Understanding Audit Firm Culture
through the Lens of the Competing Values Framework

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Abstract

Using the Competing Values Framework (CVF), this study examines the desired organizational culture of large audit firms in the Netherlands, evaluates how consistently culture is experienced in everyday practice, and investigates the implications of any gaps between the desired and current culture. The findings show that the desired culture is characterized by collaboration and control, reflecting an inward focus. However, audit firms struggle to establish a consistent understanding of culture across offices and functional levels, resulting in a gap between the desired and current culture. This "culture gap" has dysfunctional consequences for audit firms, as larger gaps are associated with lower psychological safety and poorer person–organization fit. The study also explores how audit firms can reduce this gap. Our findings provide audit firms with a practical tool to diagnose problems in achieving cultural change.

Keywords: audit firm culture; competing values framework; audit quality

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I. INTRODUCTION

Audit firm culture has become a key area of attention for both audit firms and regulatory bodies over the past decade. Despite this increased attention, we have limited understanding about the nature of the desired culture within large audit firms, the extent to which this culture is consistently perceived in daily practice, and whether gaps between the desired and existing current culture have dysfunctional consequences. The purpose of this paper is to advance our understanding of these issues. To this end, we draw on the theoretical Competing Values Framework (Quinn and Rohrbaugh, 1983), which was later operationalized by Cameron and Quinn (2006) into a diagnostic tool for identifying and assessing cultural gaps within organizations, and apply it to the auditing context.

Organizational culture is a broad construct and is generally described as relating to shared values, assumptions, and beliefs held by people within an organization that create underlying behavioral norms and expectations, and which guide the day-to-day actions of people in organizations (e.g., Chatman and O'Reilly, 2016; Hartnell, Ou, Kinicki, and Choi, 2011; Schein, 2010; Schneider, González-Romá, Ostroff, and West, 2017).[1] The Competing Values Framework (CVF) views organizational culture as the outcome of two orthogonal dimensions: its focus (inward versus outward) and its control structure (tight control versus flexible control). This gives rise to a 2x2 matrix in which there are four types of organizational cultures based on their focus

[1] Numerous definitions of organizational culture exist in the research literature, and there are multiple approaches to the study of culture and its consequences. Verbeke, Volgering, and Hessels, (1998) observe that "Researchers in various disciplines such as psychology, sociology and anthropology applied their collective perspectives and approaches to study culture and have, over time, proposed more than 54 different meanings and conceptualizations of organizational culture." There are three broad approaches to the study of organizational culture: anthropological, sociological, and critical management studies. The CVF has its roots in the sociological approach.

and control: Hierarchy Culture (inward focus and tight control); Clan Culture (inward focus and flexible control); Adhocracy Culture (outward focus and flexible control); and Market Culture (outward focus and tight control). We follow Cameron and Quinn (2011) and re-label these four culture types as *Control* (Hierarchy), *Collaborate* (Clan), *Create* (Adhocracy), and *Compete* (Market), respectively. The unique configuration of competing values is what makes an organization's culture distinctive to each firm. Interviews with audit firm leaders provided empirical support for the applicability of the CVF to audit practice and emphasized the inherent tensions between its four cultural dimensions. In addition, an important feature of the CVF for the purpose of our study is its use as a diagnostic tool to assess gaps between an organization's current and desired cultures.

There are several reasons why audit firms might not be particularly successful in creating a clear and consistent understanding of their firm culture among their staff members. The national practices of audit firms are decentralized and operate through multi-office locations within a country. Audits are typically conducted by small engagement teams, whose members often work at the client site and may spend most of their time outside the firm's office environment. This decentralized and dispersed delivery of audits means that auditors are not exposed to the simple daily routine of going to an office where it is arguably easier to assimilate the cultural norms and values of the organization. Auditors may come together (as a firm) only in training sessions, and even these are increasingly being done online rather than in-person. This means that the lived experience of auditors in the audit firm's culture takes place very narrowly among small groups of colleagues with whom they work with in engagement teams.

Our study investigates the extent to which audit firms succeed in overcoming these structural challenges. We begin by documenting the "state of desired culture" in audit firms, examining whether a dominant cultural type (control, collaborate, create, or compete) prevails, how it varies across firms, how consistently it is perceived across ranks and offices, and whether it matches with the personal values of its employees. This provides an empirical foundation for assessing whether cultural norms are broadly shared or fragmented within firms. We then turn to examining whether there is a gap between the desired and current culture and whether this 'culture gap' has dysfunctional consequences. Specifically, we test whether larger culture gaps are associated with negative psychological outcomes among employees, reflected in lower psychological safety and weaker perceived person–organization fit, and whether perceived organizational support mitigates these potential negative effects. Finally, following Alberti, Bédard, Bik, and Vanstraelen (2022), we explore whether cultural embedding mechanisms (tone at the top, feedback, resources, training, organizational design, audit procedures, and consultations) can narrow these gaps. This analysis provides insights into how firms can create a clear and consistent understanding of organizational culture among their audit professionals.

Our study relates to the nine largest audit firms in the Netherlands, including all Big Four firms and the next five large audit firms. As an initial step, we conduct semi-structured interviews with the national leadership of each Big Four firm to better understand the ongoing cultural initiatives that were introduced in response to recent regulatory pressures. In describing their initiatives, firm leaders discuss different elements of their organizational cultures, as well as different tensions they are facing. These tensions map to the four dimensions of the CVF, thereby giving further confidence in our use of this framework to investigate audit firm organizational culture. Appendix A presents a brief summary of the interviews.

The analyses in our study are based on survey responses from 2,795 auditors, 65% of whom are Big Four auditors. We rely on the "Organizational Culture Assessment Instrument" (OCAI) based on Cameron and Quinn (2011), along with other well-established scales from the organizational behavior literature to measure our key variables of interest. Our findings indicate that the dominant culture in the audit firms in our sample typically emphasizes collaboration and control, suggesting a strong internal orientation. Culture generally appears to be more clearly perceived within Big Four firms than in non-Big Four firms, as evidenced by higher average scores across all four dimensions. We further observe nuanced differences among the individual audit firms, consistent with the expectation that each firm has its own unique corporate culture.

