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How do Auditors Navigate Conflicting Logics in Everyday Practice?

Abstract: Historically professional logic has shaped accountancy, increasingly it has been shaped also by commercial logic. This study moves beyond these distinctions for a better and more nuanced analyses of how actors (Big 4 auditors) navigate conflicting logics in their everyday practice. The study follows a qualitative approach and is based on views of multiple role players in the audit process of complex companies in Australia, South Africa and the United Kingdom. The study examines auditors' decision-making involving experts, rotating partners/firms and meeting regulatory inspection requirements. The study adds to the emerging debate around logic multiplicity at the institutional "coalface" by showing that auditors use balancing mechanisms (segmenting, assimilating, bridging and demarcating) to navigate and make sense of coexisting (professional, commercial and accountability) logics. Views of non-auditor role players, mostly overlooked in by institutional research at micro-levels, challenge the institutionalisation of connected logics and question the influence on audit quality.

Keywords: Institutional logics, audit quality, audit experts, firm rotation, regulatory inspections

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Historically, professional logic has shaped accountancy (Suddaby & Greenwood, 2005), embodying the core values of objectivity, integrity, independence and rigor. Professional logic justifies professional status, which carries a reciprocal obligation to deliver on the social contract by protecting the interests of the general public (Edgley, Sharma & Anderson-Gough, 2016; Gendron, 2002; Lander, Koene & Linssen, 2013; Spence & Carter, 2014; Sikka, 2009; Suddaby, Gendron & Lam, 2009). In this paper, public interest is implicitly addressed by auditor independence and audit quality: "the higher the auditor's independence is, the better is the auditing quality and therefore the more the public interest is served" (Malsch, Tremblay & Cohen, 2018, p. 8).

Motivated by higher profits (Brock, 2006), paralleled by escalating fee pressures and client demands for consulting services and value-adding assurance services, Big 4 firms have operated from an increasingly multinational commercial business model (Greenwood & Suddaby, 2006; Lander et al., 2013; Sikka, 2009; Wyatt, 2004). They have reinvented themselves as multidisciplinary practices by expanding their offerings and recruiting a heterogeneous mix of professionals (Andon, Free, &

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O'Dwyer, 2015; Greenwood & Suddaby, 2006; Hanlon, 2004; Suddaby, Cooper, & Greenwood, 2007; Suddaby et al., 2009; Suddaby & Greenwood, 2005). Hiring experts from diverse professional backgrounds initiated still ongoing changes to cultures and institutional logics within Big 4 firms (Hinings, 2012; Suddaby et al., 2007; 2009). Big 4 firms' drive privileges client interests, revenue generation and profit-seeking over wider public interests (Gendron, 2002; Picard, Durocher & Gendron, 2014; Spence & Carter, 2014; Suddaby et al., 2009), demonstrating their commercial logic shift (Greenwood & Suddaby, 2006; Sikka, 2009; Wyatt, 2004).

This study moves beyond the distinction of conflicting logics for a better and more nuanced analysis of how actors navigate conflicting logics in their everyday practice. Using interview data from multiple role-players involved in the audit of large complex companies this study explains how Big 4 auditors navigate conflicting logics in their everyday work. The research question is: How do Big 4 auditors navigate institutional complexity in their decision-making to maintain audit quality on complex audit engagements, particularly to (1) involve experts, (2) rotate firm or engagement partners and (3) meet regulatory inspection requirements?

Institutional logics, "the key means by which social reality is reproduced and changed" (Martin, Currie, Weaver, Finn & McDonald, 2017, p. 104), is an established research field. Research initially regarded co-existing logics as a temporary phenomenon during transition times (Reay & Hinings, 2009), while lately the continuous coexisting of conflicting logics is found in many fields, such as accountancy, and such logic multiplicity influences all actors simultaneously (Greenwood et al., 2006; Lounsbury, 2007; 2008; Reay & Hinings, 2009; Martin et al., 2017). Most logic studies focus on macro-level changes (e.g., organizational responses), while interpretations at the micro-level have been largely ignored (Bévort & Suddaby, 2016; Smets, Jarzabkowski, Burke & Spee, 2015). While past studies at the micro-level often used ethnographical approaches (Bévort & Suddaby, 2016; Smets et al., 2015) and offer in-depth understanding of single organizations or single organizational subunits, our study augments the limited body of multinational work on logic multiplicity (Spence & Carter, 2014) by analysing a multi-country data-set comprising the United Kingdom (UK), Australia and South Africa (SA). In addition, it expands qualitative research on multiple logics in the accountancy field (Greenwood & Suddaby, 2006; Lander et al., 2013; Suddaby et al., 2009), by including non-auditor stakeholder viewpoints. Thus, we obtained views of regulators and professional bodies (referred to as PB/R), audit partners (engagement partners (EP), talent partners (responsible for attraction, retention and development of staff) (TP)), and multidisciplinary experts within Big 4 firms (EX), and audit committee chairpersons (CACs), chief financial officers/directors (CFOs) and chief audit executives (CAEs) (heads of internal audit functions) of Big 4 firms' multinational clients.

This study addresses the vacuum on how institutional complexity is navigated at the 'coalface' of everyday work (Martin et al., 2017; Smets et al., 2015), thus focusing on everyday life "where the rubber of the theory hits the road of reality" (Barley, 2008, p. 358). The study expands on the model developed by Smets et al. (2015) to balance conflicting, yet complementary logics in practice. The study adds to the literature by showing that although auditors manage logic multiplicity in their everyday work, some non-auditor role players remained sceptical and questioned the influence of connected logics on audit quality. It points towards the temporal nature of the institutionalization of logic multiplicity even though the latter is routinely enacted within everyday practice.

The next section of this paper outlines logic multiplicity as theoretical background. Thereafter, the investigative method used in the study is discussed, and the study's findings are presented. These findings are then discussed; areas for further research are identified, and the researchers' concluding thoughts presented.

