed good enough. Tying this notion back to the RCA practice, such ambiguity can adversely impact the RCA practice by potentially dismissing errors. When there is room for debate over the nature of an error, defensive auditors may more easily dismiss or rationalize incidents, thereby diminishing valuable learning opportunities. A blame culture and internal as well as external sanctioning mechanisms can further limit these opportunities. The success of RCAs in terms of designing effective remedial actions on the basis of identified root causes hinges on participants' openness and willingness to engage in the investigation. If individuals are unwilling to share their perspectives and experiences, identifying root causes and formulating effective remedial actions becomes challenging. While completely eliminating the ambiguity surrounding quality findings is unlikely to be feasible, accepting the findings as a starting point for the RCA can be helpful. The RCA team's responsibility lies not in questioning the finding itself, but rather in understanding the underlying root causes that led to its occurrence. It is then up to leadership to decide how a finding's reoccurrence can be mitigated or, in the case of positive events, encourage their continuation.

Additionally, professional ambiguity has implications for the oversight body's authority and image. Auditors, wary of the body's fabled fierceness, may question their conclusions, abilities and intentions, and may thus seek to dismiss inspection findings. To break this vicious circle, both inspectors and auditors must recognize the impact of collective memory and the ambiguity of findings. Rather than interpreting differences of opinion as ill intent, they should view them as differing perspectives on what constitutes right and wrong, including differing views on whether an audit is good enough. Clear and open lines of communication between

oversight bodies and audit firms, along with feedback loops and mutually agreed-upon frameworks, can effectively address these challenges and foster a culture of mutual respect.

Despite the war stories that dominate auditors' collective memory, there is also a silver lining. Both the oversight body and auditors acknowledge the progress made in addressing quality shortcomings within the auditing profession. Previously, interactions between the two parties were often legally focused, but now there is a shift toward a more constructive and relational approach. While earlier inspections uncovered severe issues in audit files, leaving no doubt about the presence of errors, current findings seem to be less straightforward, leaving space for interpretation. Audit quality, which may not always have been a top priority for auditors in the past, is now recognized by both parties as a crucial aspect of the Dutch audit profession's day-to-day operations. Although this shift may not immediately translate into practical implications, it signifies meaningful progress.

6.3.3 Managing Change in Audit Firms

Audit firms are exposed to a multitude of different internal and external pressures, which may need to be addressed in some way. Although change is generally viewed as a strategical or organizational issue, it often materializes in auditors' day-to-day business. This change can be driven by various objects, such as revised KPIs, dashboards, or new terminology. However, successful change implementation hinges on clear understanding and effective communication of these objects. Change actors play a crucial role in this regard. They engage in what this dissertation conceptualized as social-symbolic work. Change requires thoughtful consideration on which of the objects are helpful in driving change, how they are expected to affect the way people work together, and which terminology should be used. When this work is conducted, the likelihood increases that the intended change indeed materializes. For example, when a firm introduces new terminology to facilitate change, it should also provide appropriate training, integrate this terminology in the appraisals, and adjust work programs in line with this new

terminology. Lastly, fostering broad communication within the firm on the change initiatives—such leadership messages—can shape beliefs surrounding change initiatives and influence organizational members' responses.

In audit firms, auditors themselves often assume the role of change actors. However, these auditors may lack expertise in change management and often take on these roles alongside to their primary roles. In addition, change seems to be treated as if it were an audit, with a yearly cycle, clear end-date and delineated tasks that can be ticked off. Yet change is inherently messy and continuous, requiring constant calibration, attention, and adaptability. A practical implication would be for change initiatives to also involve individuals specifically skilled and trained in change management. Furthermore, recognizing that not all change actors hold formal leadership positions, empowering bottom-up initiatives can be effective. Another consideration is that change initiatives need to be tailored to the context of an audit firm. Audit firms are professional service organizations where knowledge workers value their autonomy. They are typically organized as partnerships. Balancing auditors' autonomy with the firm's collective goals is crucial. Actively gathering input from practitioners and making them part of change initiatives helps strike this balance.

Lastly, relating these insights to the implementation of the RCA, enhancing the firm's change management can also increase the effectiveness of the RCA practice. By effectively learning from RCA investigations, the legitimacy of the RCA practice will grow. This will also help to meet the RCA practice's primary objective, namely, to learn from adverse events, which in turn holds promise to ultimately promote audit quality.

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