When we examine how successful the audit firms are in creating a consistent understanding of culture *within* their organization, we find significant variation. Perceptions of culture vary significantly across different function levels and across offices, highlighting the challenges posed by a decentralized organization in creating culture. We explore potential reasons for the observed variation within a firm. The first step in establishing a strong sense of organizational culture is the clear communication of desired values. Given the central role of audit partners in creating organizational culture, we compare the partners' views of the firm's desired values to those of the other employees. Our findings indicate significant discrepancies in how these values are perceived within the firm, suggesting substantial communication problems. For example, partners show higher values for *Collaborate* while staff (non-partners) have higher values for *Control* as the perceived desired culture. Furthermore, we observe misalignments between employees' perceptions of the firm's desired values and their personal values.

Next, we examine the actual implementation of the desired culture values, and document that the current organizational culture consistently falls short of the desired culture across three of the four CVF dimensions. Building on Expectancy Violation Theory (Burgoon, 1993), we argue that these discrepancies between the desired and current culture ('culture gap') represent expectancy violations: when employees are exposed to firm-wide communications about what the organization aspires to be, they develop corresponding expectations about their work environment. When their lived experiences deviate from these expectations, employees perceive inconsistency between desired and enacted values, which triggers negative cognitive and affective responses. Consistent with this reasoning, we find that larger gaps between the desired and current culture are associated with lower psychological safety and weaker perceived organizational fit. Further, we find that perceived organizational support mitigates these negative psychological outcomes. Finally, we provide exploratory evidence that embedding mechanisms, particularly ensuring adequate resources, can help narrow 'culture gaps'.

Overall, our study contributes to the audit literature by providing a detailed, empirically-based examination of how audit firm culture is perceived and communicated. The CVF is a theoretical perspective that offers a novel lens through which we can understand the complex dynamics of audit firms and their current culture initiatives, thereby answering calls from prior literature (Andiola, Downey, and Westermann., 2020). Our findings are also relevant to audit practice. Our study highlights that merely stating desired cultural values is not sufficient. These values must be actively reinforced through consistent actions that change perceptions of organization's culture. The framework presented in this study provides audit firms with a practical tool to analyze their culture, and to implement their desired cultural changes.

II. BACKGROUND

The Competing Values Framework

Quinn and Rohrbaugh (1981, 1983) identify two primary dimensions of an organization's internal culture that affect organizational performance: (1) the organization's control structure, ranging from flexibility to stability, and (2) its primary focus, either internally oriented toward people or externally oriented toward new opportunities, products, and customers. These two core dimensions (structure and focus) give rise to a two-by-two framework with four competing values that interact to define the culture of an organization, as illustrated in Figure 1.

[Insert Figure 1 Here]

Control Culture reflects an inward focus and a stable, tight, control structure. Control-oriented organizations value stability, consistency and predictability, and rely on the formalization, coordination, and monitoring of processes within the organization. They aim for efficient, timely and smooth processes. Leadership styles and success criteria emphasize these values. This culture type was termed "Hierarchy" in the original formulation of the CVF due to an emphasis on bureaucracy and hierarchical structure to control work processes and behaviors. A *Control Structure* is dominant in mature manufacturing industries.

Collaborate Culture indicates an inward focus with a flexible control structure. Such organizations value their employees and embrace communication, cohesion, and trust. They foster collaboration through nurturing, mentoring, and empowerment. Success is defined in terms of the development of human resources, and leadership emphasizes mentoring and nurturing. In the original formulation of the CVF this was called a Clan Culture because its emphasis on people is reflective of family (clan) values. The *Collaborate Culture* is dominant in the service sector, e.g., in education or consulting.

Create Culture has an external focus and a flexible control structure. Such organizations value creativity, flexibility, and risk-taking. They also rely on individual initiative and creative problem-solving processes, in order to achieve cutting-edge solutions, and disruptive change. Leadership and success criteria emphasize innovation. The culture type was termed "adhocracy" in the original formulation of the CVF. Adhocracy is a term coined by Bennis (1968) and refers to organizations that are flexible and creative, and which use informal structures, in contrast to bureaucratic organizations. A *Create Culture* is common in high-tech startup firms.

Compete Culture has an external focus, with a stable, tight, control structure. Such organizations are results-driven and customer-oriented. They encourage competition, productivity and achievement. Thus, they primarily pursue profitability and market-share increases. Leadership and success criteria are results oriented and winning in the marketplace. The original term in the CFV was market culture, denoting a focus on market competition. As high-tech startup firms like Apple, Inc. mature, their culture typically shifts to a *Compete Culture* (Cameron and Quinn, 2011).

As described by Quinn and Rohrbaugh (1983) and Cameron and Quinn (2011), the four competing values can co-exist to some degree. While there might be one dominant cultural type for some organizations, in other organizations there is not necessarily a single cultural value that dominates. Each organization has different needs, goals and particularities, requiring a unique balance. The way in which the competing values combine is what makes organizational culture idiosyncratic to each firm.

Cameron and Quinn (2011) argue that the CVF provides a link between culture and organizational effectiveness. In support of this, Hartnell et al. (2011) and Hartnell et al. (2016) demonstrate that culture type is significant in explaining organizational outcomes, over and above the effects of other organizational characteristics such as leadership behaviors, organizational structure, and strategy. The CVF has been used in numerous studies from various academic fields including organizational change, leadership studies, educational institutions, and operations management (Khazanchi et al., 2007; McDermott and Stock, 1999; Quinn and Spreitzer, 1991; Tsui et al., 2006; Zammuto and Krakower, 1991). In addition, it has been used to study organizations in many countries beyond the United States, including Australia, Korea, Hong

Kong, Italy, and Germany (Choi et al., 2010; Denison and Spreitzer, 1991; Duse et al., 2011; Kwan and Walker, 2004; Lamond, 2003).