Theoretical background

In their seminal work, Friedland and Alford (1991) identified the institutions central to contemporary Western capitalism (capitalist market, bureaucratic state, democracy, nuclear family and Christian religion) which have shaped individual preferences and organisational interests. As institutional logics emanate from social institutions and they are potentially contradictory, there are multiple logics available to social actors (Jones, Livne-Tarandach & Balachandra, 2010).

Institutional logics form overarching sets of principles that explain how actors interpret and function in social situations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011), and thus explain how organisations and individuals behave (Lander et al., 2013), including creating "the rules of the game" (Thornton & Ocasio, 2008, p. 112). Organisations are rarely dominated by a single logic (Lander et al., 2013): multiple and potentially conflicting logics usually coexist over extended time periods (Greenwood et al., 2011). A multiplicity of logics could be contested and fragmented by tensions between them (Battilana & Dorado, 2010; Edgley et al., 2016; Lounsbury, 2007; 2008). They can remain compartmentalized (segmented), be blended, selectively coupled (Pache & Santos, 2013) or assimilated when the core logic adopts some of the practices and symbols of a new logic (Skelcher & Smith, 2015).

Recent studies demonstrate the existence of competing logics (Blomgren & Waks, 2015; Greenwood et al., 2011; Greenwood & Suddaby, 2006; Lander et al., 2013; Lounsbury, 2007; Pache & Santos, 2013; Reay & Hinings, 2009). Most studies were done at the organizational level (Bévort & Suddaby, 2016; Smets et al., 2015), while those presenting a micro-level perspective tend to focus on actors with clout and ignore lower-profile actors (Martin et al., 2017). By neglecting their interpretation of institutional logics at "coalface" level, a "somewhat "un-inhabited" image of the organization" is portrayed in the literature (Bévort & Suddaby, 2016, p. 20). The few studies providing a micro-level perspective are not in the accountancy field (e.g. in healthcare (Andersson & Liff, 2018) and public welfare (Olakivi & Niska, 2017)). An exception is the longitudinal ethnographic study of Bévort and Suddaby (2016) reporting how individual accountants make sense of their new managerial roles and integrated professional and managerial logics. They found individuals were authors of varying identity scripts, thus showing reinterpretation of competing logics depends on individual interpretation (Bévort & Suddaby, 2016). Closer to this study is the ethnographic study of Smets et al. (2015) on reinsurance trading in Lloyd's of London. The study developed a conceptual model comprising three balancing mechanisms (segmenting, bridging and demarcating) which allow individuals to manage competing logics in everyday practice. They found individuals segment work practices pertaining to competing logics by using structural arrangements. These allow individuals to enact coexisting logics separately.

When individuals segment their work, they also introduce one logic into the performance of the other. They bridge logics by temporarily combining logics to exploit complementarities, thereby maintaining coexisting logics "as discrete so that they can feed off each other" (Smets et al., 2015, p. 35). Individuals use organizational peer-monitoring and self-monitoring structures to carefully examine their bridging practices, which Smets et al. (2015) label as demarcating, being activities that prevent "inadvertent logic blending or slipping" (Smets et al., 2015, p. 35). The three balancing mechanisms have a cyclical association; first by separating coexisting logics by segmenting practices, second by integrating co-existing logics (bridging) where mutual benefits follow and third by counter-balancing when co-existing logics are "teased apart" or demarcated (Smets et al., 2015, p. 37).

While the above covered a general discussion on logics, this study focuses on logics in accountancy. It explains multiple logics in Big 4 audit firms and expands on the Smets et al. (2015) model. A wide body of knowledge exists on the distinct logic shift in accountancy, away from primarily professional logic, towards a more commercially driven logic (Greenwood & Suddaby, 2006; Lander et al., 2013; Picard et al., 2014; Sikka, 2009; Suddaby et al., 2009). Big 4 auditors are perceived to be privileging client interests and their own revenues over wider public interests (Gendron, 2002; Picard et al., 2014; Spence & Carter, 2014; Suddaby et al., 2009). They are prioritising their own growth and profitability, and extending their global reach (Holm & Zaman, 2012; Malsch & Gendron, 2013), and are entering new audit spaces (Andon et al., 2015). This commercial orientation necessitates reconfiguring firms' identities, changing traditional practices, structures and values (Blomgren & Waks, 2015; Suddaby & Viale, 2011). Commercial logic, however, has not totally eclipsed professionalism's historically demonstrated values/virtues of public duty, ethical conduct, and technical competence (Andon et al., 2015; Suddaby et al., 2009). Malsch and Gendron (2013, p. 880) recognize this duality as embodying "contradictory value clusters".

Previous research on logic multiplicity in the accountancy field only considered two logics (professional and commercial/managerial). Blomgren and Waks (2015) criticize this as a limitation, arguing that the degree of organisational complexity may be underestimated, while Greenwood et al., (2011) observe that particular responses may not have been fully understood. While the coexistence of several logics within organisations has been reported from other disciplines' perspectives (Ollier-Malaterre, McNamara, Matz-Costa, Pitt-Catsouphes and Valcour (2013) refer to the coexistence of strategic, benchmarking, and compliance logics in human resource practices), logic multiplicity within the audit environment has not previously been considered. This study introduces accountability logic which manifests in a compliance mindset.

Method

This qualitative study focuses on Big 4 firms because of their innovative audit practices: regulations are first translated into practice here, and individual professional identities are formed (Cooper & Robson, 2006; Humphrey, Loft, & Woods, 2009). Carter, Spence and Muzio (2015, p. 1204) regard the Big 4 firms as dominant in both "symbolic and material terms", underscored by their global reach, and see them as worthy of study in their own (collective) right. Thus, the Big 4 firms present an ideal platform for this study. The study draws on in-depth interviews with key stakeholders, those directly or indirectly involved in the audit process, including non-auditor role players that have mostly been overlooked in by institutional research at micro-levels.