There is no single, correct way to study organizational culture, although the CVF is a widely used empirical approach (Ten Have, Ten Have, Stevens, van der Elst, and Pol Coyne, 2003; Cameron et al. 2006; Hartnell et al. 2011). Cameron and Quinn (2011) acknowledge that the CVF is not necessarily a complete representation of all potential dimensions of importance in studying organizational culture. Chatman and O'Reilly (2016, pp. 208-210) and Chatman and Choi (2022) in their reviews of the research literature, critique the CVF and raise potential concerns over construct validity in the survey instrument (OCAI, 2019) that is used in CVF research. However, studies have shown the OCAI instrument to be reliable (consistent across raters) and a valid representation of culture types (see Yeung, Brickbank and Ulrich, 1991; Kalliath, Bluedorn and Gillespie, 1999; Zammuto, and Krakower, 1991). Studies also report evidence that the CVF is useful in linking cultural values with organizational outcomes (Hartnell et al, 2011; Hartnell, Kinicki, Lambert, Fugate, and Doyle Corner, 2016). Our view is that while the CVF may not directly measure the "construct" of culture, it does capture manifestations of culture through an organization's dominant characteristic, strategic emphasis, criteria of success, and leadership style, which form the basis of the questions in the OCAI instrument.

The CVF and Audit Firms

Auditing is a for-profit activity that serves the public interest, which implies inherent conflicting interests and competing forces. *Control Culture* is relevant to the auditing context given the need to carefully monitor and control the quality of the audit process. Following the accounting scandals of the early 21st century, audit firms invested heavily in internal quality control systems, designing and reinforcing clear responsibilities, procedures, and review processes for each rank and at every step of the audit process. Gendron and Spira (2009) argue that Arthur Andersen's failure could have been prevented through more bureaucratic controls. Research has investigated various audit firm quality control and risk monitoring mechanisms (see Jenkins et al. 2008, for an overview). However, quality control deficiencies persist, including problems with the culture in audit firms (Aobdia, 2019). This discussion highlights the centrality of *Control Culture* in the auditing context.

Collaborate Culture is also deeply embedded in the auditing profession, as the practice relies heavily on engagement teams where trust and communication are key. In addition, auditors, from all ranks, mainly learn by doing and from their superiors' mentoring. Westermann et al. (2014) show that auditors acquire knowledge primarily through collaboration and communication with their peers while being on the job. Further, Miller et al. (2006) indicate that on-the-job training and feedback enhance auditors' motivation and performance. In turn, Herrbach (2010) shows that affective commitment is negatively correlated to certain quality reduction behaviors. Thus, collaboration and cohesion are fundamental to the practice of auditing, making the *Collaborate Culture* likely a central component of audit firms.

Compete Culture exists in the auditing profession as audit firms seek profitability and compete for market share. Picard et al. (2018) document the spread of a marketing ideology throughout audit firms in recent years, suggesting increased competition and customer focus. In addition, recent research indicates that economic capital and commercial focus outweigh social capital and professional focus in becoming partner (Carter and Spence, 2014; Kornberger, 2011). While the primary purpose of auditing is to provide assurance over financial information used by investors, the profession itself operates in a competitive environment and is subject to commercial pressures.

Create Culture or innovation have not traditionally been defining features of the auditing profession given the tight controls over the audit process, which leaves little room for experimentation or entrepreneurial behavior (Bryant, Stone and Wier, 2011; Curtis et al., 2016). However, the auditing environment has evolved rapidly in recent years, as firms adopt new technologies and innovative practices to strengthen audit quality and adapt to changing client demands. These developments include the growing use of data analytics, machine learning, artificial intelligence, and digital communication technologies (Bauer, Humphreys, and Trotman, 2022). Big Four audit firms (e.g., EY 2025, KPMG Netherlands 2023) have highlighted the quality of an innovation mindset in their public narratives.[2] Encouraging an innovative mindset helps auditors remain flexible, open, and creative in addressing complex challenges (Bibler, Carpenter, Christ, and Gold, 2025).

In sum, there is reason to expect that all four competing values of the CVF exist to varying degrees in audit firm culture. However, the auditing context also gives rise to unique tensions among these values. Strict controls, which are also imposed by regulators and standard-setters, are essential for ensuring audit quality and compliance. These controls necessitate a structured and stable environment, which can conflict with the flexibility required for effective teamwork and collaboration. This tension is particularly evident in engagement teams, where collaborative practices and on-the-job learning are critical but may be constrained by rigid procedural requirements.

Moreover, much of the recent debate on audit firm culture has centered on control-focused initiatives aimed at enhancing audit quality. While these efforts are vital, they must be balanced against the realities of the for-profit business model in which audit firms operate. Control

[2] The Center for Audit Quality defines an innovation mindset as "the ability to generate creative or novel solutions to problems" (CAQ, 2018, p.3).

initiatives may come at the expense of innovation and market growth, both of which require a more outward focus consistent with the Create and Compete dimensions.

Given these dynamics, it is likely that firms differ in how they prioritize and balance the competing values, depending on factors such as organizational structure, leadership, and strategic goals. Additionally, inconsistencies may exist within firms, as subcultures develop across ranks or offices, reflecting localized interpretations of the broader organizational culture.

III. RESEARCH DESIGN

Data Collection and Sample

We use a survey instrument to obtain data from auditors in the nine largest audit firms in the Netherlands, including the Big 4, through the Dutch Foundation for Auditing Research (FAR).[3] Our sample selection procedure is as follows. Our study targets all ranks and offices within each participating firm to capture firm culture and potential sub-cultures. Initially, we held introductory meetings with firm representatives to present the project and understand each firm's organizational structure. Five firms permitted total population sampling, enabling us to survey all auditors. The remaining four firms utilized proportional stratified random sampling, with strata defined by function level and offices, and a consistent selection rate applied within each stratum. This approach ensures a representative sample across firms.

All selected auditors (n = 6,729) received an email with a survey link and a unique access key, along with an introduction to the project endorsed by top management. Two reminder emails were sent at one-week intervals, and the survey remained open for three weeks. For firms allowing total population sampling, we participated in online meetings to present the research and allocate

[3] The study and survey instrument have been approved by the corresponding Institutional Review Boards prior to administering the survey.

survey completion time. For others, we relied solely on email invitations. To ensure participants' anonymity, we relied on an independent data center to distribute the surveys.