Interview participants

After obtaining prescribed ethics approval, semi-structured interviews were conducted with two broad groups of stakeholders in audits of the largest listed public companies in complex industries. Stakeholders are those who are directly involved in the audit process (auditors, corporate management, and the members of corporate audit committees); and those who have oversight, public policy, or educative role in audit (regulators, standard-setters, Big 4 firms (as training institutions), professional accounting associations). Participants' views include cognitive aspects (perceptions, thoughts, interpretations,) which are implicitly biased (Lander et al., 2013). In this study triangulation was achieved by considering views of multiple stakeholders in

Australia, SA and the UK. The researchers identified significant public companies[1], each from a different industry and interviewed each company's EP, CFO, CAC and CAE, generating a total of 84 interviews. Table 1 identifies participants by country. Two participants each chaired audit committees for two different global companies, and another participant responded as an IT expert and as his firm's sustainability division head. Thus, 84 interviews effectively represent 87 role perspectives. Table 2 identifies participants by industry.

Table 1: *Number of participants*

Cohort of participants	**Code**	**Australia**	**SA**	**UK**	**Total**
Engagement partners	EP	2	8	7	**17**
Chairpersons of audit committees	CAC	2	5	3	**10**
Chief financial officers	CFO	6	6	3	**15**
Chief audit executives	CAE	-	5	4	**9**
Recruitment & training (talent) partners	TP	3	11	4	**18**
Professional bodies (including education/training directors), & regulators	PB/R	4	3	2	**9**
Experts	EX	-	6	-	**6**
TOTAL		**17**	**44**	**23**	**84**

Table 2: *Participants involved in the audit process classified by industry*

	EP	**CFO**	**CAC**	**CAE**	**Total**
Energy sector					
UK	2		1	1	**4**
Australia	1	2	1		**4**
SA	1	1	1[2]	1	**4**
Telecom					
UK	1	1	1[2]	1	**4**
Diversified					
Australia		3	1		**4**
SA	1	1	1	1	**4**
Pharmaceutical					

[1] Six UK companies were chosen from the top 20, determined by market capitalisation; five SA companies were chosen from the JSE Top 40 index, plus a listed, South African managed, mining company; Australian companies were chosen from the top 100 by market capitalisation.

[2] One UK and one SA chair of an audit committee participant served on two audit committees, but as views were obtained for both companies their participation are double counted. The total is therefore twelve and not ten as reflected in Table 1.

UK	1	1			**2**
Banking					
UK	1	1	1[2]	1	**4**
SA	2	1	1[2]	1	**5**
Insurance					
SA	1	1	1	1	**4**
Retail					
UK	2		1	1	**4**
SA	1	1	1	1	**4**
Mining					
Australia	1	1			**2**
SA	2	1	1		**4**
Total	**17**	**15**	**12**	**9**	**53**

The interviews

Semi-structured interviews were guided by questions informed by an extensive review of relevant literature and from feedback from the study's funders[3]. Broad, "naturalistic" questions were posed to participants to elicit responses on relevant matters to interviewees (Alvehus, 2015, p.35) (e.g., how do you see the role and responsibilities of auditors change in future, describe the perfect mix of competencies for a perfect engagement team to perform a high-quality audit). After conducting a preliminary interview to verify the appropriateness of the questions and thereafter addressing suggested feedback, the 84 interviews were conducted in 2013 and 2014. Each interview, lasting between 30 minutes and two hours (averaging approximately one hour), was recorded and professionally transcribed and each participant had an opportunity to review their interview transcript and clarify/ amend any comments made during that interview.

Analysis

The transcribed interviews were manually analyzed by one researcher, using Atlas.ti qualitative data analysis software. The initial data analysis process involved identifying meaningful topics, categories, and themes; attaching data units to the appropriate category; revising initial categories and reorganising data according to these revised categories, and developing and testing propositions and conclusions emerging from the data. The analysis was independently reviewed by the other

[3] Refer to the ICAS and FRC research report entitled The capability and competency requirements of auditors in today's complex global business environment (Barac, Gammie, Howieson & van Staden, 2016). Retrieved from: https://www.icas.com/__data/assets/pdf_file/0003/239457/The-capability-and-competency-requirements-of-auditors-in-todays-complex-global-business-environment.pdf

authors. The data analysis was refined using "sensitising concepts" (Martin et al., 2017) from existing literature on institutional change. A more theoretical approach was followed to code the data according to the conflicting logic's influence on participants' decision-making. Through ongoing iteration between data and relevant literature (a first-level coding proceeding to a second level coding), logics emerged as conceptual categories. Also, patterns were identified that seem to underpin auditors' choices for coping with conflicting logics during decision-making. Any differences of interpretation were discussed and resolved collectively.

Findings

The findings of the study are presented in relation to auditors' everyday practice. Three decisions made by auditors during complex audit engagements are considered, namely; (1) involvement experts, (2) firm or partner rotation and (3) meeting regulatory inspection requirements.

Involvement of experts

All study participants identified today's complex business environment as one demanding a more diverse audit skillset, the presence of which is an important determinant of audit quality. Delivering quality audits was perceived by EP participants as their 'license to operate' (Australian EP), and sacrosanct. All CFO participants recognized business transactions have become multifaceted, information has increased in volume and complexity and these changes demand industry-specific knowledge and skills that do not necessarily fall within traditional auditing. Auditors can no longer be 'jack[s] of all trades' (SA CAE): industry complexity demands multidisciplinary audit teams.

All participants recognized escalating numbers of experts on audit teams, (usually in-house expert colleagues), who are present courtesy of expanding consulting divisions, "[Another Big 4 firm] have actually bought a firm of consulting engineers who are specialists in oil and gas and in mining" (UK EP). All EP participants confirmed they use in-house experts (often from the firm's consultancy division, an integral part of the firm's business model), and only look elsewhere if the expertise is not available in-house. The CFO participants welcomed the presence of in-house expertise, as this addressed concerns regarding consistency and confidentiality. Some non-auditor participants remained sceptical, holding that this practice risked compromising audit quality: their in-house experts' knowledge might not be the best available and although available to Big 4 firms' audit teams, experts direct involvement on audits is trumped by their income-generating consulting work.

The presence of experts within audit teams triggered debate around their likely impact on audit quality, particularly in an audit-only firm. Arguments against audit-only firms include that such firms would forfeit direct exposure to the innovative benefits of non-audit consultancy assignments and accumulation of industry-specific knowledge. Similarly, staff retention would be more difficult without the diversity of career-enhancing opportunities currently afforded by Big 4 firms' wider range of services. "I absolutely do not think that the Big 4 audit firms can exist and deliver the same level of quality in an audit only firm" (Australian EP). Retaining full-time, but under-employed experts also have cost implications for Big 4 firms. Arguments in favour of audit-only firms centred on the consultancy divisions (employing experts) that have already fundamentally changed the culture, and operational and financial/business models of firms. Experts increasingly joined firms at more senior levels and achieved partnerships without following "normal" progress through industry ranks. It could demoralise the audit side of firms. Table 3 uses balancing mechanisms to frame participants' perceptions on how they navigated logic multiplicity when deciding to use experts on large complex company audits.

Table 3: *Expert involvement: navigating logic multiplicity*

<table>
<tr><th colspan="3">Segmenting conflicting logics</th></tr>
<tr><td rowspan="2">Experts are in the Big 4 firms' consulting divisions and have a commercial orientation (CL).
Employing experts (many at a very senior level) has fundamentally changed the culture, and operational and financial/business models of firms (CL).
Expert skills are required to perform quality audits of complex, multinational companies and improve audit quality (PL).</td><td>Commercial logic (CL)</td><td>Professional logic (PL)</td></tr>
<tr><td>To say you could never recreate the audit-only firm, I think is wrong. In fact it could be very attractive because it will be the auditors running their own business again, rather than just being a part of a much larger organisation where the [dominant] culture is very different (UK CAC).
Many of them [experts] are in the consulting arms of the firms, and they do have their own fees that they chase, and their own clients (SA EP).
I do find that some of the actuaries, especially if they operate in a professional services firm have more of an advisory hat on than an audit hat (SA EP).
It would have been unbelievably exceptional for a big eight firm to have done a lateral hire at partner level. You would never have done that [30 years ago…] …Nowadays I would say
30% of the partners in big firms are lateral hires, not from [one of the] other big four but from all sorts of other organisations (UK CAC).
One of the big concerns is that audit, which used to be the DNA of the organisation, is no longer (UK CAC).
It [firm orientation] would depend on what the culture is within the firm: is it an audit firm or is it predominantly a consulting firm (UK CAE).</td><td>That is a very different skillset to describing a company's strategy. That is not what they're [auditors are] competent to do. They all have consulting arms that can come in and tell you how to do that; that is a different set of skills (UK CFO).
I think we would obviously need different skills, in particular perhaps, skills that at the moment are more commonly associated with things like strategy consulting, and corporate finance, M&A advice, and forensic accounting review, such that you were thinking about things with different goals in mind (UK EP).
The Big 4 firms have those skills, but more in their consulting divisions. It is a matter of being able to draw on and access those skills (UK CAE).</td></tr>
<tr><th colspan="3">Bridging commercial and professional logics</th></tr>
<tr><td>Experts have to balance their consulting (CL) and audit support roles (PL) by utilising consulting opportunities to stay abreast of new developments.
Using in-house</td><td colspan="2">They're [experts are] happy to do audit support for 23-40% of their time but they also want to do cutting-edge consulting (SA EP).
If you try and only keep specialists [experts] there for the audit it's not a viable business model (SA EX).
So I think they're [experts are] absolutely critical to contributing towards that audit (UK CAC).
I'm not sure I want a lot of third parties wandering</td></tr>
</table>

experts is not only a viable business model for firms (CL) but assures client confidentiality and audit methodology consistency (PL) Experts (many of them situated in consulting divisions) (CL) are embedded in multidisciplinary audit teams to provide special needs to maintain audit quality (PL) Auditor trainees could obtain valuable experience (PL) by being exposed to Big 4 firms' consulting divisions (CL).	around; that doesn't make me feel very comfortable (UK CFO). You feel the weight of responsibility even more on an audit, so we would in our team meetings we would divvy out engagements, be they audit support or consulting, there'll never be any prioritisation to say one is more important than the other (SA EX). Because consulting provides you with the opportunity to really stay abreast and to learn and understand what is going on in your industry …you are unable to maintain the true technical expertise if you only audit (SA EX). With the input of specialists, which is absolutely fundamental, there is no single thing that I think [adds more] to audit quality, than having the right people involved in the team. By and large, that [is the] very specialist expertise we incubate in our non-audit part of our firm (Australian EP). We use valuation experts but those are often people that are not trained auditors …to tell them how to document things in an audit file and to apply our global audit methodology is quite an education process (SA EP). If you want to improve audit quality and improve the trust in the profession, all those things, then you want to have many more multidisciplinary teams rather than having to use your network to go and track down people when you need someone (UK EP). So we will second them [auditor trainees] to consulting or to tax or to risk advisory or to forensics or to corporate finance. Just to let them see other business within [the Big 4 firm] and broaden their experience (SA TP).
Demarcating connected logics	
A regulator participant questioned auditors' usage of experts on audits – it reinforces the need to analyse expert needs on audits (PL) to meet regulatory requirements. An audit committee chair participant questioned the depth of expert knowledge—it reinforces the need to analyse expert needs (PL) on audits to meet audit committee oversight expectations.	The question that flows from that is, "How many of them [experts] ever spend any time near an audit?" Because I don't argue that they [Big 4 firms] have expertise, for example they do in the actuarial world, but you tell me how much time they spend on the audit (UK PB/R). A lot of the firms will claim to have expertise, i.e. they have people that would appear to have qualifications in these areas. The big challenge for the user is you may have people that seem to have qualifications in this particular field, but how deep is the experience? (UK CAC). We have an engagement quality review partner …on these big assignments, it's always been there, but the auditing standards prescribe, prescribe it now, especially for U.S., the PCOB auditing standards has a specific standard on engagement quality review partners. Then internationally, again my clients, I have a SEC filing review partner as well (SA EP)

Firm or engagement partner rotation

At the time of this study several regulators had already introduced mandatory auditor rotation at partner level, whilst others were considering rotation at firm level to demonstrate auditors' professional independence and address familiarity issues. Participants from all cohorts also had strong views as to whether mandatory firm rotation was more effective than mere audit partner rotation, to demonstrate auditor independence. Those vigorously criticising and opposing firm rotation were mostly from the EP and CFO cohorts, arguing that audit failures occur more often in the first year of the relationship than at any later stage. In addition to losing client-specific knowledge (potentially compromising audit quality), EP participants also maintained that mandatory audit firm rotation increases costs as new audit firms engage additional resources to obtain the required client-specific knowledge. CAE participants generally favoured audit firm rotation, while acknowledging its costly nature, and recognized that to build an optimal relationship takes time. However, the benefits of employing a different audit firm's methodology include the re-exposure of problematic issues previously accepted as "normal".