The survey distribution process took place between November 2020 and January 2021.[4] We selected and distributed our survey to a total of 6,279 auditors and obtained responses from a total of 3,195 auditors (response rate of 50.88%). A common limitation of survey research is the potential for non-response bias. However, with a response rate of 50.88% and no statistically significant differences between early and late responses, we are confident that our results are representative of the entire population of interest (Van der Stede, Young and Chen, 2005). We remove survey responses that are incomplete, show insufficient effort, or are from non-audit or support staff. The final sample includes 2,795 responses with 65% of the responses from the Big 4 firms (n = 1,809). Table 1 reports the sample composition per function level, and in aggregate. In line with our sampling strategy and the hierarchical structure of audit firms, the number of observations decreases as we move up the ranks.

[Insert Table 1]

Table 2 provides descriptive statistics of the auditors in our study, per function level and in aggregate. Overall, 32.1 % of our sample are female with an average age of 31.6 years.
The proportion of female auditors decreases significantly in the higher function level: while 37.6% of all staff auditors are female, only 12% of the equity partners in our sample are female.

[Insert Table 2]

Survey Instrument

[4] The survey was administered during the early stages of the COVID-19 crises. We have no reason to believe this affected the results, but cannot rule out the potential for an effect, particularly for junior staff who may not have experienced the normal in-person onboarding processes. In the survey we asked a number of COVID-related questions, and respondents indicated that COVID had not significantly affected audit practices, at least at the time of the survey. Our results remain unchanged when including the COVID 19 questions as control variables.

We rely on well-established scales from the OB and psychology literature to measure our variables of interest. Before conducting our analyses, we assess the measures' convergent and discriminant validity through a number of reliability tests and factor analyses. Appendix B provides descriptions of our variables, and Appendix C includes details for the reliability and factor analyses.

To capture the competing values of each firm, we rely on the OCAI instrument. Using the CVF in survey research originates from Cameron and Ettington (1988) who used CVF-based "word pictures" that conveyed the extent to which participants are satisfied with different core values that characterize their organization's culture. The instrument was further developed and validated through multiple research studies and applications (e.g., Deshpandé and Farley, 2004; OCAI, 2019). For each competing value, the survey includes four statements, and we ask participants to rate each statement using a 5-point Likert scale (1 = not at all important, 5 = extremely important) to answer "how important is this to your audit firm" to measure the audit firm's *desired culture*, and to answer "how important is this to you?" to capture the participants' *personal values*. Participants further answer the question "how much is present in your day-to-day work setting?" where the scale ranged from 1 (Rarely Present) to 5 (Constantly Present). This question captures the *current culture*, as it measures the extent to which each competing value is currently present in the auditor's day-to-day work setting.

The OCAI part of our survey instrument captures our main theoretical framework, the CVF. In addition, we include several constructs related to perceptions of the work environment, such as psychological safety (Edmondson, 1999), organizational support (Eisenberger et al., 1986; Eisenberger et al., 1997), and person-organization fit (O'Reilly, Chatman, and Caldwell, 1991), and we further include questions about the different culture embedding mechanisms (Alberti et al., 2022). In total, the survey instrument included 114 individual questions, including questions about demographics, and respondents took on average 22 minutes to complete the survey. The survey was organized in different sections, and questions were randomized in each section in order to minimize survey fatigue.

IV. RESULTS

Desired Cultural Values of Audit Firms

The initial step in applying the Competing Values Framework (CVF) to the audit firms assesses the desired culture type in these organizations. We conduct a comparative analysis of the desired firm culture, as perceived by all auditors, across each of the four CVF dimensions: *Collaborate, Create*, *Control*, and *Compete*. The results, presented in Table 3, Panel A, indicate that all four dimensions are desired to some extent within the audit firms, but their emphasis varies significantly.

[Insert Table 3, Panel A]

A repeated measures ANOVA confirms that the means across all four dimensions are significantly different ($p < 0.01$). Among these, the *Collaborate* (mean = 3.95) and *Control* (mean = 3.89) dimensions have the largest means, which indicates that audit firms primarily have an inward focus. The primacy of *Collaborate* aligns with the interviews (Appendix A), which highlighted the importance of teamwork and employee development within the audit context. The strong focus on *Control* reflects the necessity for regulatory compliance and the structured nature of audit work.[6]

[6] Although the Big Four firms are often perceived as a homogenous group, our findings reveal notable differences among them—an observation consistent with insights from our initial interviews. These variations, while subtle, align with the values and corporate identities that each firm promotes on their websites and in their annual reports. For instance, one Big Four firm exhibits a significantly higher score on the Collaborate dimension compared to the others, which is consistent with its corporate identity prominently emphasized throughout its annual report. To protect the anonymity of the firms, we do not tabulate the differences between individual firms, as doing so could potentially reveal their identities.

Given the hierarchical structure and multi-office locations of audit firms, we next examine whether the desired culture is perceived consistently across different function levels and offices. The results are shown in Table 3, Panel B and C.

[Insert Table 3, Panel B and C]

The comparison across functional levels reveals a shift in cultural emphasis: while partners prioritize the *Collaborate* dimension (mean = 4.15) over *Control* (mean = 3.76), lower levels (e.g., senior staff) rank *Control* as the most important dimension (mean = 3.88) over *Collaborate* (mean = 3.83). This finding aligns with our interview impressions, where we equally had the impression that firm leadership frequently highlighted their strong focus on quality and control. Additionally, lower levels show a significantly higher mean for the *Compete* dimension.

When comparing different offices, we focus on office size, drawing on prior literature that links office size to audit quality (Francis & Yu, 2009; Francis et al., 2013). The relationship between office size and corporate culture is ex ante unclear: larger offices might face greater challenges in instilling a cohesive sense of culture, but they generally also have more resources at their disposal to do so. Our analysis, comparing offices above and below the median size, indicates that larger offices exhibit a stronger sense of cultural values, as evidenced by higher means across all four CVF dimensions. We repeat this analysis separately for Big Four and Non-Big Four firms, given the significant differences in average office size between the two groups. The results are consistent across both subsamples: larger offices display stronger cultural values.

These descriptive analyses offer initial insights into audit firm culture, indicating that while audit firms aim to be predominantly inward-focused, they experience a tension between stability and flexibility in the control structure. The findings also reveal significant variation in auditors' perceptions of firm's desired values across ranks and offices.

Diagnosing Audit Firm Culture

A key advantage of using the CVF is its value as a diagnostic tool for assessing cultural alignment and change (Cameron and Quinn, 2006). The CVF allows us to identify distinct dimensions of misalignment that may impede progress toward a firm's desired culture. We examine three types of misalignment that capture different stages of the cultural embedding process in audit firms. In particular, we examine three types of misalignment that together capture different stages of cultural embedding in audit firms: (1) the *Communications Gap* reflects the alignment between partners' and employees' perceptions of the firm's desired culture, providing evidence on how effectively leadership communicates its cultural goals; (2) the *Personal Values Gap* reflects alignment between employees' own values and their perceptions of the firm's desired culture, indicating whether employees are attracted to, and remain in, organizations whose desired values match their personal priorities; (3) the *Culture Gap* reflects the alignment between the firm's desired culture and the current culture as experienced by employees, providing a direct assessment of whether the audit firm is succeeding in establishing their desired organizational culture in daily work practices. Examining these three gaps offers a comprehensive diagnosis of how effectively audit firms communicate, attract, and implement the cultural values they seek to promote. We examine each gap across the four CVF dimensions as well as an overall measure that captures the cumulative extent of misalignment. Table 4 presents the results.

[Insert Table 4]

Table 4, Panel A shows the results for the *Communication Gap.* The results reveal misalignment across all four CVF dimensions, with the largest differences in the *Compete* (-0.41) and *Collaborate* (+0.20) dimensions. The negative gap in *Compete* indicates that employees perceive a stronger external and performance-oriented focus than partners intend, while the positive gap in *Collaborate* indicates that employees view this value as less emphasized than the partners desire. In addition, we find that the gap widens as you move down in the hierarchy (untabulated). Audit partners rely on lower-level leaders, such as engagement managers, to communicate the desired culture, but our results suggest that the communication might get more distorted the less direct contact partners have with staff auditors. These differences suggest that partners may need to enhance how they communicate the desired cultural values, a point echoed in interviews where partners acknowledged that the culture initiatives are ongoing processes. Consistent communication will likely help firms better establish their desired culture.

Panel B reports the results for the *Personal Values Gap*. We again observe the largest differences in the *Collaborate* (-0.34) and *Compete* (0.43) dimensions. These results indicate that employees value collaboration and people-oriented values more strongly and place less emphasis on competition than they believe the firm does. Interestingly, employees' personal values are more closely aligned with the culture that partners aim to establish, but, as shown in Panel A, that message is not consistently conveyed to employees.

Lastly, we examine how effectively audit partners implement their desired firm culture, as shown in Table 4, Panel C. We compare the desired culture, as defined by the audit partners, to the current organizational culture, as perceived by the employees (= *Culture Gap)*. We rely on employees' perceptions of the current organizational culture, as they are the ones who directly experience it.[7] The results show that partners believe that the current culture is significantly closer to the desired organizational culture than employees do. Table 4, Panel B details the results. The

[7] Untabulated results confirm that audit partners' perceptions of the current culture differ significantly from those of employees. Unsurprisingly, partners view the current culture as substantially closer to their desired culture than employees do.

comparison between the desired culture and the current culture reveals significant gaps, underscoring that audit firms are still in the process of fully establishing their culture. While partners aim for *Collaborate* to be the strongest dimension; yet the results show the largest gap is found for this dimension (0.40). Furthermore, there is no significant difference between *Collaborate* and *Control* in the current culture, indicating that employees perceive the culture as equally focused on these two dimensions.

Collectively, the results demonstrate that partners' desired firm values are not fully reflected in employees' perceptions of the firm's values. The persistence of gaps across communication, personal value congruence, and implementation underscores the difficulty of embedding shared cultural norms within decentralized, partnership-based structures. We next test whether such misalignment is associated with meaningful differences in employees' psychological safety and perceived organizational fit.

Consequences of the Culture Gaps

We draw on Expectancy Violation Theory (Burgoon, 1993) to examine the consequences of the culture gaps within the audit firms. Burgoon (1993) argues that individuals form expectations about their work environment based on communicated norms and values, and that when their lived experiences do not align with these expectations, employees perceive inconsistency between the firm's desired values and its enacted reality. Such inconsistency threatens employees' sense of predictability and trust in the organization, leading to negative affective and cognitive responses. Among the three forms of misalignment identified earlier, the *Culture Gap* is most directly tied to expectancy violations, as it reflects the divergence between leadership's articulated aspirations and employees' lived experience of the firm's culture.

We focus on two theoretically important work-related outcomes to examine possible negative consequences of the culture gaps: psychological safety and person-organization fit. *Psychological safety* captures the extent to which employees feel able to express concerns or ideas without fear of negative repercussions. Prior audit research highlights its importance for audit quality, as open communication and constructive challenge are essential for identifying and addressing issues (Gissel and Johnstone, 2017; Nelson, Proell, and Randel, 2019). When employees perceive a disconnect between the culture the firm espouses and the culture they experience within their local office, they may question whether openness and candor are truly valued, reducing trust and lowering psychological safety.

Person-Organization Fit captures employees' subjective sense of alignment between their personal values and those of the organization.[9] Employees seek alignment of their personal values to the organization's values, and prior research shows that person-organization fit is predictive of job satisfaction and job performance, as well as of the likelihood of employee retention (O'Reilly et al., 1991; Van Vivien, 2000; Meyer, Hecht, Gill, and Toplonytsky, 2010). Employees initially form expectations about cultural compatibility based on the firm's communicated values. When their subsequent experiences reveal a culture that differs from these expectations, they are likely to perceive a weaker fit with the organization. Thus, consistent with Expectancy Violation Theory, larger gaps between the firm's desired and current culture are expected to reduce employees' sense of psychological safety and perceived person-organizational fit.

[9] The construct of perceived person–organization fit differs conceptually from the Personal Values Gap analyzed earlier. The Personal Values Gap is a computed difference between employees' personal values and their perceptions of the firm's desired values, serving as a calculated indicator of value misalignment. In contrast, perceived P–O fit represents an attitudinal judgment—employees' subjective sense of how well they fit with the organization overall. Thus, while the Personal Values Gap captures potential misalignment, perceived P–O fit reflects employees' psychological response to that misalignment.