Some participants generally recognized that mandatory firm rotation limits their income streams and some questioned whether such practice could achieve complete independence. Participants were variously concerned about the impact of firm rotation on the Big 4 firms specifically: client-specific business and industry knowledge were seen as optimising factors impacting audit quality and the audit's effectiveness and efficiency. Table 4 uses balancing mechanisms to frame participants' perceptions on how they navigated logic multiplicity when deciding to rotate firms or engagement partners.

Table 4: *Partner/firm rotations: navigating logic multiplicity*

Assimilating conflicting logics		
Rotation has merit to improve independence (PL) Firms incur huge investments in social capital (and also in specific industries) and to have a return they need to retain audit clients (CL) Efficiency and cost implications as well as securing a long-term revenue stream from retained audit clients (CL) are important features in the audit firm rotation debate	**Commercial logic (CL)**	**Professional logic (PL)**
	There is an efficiency premium from sticking with the one firm and even the one partner but, you know, independence is so incredibly important as well so there is a trade-off and, at some point, companies probably should muscle up to [take] the decision (Australian CFO). I don't think [firm] rotation is necessarily the answer…I also think that the goal is being missed, if anything, it dilutes it long term, short term sure, everyone gets to eat from the pie, you know, but the Robin Hood theme doesn't work in a capitalist world, it just doesn't, we've also got to make profit (SA TP) So for firm rotation …[to] be there for ten years and then you rotate, give the firm the opportunity to invest in all the skills required and get a return on that investment because …we [audit firms] are not there for love and charity. We also need to make a living so you cannot just invest all the time (SA EP). If we have five to seven year rotations, then the institutional knowledge that a Big 4 firm has …systems, processes, controls, history, legal structure and everything, [its] very, very difficult to see	Familiarity does breed contempt (UK EP). Rotation is seen as one of those key things to embed independence… I am supportive of rotation but just the period needs to be reasonable, because you do get, you do get stale and complacent (SA TP), I've been involved in audits that I've done for years and years and years, and have also won some large audits and had to transition them from other firms. There's no doubt in my mind that if you do that transition effectively then I think the company can achieve a better quality audit, certainly for two or three years, than they were perhaps getting from the firm who'd done it for 20 years (UK EP). Individuals [have] to demonstrate their independence but I think the people in general that is in this profession and the leadership roles understands that their bread and butter is dependent on their integrity …It comes back to the question of rotation …the concept makes sense (SA TP)

<table>
<tr><td></td><td>how a global firm can recreate that, and consequently, I suspect we will see more audit failures; certainly at subsidiary level, we will (UK EP).</td><td></td></tr>
<tr><td colspan="3">Bridging commercial and professional logics</td></tr>
<tr><td>Partner rotation, rather than firm rotation, is the preferred alternative to demonstrate auditor independence (PL). By rotating the engagement partner, the firms retain the client (CL)
Difficulties are encountered when embedding knowledge of the business and specialized know-ledge of the industry for newly acquired audits, and audit quality could be undermined when audit teams lack client-specific or industry knowledge (PL)
It allows firms to share knowledge of the client and deliver quality audits (PL), whilst ensuring a return on investment made to service the client (skills, time etc.) (CL).</td><td colspan="2">Yeah, well, rotating the partner is less onerous than rotating the firm. So we are rotating partners …It means that really you get four years, or three and a half years for a partner on their own. Because in their first year they're piggybacking off the old partner and in their last year they're teaching a new partner. So they have to have overlaps at the beginning and end, so really the partners are really only their own for three years out of the five (Australian CFO).
I think partner rotation is good. You know, I don't believe in firm rotation, so I think partner rotation's sufficient. And the reason being, is the complexity of clients …[before joining the audit team] you don't have a clue what, what's in a massive company, you don't know. So it takes, it takes a lot of time. So on the partner rotation; I think it's just how you manage it. I'm on this client for at least five years, and then you're on the next five years, then I'm on the next five and so on (SA EP).
I would be very reluctant for firm rotations for the simple reason that even within a firm I think at least when a partner rotates you have the audit managers and the clerks fairly familiar with it. If you have a firm rotation, I think it would probably take three-four years before clerks and managers and partners come to grips with it (SA CFO).
Rotation was seen as one of those key things to embed independence.... it will take you five years just to understand …[a specific client in a complex industry] let alone really get your arms around it. And then, if I'm rotating in two years' time on these big clients, you bring in someone that will mirror or get to know the client. So when his five years starts ticking, he already knows the client. (SA EP).
As a consequence [of audit rotation], you're going to see, in my view, a different style of audit, because there is little point in doing a fantastic audit – if I define 'fantastic audit' as one that management thinks really adds a lot of value – there's no prizes for doing that. You can't retain the client, and you can't win any additional revenues (UK EP).
I think the firm rotation I think there is a certain amount of risk no matter how much effort you put into the one and…you do not know that client as well as somebody that has been on it for a number years. I think partner rotation is a good thing …we will try and keep the same partner and manager and then your second year following your third year of assignment so that you have a conti-nuity so that people understanding the assignment (SA TP).</td></tr>
<tr><td colspan="3">Demarcating connected logics</td></tr>
</table>

Firm processes, including quality control processes, need to ensure independence is maintained (PL) - it reinforces the need to monitor partner independence on audits (PL) to meet regulatory requirements.	It's not necessarily about rotation of auditors. It's about closeness to the client and the ability and willingness to challenge the client, knowing that ultimately they're paying your salary. So there has to be recognition and processes within a firm to make sure that no client is bigger than the firm and we've seen Enron is the ultimate example where a client was bigger than the firm and therefore caused this demise (Australian EP). I'm therefore not a big supporter of rotation, definitely not firms, I can sort of see the benefit of partner rotation …though [you need] quality control process (SA EP).