At the same time, we expect that *Perceived Organizational Support* (POS) will mitigate these negative effects. POS reflects the belief that the organization values employees' contributions and cares about their well-being (Eisenberger et al., 1986, 1997). In the context of expectancy violations, perceived organizational support (POS) influences how employees interpret inconsistencies between the firm's desired and current culture. When POS is high, employees are more likely to view such discrepancies as temporary or situational, rather than as evidence that the firm does not uphold its stated values. In contrast, when POS is low, the same discrepancies are more likely to be interpreted as a lack of concern for employees or as a signal that the firm's desired values are not genuine. As a result, we expect that the negative association between culture gaps and work-related outcomes will be attenuated when perceived organizational support is high.

We begin by regressing the two outcome variables on the *Overall Culture Gap*.[10] As previously discussed, organizational culture is the unique combination of the different dimensions rather than a single dimension. The *Overall Culture Gap* thus captures the deviation of the current culture from the values that the firm leadership desires, as indicated by the partners. In the second step, we disaggregate the *Overall Culture Gap* into its four dimensions to assess whether any specific cultural gap is more strongly associated with the outcomes than the others. The results are reported in Table 5, Panel A.

[Insert Table 5]

As expected, the *Overall Culture Gap* is negatively related to psychological safety (-0.15, $p < 0.01$) and to person-organization fit (-0.21, $p < 0.01$). The individual dimensions of the CVF reveal that the culture gap on *Collaborate* has the strongest negative relation with both outcomes (-0.40 and -0.50, respectively, $p < 0.01$). Combining this finding with our earlier results suggests

[10] We include individual level controls (female, and firm tenure), as well as firm indicators.

that audit firms do not effectively communicate nor do they achieve *Collaborate* as the dominant audit firm cultural value. Audit partners aim to have this as the strongest cultural value, but neither the employees' perceptions of the firms' desired values nor the perceptions of the current culture reflect this.

Table 5, Panel B presents the results for the moderating role of POS. POS exhibits a strong positive main effect on both psychological safety (0.416, $p < 0.01$) and person–organization fit (0.456, $p < 0.01$), indicating that employees who feel supported by the organization report more positive work-related attitudes overall. Consistent with our expectation, POS also moderates the relation between the Culture Gap and both outcomes. The interaction term is positive and significant for psychological safety (0.013, $p < 0.10$) and for person–organization fit (0.026, $p < 0.05$), suggesting that the negative effects of culture gaps are weakened when employees feel more supported by their organization.

V. ADDITIONAL ANALYSIS – EMBEDDING MECHANISMS

Alberti et al. (2022) synthesize literature on audit firm culture and discuss various embedding mechanisms that audit firms can leverage to implement and reinforce their organizational culture. In this additional analysis, we explore which specific embedding mechanisms could be most effective in reducing the identified culture gaps, that is, the differences between the desired culture and current culture. Alberti et al. (2022) identify seven key embedding mechanisms: (1) tone at the top, (2) formal performance feedback and reward systems, (3) allocating necessary resources such as time budgets and appropriate staffing, (4) training and development practices, (5) the firm's organizational design and structure, (6) audit processes and procedures, and (7) emphasis on collaboration and consultations.

Each CVF dimension requires different leadership styles and is aligned with specific organizational values (Cameron et al., 2014). For example, while the leadership style in a *Collaborate* culture is more people-oriented and focuses on mentoring and fostering relationships, the leadership style in a *Control* culture is more task-oriented, emphasizing coordination, monitoring, and adherence to established procedures. Consequently, to effectively reduce the gaps and implement the desired organizational values, different embedding mechanisms may vary in their effectiveness depending on the particular dimension of the CVF. Table 6 presents the results.

[Insert Table 6]

In the first column, we use the *Overall Culture Gap* as the dependent variable. Consistent with the role of embedding mechanisms in shaping organizational culture, we find negative associations between all seven of these mechanisms and the overall culture gap. In other words, the more the firm relies on these mechanisms, the smaller the culture gap. Among the individual embedding mechanisms, resources and feedback systems exhibit the strongest negative associations with the overall culture gap. This finding underscores the importance of aligning actions with intentions to effectively change organizational culture. It emphasizes that to transform the culture, firms must not only articulate their desired values but also implement the appropriate systems and provide the resources to support these values.

The subsequent four columns break down the overall gap into each of the four individual CVF dimensions. Resources continue to demonstrate the strongest negative relationship across all dimensions, except for the *Compete* dimension. In line with the argumentation above, it seems that not all embedding mechanisms work equally well when wanting to implement a specific organizational culture. For example, while resources (-0.148, $p < 0.01$), training (-0.122, $p < 0.01$), and tone at the top (-0.101, $p < 0.01$) show the strongest association with the *Collaborate* gap, organizational design (-0.099, $p < 0.01$) and feedback systems (-0.082, $p < 0.01$) are most strongly related to the *Compete* gap.

The findings indicate there is no ‘one size fits all’ approach to embedding specific cultural values within audit firms. While regulations frequently emphasize the importance of establishing the right tone at the top, our analyses reveal that successful cultural implementation requires more than just leadership directives, and that other embedding mechanisms are more important than tone at the top. Depending on the specific cultural values that firms aim to instill, selecting the appropriate mix of embedding mechanisms is crucial. This tailored approach should ensure that the desired cultural attributes are effectively integrated across all levels of the organization.

VI. CONCLUSION

The purpose of this study is to enhance our understanding of audit firm culture. Recent regulatory initiatives have increased the focus on changes in organizational culture as a driver of audit quality. Organizational culture is a broad, multi-dimensional concept, which can be challenging to measure and fully understand. However, without a basic understanding of organizational culture, it is challenging to improve it. We draw on the Competing Values Framework to provide a novel theoretical lens through which audit firm culture can be examined. Our findings reveal significant challenges in the communication and implementation of desired cultural values in audit firms, especially given the firms’ hierarchical staff structures and multi-office locations.

The findings have implications for audit firms and their ongoing culture initiatives. Effectively changing a culture requires an assessment of the status-quo of the culture (where are we at) versus the desired outcomes (where do we want to go). Our analyses suggest that in order to assess this, the audit firms’ leadership should listen to the lower ranks, as their perceptions of culture are different from the ones who ultimately decide on the firms' values (the partners). In addition, to effectively reduce the gap between the desired culture and the current culture, firms must not only follow up on their stated goals but also ensure the actual provision of necessary resources to achieve the desired cultural change. Firms should carefully select their embedding mechanisms based on the focus of their desired culture change, as not all embedding mechanisms are equally effective. Finally, our evidence suggests that "tone at the top" may be less important than previously thought.

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Figure 1: The Competing Values Framework

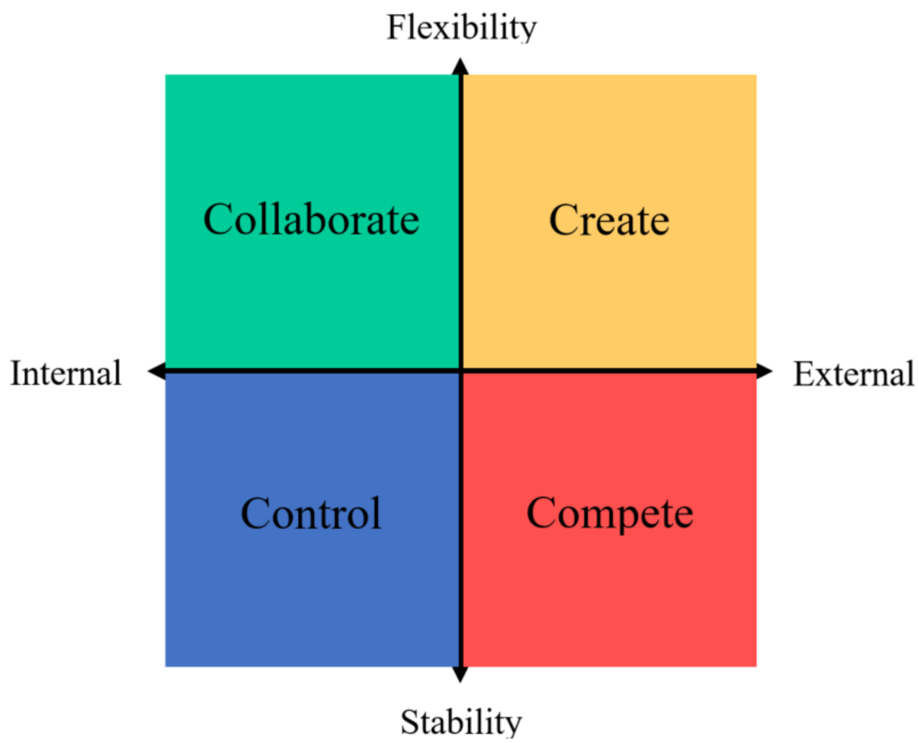

Table 1: Sample Composition per Function Level

		Big 4	Non-Big 4	Total
Function Level	Partner	134	54	188
	Director	124	63	187
	Senior Manager	193	96	289
	Manager	282	106	388
	Senior Staff	520	323	843
	Staff	556	344	900
	Total	1,809	986	2,795
Offices	Number of Offices	44	46	90

Table 2: Descriptive Statistics Sample

	Partner n = 188		Director n = 187		Senior Manager n = 289		Manager n = 388	
	Mean (Median)	SD	Mean (Median)	SD	Mean (Median)	SD	Mean (Median)	SD
Age	49.2 (49.0)	6.30	44.7 (44.0)	7.07	40.1 (38.0)	7.55	33.3 (32.0)	6.11
Female	0.122		0.187		0.256		0.332	
Function Tenure	11.4 (12.0)	6.86	5.49 (3.00)	5.90	4.47 (3.0)	5.73	1.79 (1.0)	3.46
Firm Tenure	22.4 (23.0)	9.21	16.4 (16.0)	9.90	13.3 (12.0)	8.68	7.80 (7.0)	5.68
Professional Experience	26.6 (26.0)	6.02	22.1 (21.0)	7.35	17.2 (15.0)	7.78	10.1 (9.00)	5.76

	Senior Staff n = 843		Staff n = 900		Overall n = 2,795	
	Mean (Median)	SD	Mean (Median)	SD	Mean (Median)	SD
Age	28.3 (28.0)	4.17	24.8 (24.0)	3.93	31.6 (28.0)	9.24
Female	0.352		0.376		0.321	
Function Tenure	0.96 (1.0)	1.84	0.76 (0)	2.45	2.38 (1.0)	4.65
Firm Tenure	4.14 (4.0)	2.89	1.23 (1.0)	2.93	6.70 (4.0)	8.29
Professional Experience	5.06 (4.0)	3.34	1.41 (1.0)	3.05	8.42 (5.0)	9.25

Table 3: CVF – Firm's Desired Culture

Panel A: Comparison Big 4 – Non-Big 4 Firm

	Full Sample n = 2,795	**Big 4** n = 1,809	**Non-Big 4** n = 986	**Mean Difference Big 4 and Non-Big 4**
A. **Collaborate**	3.95	3.99	3.87	0.12***
B. **Create**	3.52	3.67	3.24	0.43***
C. **Compete**	3.69	3.86	3.40	0.45***
D. **Control**	3.89	3.94	3.79	0.15***

****, **, * denotes significance at 0.01, 0.05, 0.1 respectively (two-tailed).*

Panel B: Comparison Across Function Levels

	Partner n = 188	**Director** n = 187	**Senior Manager** n = 289	**Manager** n = 388	**Senior Staff** n = 843	**Staff** n = 900
Collaborate	4.15	3.98	3.90	3.86	3.83	4.07
Create	3.43	3.44	3.57	3.52	3.49	3.56
Compete	3.38	3.50	3.64	3.74	3.72	3.77
Control	3.76	3.82	3.88	3.89	3.88	3.93

Panel C: Differences Across Offices

	Office Size		
	(1) **Smaller**	(2) **Larger**	(2) - (1) **Mean Difference**
A. **Collaborate**	3.91	4.00	0.09***
B. **Create**	3.43	3.64	0.21***
C. **Compete**	3.59	3.81	0.22***
D. **Control**	3.86	3.92	0.05***

Note:
****, **, * denotes significance at 0.01, 0.05, 0.1 respectively (two-tailed).*
An office is defined as small (large) if its number of employees is below (equal or above) the median number of audit employees per office (120) across all firms within the sample.

Table 4: Gap Analyses

Panel A: Communication of Desired Culture – Differences between Partners' Perception and Employees' Perception of "What is important to the firm?"