Meeting regulatory inspection requirements

The formal monitoring using practice reviews ('regulatory inspections' in this paper) as the regulatory oversight process formed part of EP's everyday practice and they reported that regulatory inspections have increased in number and duration ("[The] level of scrutiny, and therefore accordingly, the rigor around what we do, has gone up exponentially over the years" (Australian EP)). These participants conceded that regulatory inspections have had a positive impact on audit quality, implicitly benefitting public interests, but that they need to "manage" the process, thereby following a compliance mind-set to ensure audit efficiencies and quality are maintained. Regulatory scrutiny requires an accountability logic and detailed documentation (seen as driving compliance behaviour) the outcome of which has been the emergence of two parallel audits: a compliance-driven audit ensures 'all the boxes are ticked' and an assurance-driven audit, aims at expressing an opinion. A compliance-driven audit, complete with multiple checklists and accumulated documentation, anticipating regulatory inspections (accountability logic), was much criticized by various participants who perceived it as having become auditors' primary focus.

Various study participants have observed a compliance-orientated mind-set in trainee auditors that are inhibiting the development of their critical thinking skills and professional scepticism in particular: "It tends to put pressure on auditors to be so compliance focused that it actually has negative effects on their scepticism and so on" (Australian EP). Following an accountability logic with a compliance-driven approach also risks making the workplace uninteresting, jeopardising the profession's recruitment of quality junior employees, and retention of senior audit partners and over the long term the audit itself could be compromised. Expanding on the Smets et al. (2015) model, Table 5 uses balancing mechanisms to frame participants' perceptions on how they navigated logic multiplicity when meeting regulatory inspection requirements.

Table 5: *Regulatory inspections: navigating logic multiplicity*

Assimilating conflicting logics		
Regulation in the audit environment has improved audit quality (PL). Audit work is shaped by regulatory inspections; auditors are becoming compliance driven (AL) and this could be to the detriment of audit quality.	**Accountability logic (AL)**	**Professional logic (PL)**
	The quality question then comes back to …checklist auditing because the only way that you can make sure a quality audit is delivered [based on regulatory inspections] is to make sure that everything has been done and the only way that you do that is to have checklist on checklist on	The regulatory environment has certainly improved the quality of the audits, and I do think we are doing better audits since we've been regulated and have had regulatory inspections (UK EP). It definitely influences

Two audits are running in parallel. The one requires a compliance mind-set to meet regulatory inspection requirements and demonstrate accountability (AL). The other is conducting a quality audit in public interest (PL).	checklist on checklist (SA TP). So the emphasis of the regulator, I think, drives us away from audit quality, not towards it. It drives us into lots of detailed documentation and away from talking to the client, understanding exactly what's going on in the business, asking the right questions (UK TP). Tick, tick, tick. And it can distract them [auditors] from what is really, what really matters (Australian CFO). The last time I counted, on an audit for a large company we had something like 124 checklists to complete. It's frightening (UK EP). They [auditors] are all spending more of their time doing … box ticking and arse covering… that's the reality (UK CAE). The advent of a compliance regime and audit inspections (all of which are absolutely right), create this compliance mentality (UK CAC). A lot of regulations actually result in a compliance auditor where they tick boxes and they can't think … and they don't exercise judgment or professional scepticism (SA EP).	what our regulator thinks is important. Influences how we look at quality …The impact of having a regulator that reports publicly on our findings, only ramps up the pressure on quality further (UK TP).
Bridging accountability and professional logics		
Accountability towards regulators resulted in increased compliance behaviour. Two parallel audits are performed that need to be connected, thus also connecting the logics underlying these audits (AL & PL) When connected, standard checklists and programmes do not disappear (AL) but more is needed to go beyond the minimum and perform a quality audit (PL) that meet regulators' requirements Thus the regulator should not	… there are definitely two audits going on (UK EP). I think the way the world is structured presently, you need loads of technical accountants and regulatory compliance people and that's it (UK CAE). The process and the risk management approach within the firms is so around compliance, with the firms [using] prescribed methodologies and ensuring that everything is religiously completed as it should be (SA CAC). It can be quite a struggle to get those two [compliance and assurance audits] to be properly joined up (UK CAC). Do you have standard checklists and audit programs and so forth? …I think the answer is you still need something to make sure that those who aren't thinking do the minimum, but you want people to think beyond that, and it's actually up to the firms because it's really about things like supervision and review. You know the partner involved with the staff, the mentoring, all of those sorts of things, training people up to think beyond the box (Australian PB/R). From an audit quality perspective, is to focus on what matters most, as opposed to making sure my file is squeaky clean … Your client never sees the audit file. The only person who sees the audit file is the regulator. And I come back to the point I made earlier on - … we've got the wrong stakeholder in mind here. (SA EP).	

be the main stakeholder (AL) but audit quality should prevail (PL)	
Demarcating connected logics	
Regulator inspection processes should remain and need to be driven by audit quality (PL) – it reinforces the need to independently monitor audit quality (PL). Firms' own quality control processes (PL) need to address shortfalls in audit quality (PL) and firms' remuneration policy should be driven by audit quality (PL)—it reinforces the need to proactively monitor audit quality (PL).	By having audit inspections and we would say quite to the contrary that we're actually trying to encourage auditors to think about the judgment issues, the big issues in an audit and to think beyond the requirements and the standards (Australian PB/R). Ultimately where there have been audit failures or where there has been poor auditing is picked up by the [specific regulator] (UK CAE) I see that all the time. The more you drive box-ticking, the more that becomes the defence, which is, "I did what I had to do; I did what was required of me." You say, "Yes, but the bad thing happened" (UK CFO). So it's making sure that our remuneration policy is not compromised and that all our monitoring activities, make sure we are monitoring audit quality and more importantly addressing where we believe there are shortfalls (SA EP).

Discussion

This study sought to understand how Big 4 auditors navigate conflicting logics in their everyday practice. Their firms did not buffer them from the influence of conflicting logics (Martin et al., 2017) and they had to integrate and adapt different logics (Bévort & Suddaby, 2016). In examining auditors' decision-making to involve experts, rotate partners/firms and meet regulatory inspection requirements, the study expanded the conceptual model of Smets et al. (2015) to balance coexisting logics. The study adds assimilating to the model's three interrelated balancing mechanisms (segmenting, bridging and demarcating) (Smets et al., 2015).

Segmenting involves "those practices that use given organizational structures to allow individuals to enact coexisting logics separately, where and when appropriate, to protect them from scrutiny by, and loss of legitimacy with, referent audiences of competing logics" (Smets et al., 2015, p. 32 & 33). It resonates with compartmentalizing in institutional theory (Kraatz & Block, 2008; Skelcher & Smith, 2015). It is the initial step in the balancing cycle and separates coexisting logics by segmenting practices that enact them, by assigning different logics to different locations with different referent audiences (Smets et al., 2015). Our study shows segmentation occurs when auditors decide to involve experts located in their firms' consulting divisions on large complex audits. They realized that boundaries between auditing and consulting services are increasingly blurred (Barrett, Cooper & Jamal, 2005). While consulting divisions coincided with commercial logic (Greenwood & Suddaby, 2006; Sikka, 2009; Wyatt, 2004), auditors' decisions and processes to conduct quality audits were influenced by professional logic (Malsch & Gendron, 2013; Spence & Carter, 2014). Recent studies confirmed auditors rely significantly on their in-house experts (Cannon & Bedard, 2017; Griffith, 2019).

Different organizational structures were not as evident when auditors decided on partner/firm rotation or met regulatory inspection requirements, as the core of professional logic remained while they adopted practices and symbols of a conflicting logic. Rather than segmenting, a selective incorporation of elements occurred. This is known as assimilation (Skelcher & Smith, 2015) and resonates with selective coupling (Pache & Santos, 2013) and co-optation (Andersson & Liff, 2018). This study adds assimilation as balancing mechanism to the Smets et al. (2015) model. In the case of rotation, influenced by their core (professional) logic auditors sought to be perceived as independent and used knowledge of the client to avoid audit failures (quality audits). Their emphasis of cost implications rather than independence in the debate between firm or partner rotation highlights the tension between commercial and professional logics. It is also evident in recent studies focusing on firm rotation (Velte & Loy, 2018) and audit-only firms (Demirkan, & Demirkan, 2017). In similar vein, auditors conducted audits aimed at quality in serving public interest, but in parallel, they conducted compliance-driven audits to meet regulatory inspection requirements. It, therefore, appears that regulatory inspections, instead of improving audit quality and strengthening professional logic, have precipitated accountability logic manifesting in a compliance mind-set into Big 4 firms' operational mix.

The primary focus is now on performing compliance-driven audits, complete with multiple checklists and accumulated documentation, anticipating regulatory inspections, and it may well compromise professional judgement and scepticism. Failure to follow up on questionable responses (Hurtt, Brown-Liburd, Earley, & Krishnamoorthy, 2013), is simply compliance behaviour trumping quality auditing. This is a significant challenge: only those auditors actively exercising professional scepticism are likely to confront clients or to perform additional procedures when irregularities become apparent (Knechel, Krishnan, Pevzner, Shefchik & Velury, 2013). Despite this, participants used standardized tools, together with accountability logic, as a professional strategy to "strengthen professional trust and provide a sense of certainty" that still threatens auditors' professional judgement (Ponnert & Svensson, 2016, p. 586).

The second mechanism in the Smets et al. (2015) model is *bridging*. Being integrative, bridging imports important understandings gained from enacting one logic into the other (Smets et al., 2015). It balances differentiating effects of segmentation, also through collaborative relationships (Reay & Hinings, 2009). For example, auditors used knowledgeable experts (who had been exposed to current practices through consultation) and embedded them in audit teams whilst expecting them to apply audit firm methodologies. This approach addressed auditee executive management's concerns regarding consistency and confidentiality. Creating a mutually facilitative relationship (Kraatz & Block, 2008), the competing logics "feed off" each other (Smets et al., 2015, p.35) as auditors not only supported their firms' consulting divisions but they used them as valuable in-house training ground for prospective auditors.

Bridging, or temporarily connecting logics, is also part of assimilation when including elements of competing logics (Skelcher & Smith, 2015). Alvehus (2015, p. 40) describes bridging as follows: "a logic is given another, relevant role, differing from its intended role". Regulators, in promoting auditor independence and audit quality (implying public interest and demonstrating professional logic), have introduced mandatory auditor rotation at partner level (Jackson, Moldrich & Roebuck, 2008; Chi, Huang, Liao & Xie, 2009) and are promoting firm rotation. Auditors implemented elements of competing logics; they supported partner rotation and managed the process by in- and out-phasing of engagement partners to retain client-specific knowledge and promote audit quality (Bandyopadhyay, Chen, & Yu, 2014; Jackson et al., 2008), whilst balancing audit efficiencies and costs (clients' and own long-term revenues). Whilst partner rotation facilitated that competing logics "feed off" each other (Smets et al., 2015, p.35), this is not necessarily the case with firm rotation as income gets lost when a client is not retained. Except for audit committee chair and regulator participants, the general consensus was against firm rotation even though it increases independence by introducing fresh perspectives on audit engagements (lowering complacency) (Elder, Lowensohn & Reck, 2015). Although empirical evidence assessing the merits of audit partner rotation is mixed (Jackson et al., 2008; Carey & Simnett, 2006; Chi et al., 2009), the general consensus of auditor participants was that such rotation was acceptable to address familiarity issues.

Participants conceded that regulatory inspections (legally and regulatory-derived coercive pressures (DiMaggio & Powell, 1983; Ollier-Malaterre et al., 2013)) have impacted positively on audit quality (Malsch et al., 2018) (underscoring accountability logic), but equally recognized that compliance behaviour is escalating (much criticized by some non-auditor participants). Regulatory agencies require detailed documentation to verify accountability and Big 4 firms use standardized tools to demonstrate their compliance. Auditors were expected to selectively act with a compliance mindset and go beyond standard checklists to join compliance (tick-box) auditing and assurance auditing (based on evidence to express an opinion). Then accountability and professional logics could "feed off" each other (Smets et al., 2015, p.35), otherwise the use of decision-making aids and checklists, increasing audit efficacies and minimising risks of failing inspections, negates professional development and could compromise firms' ability to attract and retain competent staff, arguably impacting audit quality negatively (Holm & Zaman, 2012).

Smets et al. (2015) found that individuals use self- and peer-monitoring structures to scrutinize their bridging practices, thus *demarcating* logic blending or slippage. They argue that bridging carries the risk of privileging one logic over another, and tensions needed to be downplayed - thus demarcation restores balance according to relative power and interests (Greenwood & Suddaby, 2006; Reay & Hinings, 2009). In this study audit quality served as demarcation and firms' quality control processes, including peer reviews and independent regulatory inspections, represented institutionalized oversight processes (Holm & Zaman, 2012; Humphrey et al., 2009; Humphrey, Kausar, Loft & Woods, 2011; Khalifa, Sharma, Humphrey & Robson, 2007).

This study shows auditors had the practical understanding to work across competing logics. Smets et al. (2015) argue that work can itself become institutionalized in the mundane, everyday practice of individuals. This study supports the notion, that auditors' decisions to involve experts, rotate partners and align their audit work for regulatory inspections have become the norm in Big 4 firms, but such institutionalization was challenged by some non-auditor participants, who questioned auditors' commercial and accountability logics with compliance orientation and its impact on audit quality. They believed separating audit firms from consultancies could re-establish the "pure" professional firm identity (Noordegraaf, 2015) and saw Big 4 firms as having merely legitimize their consultancy-favouring business models by endorsing prevailing audit quality rhetoric, and thus protecting their images (Holm & Zaman, 2012). This finding points towards the temporal nature of institutionalization of logic multiplicity. It returns to the thinking of DiMaggio and Powell (1983) that a single coherent institutional template is needed in order to gain support from external institutional referents.

The way in which actors reconcile logics deepen the understanding of institutional instability and change (Alvehus, 2015). This study enhancing the understanding of logic multiplicity at the institutional "coalface" (Alvehus, 2015; Bévort & Suddaby, 2016; Smets et al., 2015). To answer the research question - How do Big 4 auditors navigate institutional complexity in their decision-making to maintain audit quality on complex audit engagements? – the study suggests individuals construct meaning of conflicting logics in ways that reflect, facilitate and promote their own aims and resources (Bertels & Lawrence, 2016) and they use balancing mechanisms to navigate and make sense of coexisting (professional, commercial and accountability) logics. While individuals have their own interpretation of institutional pressures and use their own identity scripts to routinely enact them within everyday practice (Bévort & Suddaby, 2016), non-auditor participants in our study remained sceptical and questioned the influence of connected logics on audit quality. It points towards the temporal nature of the institutionalization of logic multiplicity and shows that institutional complexity is in continual flux (Greenwood et al., 2011).

Concluding thoughts

This paper has pondered the question: How do Big 4 auditors navigate institutional complexity in their decision-making to maintain audit quality on complex audit engagements? In particular it sought to understand auditors' decisions to (1) involve experts, (2) rotate firms or engagement partners and (3) meet regulatory inspection requirements through an institutional logic lens. Adding to the emerging debate surrounding logic multiplicity at the institutional 'coalface', this study expands on the Smets at al. (2015) model of balancing coexisting logics. It adds assimilating to the other balancing mechanisms (segmenting, bridging and demarcating) auditors use to navigate and make sense of coexisting logics. While competing logics are in conflict at many points, they are paradoxically complementary (Gendron, 2002) in auditors' every day practice and through this interplay audit quality is maintained when these logics are balanced. However, non-auditor participants, mostly overlooked by institutional research at micro-levels, challenge the institutionalisation of connected logics and questioned the influence on audit quality. It shows that "the pattern of institutional complexity experienced by organizations is never completely fixed" (Greenwood et al., 2011, p. 318).

Further work is needed to understand the relationship between audit quality (demonstrating professional logic) and accountability logic within audit firms. As Burns and Fogarty (2010, p. 314) ask: "If inspections are causing more prescriptive audit procedures and generating a compliance mindset, is that over the long term improving quality?" Future studies should, therefore, investigate the current regulatory regime to answer the question: does the emergence of a checklist (compliance mindset) approach to audit serve the best interests of audit quality?

The interactions of multiple logics on audit firms' competence and audit quality requires further research as competence is the essence of audit practice (Fogarty, Radcliffe & Campbell, 2006), and key to the profession's survival because "professions both create their work and are created by it" (Abbott, 1988, p. 316). The emergence of new experts and new domains of expertise require examination in the context of understanding contemporary professional life confronted by multiple logics (Carter, et al., 2015).

The study's limitations include that data was derived from the personal experiences and perceptions of individuals with direct interests in the audit of complex, multinational companies. Investor perspectives, therefore, represent an area ripe for future research. Furthermore, the study's multi-country analysis was limited to participants from the UK, Australia, and South Africa. And finally, the study was based on Big 4 firm practices and little variation was found across the countries. This is not unexpected because Big 4 firms are seen as a field of study in their own right (Carter, et al., 2015, p. 1204). Future research could include cross-country studies on small-scale audit firms.

More work needs to be done to understand the micro-level dynamics of institutional logics. We are encouraged by the applicability of the Smets et al. (2015) model in this study. However, with the addition of assimilation as a balancing mechanism, and the challenge of non-auditor participants in everyday practice being institutionalized, various avenues are opened up for future research to understand institutional pressures.

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