Desired Culture	(1) **Partners** n =188	(2) **Employees** n = 2,607	(3) **Communication Gap**
A. **Collaborate**	4.15	3.93	0.20
B. **Create**	3.43	3.52	-0.12
C. **Compete**	3.38	3.72	-0.41
D. **Control**	3.76	3.89	-0.16
Overall Communication Gap |A| +|B|+|C|+D|			**1.97**

Note: For each CVF dimension, we first calculate the firm-level mean of partners' ratings of firm values (i.e., "How important is this to your audit firm?"). This partner-level firm mean represents the benchmark of desired culture within each firm. For each employee *i* in firm *f*, we then compute the difference between this partner benchmark and the employee's own perception of firm values: $Communication\ Gap\ V_{i,f} = \bar{V}_f^{Partner} - V_{i,f}$. The reported values in column (3) represent the mean of these individual-level differences across all employees in the sample.

Panel B: Personal Values Gap – Difference between Employees' Perception of Firm Values and Their Own Personal Values

	(1) **Employees' Perception of Firm Values**	(2) **Employees' Personal Values**	(3) **Personal Values Gap**
A. **Collaborate**	3.93	4.27	-0.34
B. **Create**	3.52	3.57	-0.04
C. **Compete**	3.72	3.29	0.43
D. **Control**	3.89	3.84	0.06
Overall Personal Values Gap |A| +|B|+|C|+D|			**1.88**

Note: For each CVF dimension, we calculate the difference between the employee's perception of the firm values (i.e., "How important is this to your audit firm?") and their own values (i.e., "How important is this to you?").

Panel C: Culture Gap – Difference between the Firm's Desired Culture (as indicated by the partners) and the Current Culture (as perceived by the employees)

	(1) **Desired Culture** (Partners)	(2) **Current Culture** (Employees)	**Culture Gap**
A. **Collaborate**	4.15	3.63	0.51
B. **Create**	3.43	3.09	0.33
C. **Compete**	3.38	3.31	0.01
D. **Control**	3.76	3.58	0.16
Overall Culture Gap			2.17

Note: For each CVF dimension, we first calculate the firm-level mean of partners' ratings of firm values (i.e., "How important is this to your audit firm?"). This partner-level firm mean represents the benchmark of desired culture within each firm. For each employee *i* in firm *f*, we then compute the difference between this partner benchmark and the employee's perception of the current organizational culture (i.e., "How much of this is currently present?"): $Culture\ Gap\ V_{i,f} = \bar{V}_f^{Partner} - V_{i,f}$. The reported values in column (3) represent the mean of these individual-level differences across all employees in the sample.

Table 5: Consequences of Current Culture Gap

Panel A: Main Effects

	Psychological Safety		Person-Organization Fit	
	(1)	**(2)**	**(3)**	**(4)**
Intercept	4.071***	4.00***	3.976***	3.775***
	(0.039)	(0.017)	(0.031)	(0.038)
Overall Current Culture Gap	**-0.155*****		**-0.210*****	
	(0.010)		(0.012)	
Current Culture Gaps - Dimensions				
Collaborate		**-0.406*****		**-0.520*****
		(0.019)		(0.022)
Create		**-0.011**		**-0.070*****
		(0.019)		(0.022)
Compete		**0.127*****		**0.092*****
		(0.016)		(0.020)
Control		**-0.064*****		**-0.097*****
		(0.022)		(0.026)
Control Variables				
Female	-0.068***	-0.085***	0.052**	0.045
	(0.023)	(0.021)	(0.028)	(0.025)
Firm Tenure	0.003*	0.005***	0.001	0.003**
	(0.002)	(0.001)	(0.002)	(0.001)
Firm Indicators Included	Yes	Yes	Yes	Yes
Observations	2,591	2,591	2,591	2,591
Adj. R2	0.11	0.243	0.125	0.291
F-Statistic	30.61*** (df = 10; 2,580)	63.4381*** (df = 13; 2,577)	114.7*** (df = 10; 2,580)	164.622*** (df = 13; 2,507)

*Note: ***, **, * denotes significance at 0.01, 0.05, 0.1 respectively (two-tailed).*

Panel B: The Moderating Role of Perceived Organizational Support

	(1) Psychological Safety	(2) Person-Organization Fit
Intercept	2.336***	2.054***
	(0.099)	(0.122)
Overall Current Culture Gap	**-0.086*****	**-0.166*****
	(0.028)	(0.035)
Perceived Organizational Support	0.416***	0.456***
	(0.025)	(0.031)
Culture Gap x Perc. Org. Support	**0.013***	**0.026****
	(0.008)	(0.010)
Control Variables		
Female	-0.073***	0.049**
	(0.019)	(0.024)
Firm Tenure	0.004***	0.003*
	(0.001)	(0.002)
Firm Indicators Included	Yes	Yes
Observations	2,591	2,591
Adj. R2	0.383	0.376
F-Statistic	131.108*** (df = 12; 2,578)	127.507*** (df = 12; 2,578)

*Note: ***, **, * denotes significance at 0.01, 0.05, 0.1 respectively (two-tailed).*

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	Culture Gaps - Separate Dimensions				
	Overall Gap	**Collaborate**	**Create**	**Compete**	**Control**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Intercept	4.817***	2.677***	2.283***	1.232***	1.842***
	(0.173)	(0.032)	(0.020)	(0.103)	(0.079)
Tone at the Top	**-0.107*****	**-0.101*****	**-0.060*****	**-0.057*****	**-0.064*****
	(0.029)	(0.015)	(0.016)	(0.017)	(0.013)
Feedback	**-0.129*****	**-0.063*****	**-0.070*****	**-0.082*****	**-0.031*****
	(0.023)	(0.012)	(0.013)	(0.014)	(0.012)
Resources	**-0.243*****	**-0.148*****	**-0.107*****	**-0.030***	**-0.124*****
	(0.025)	(0.013)	(0.014)	(0.015)	(0.011)
Training	**-0.119*****	**-0.122*****	**-0.047*****	**-0.008**	**-0.055*****
	(0.03)	(0.015)	(0.014)	(0.018)	(0.014)
Organizational Design	**-0.043**	**-0.046*****	**-0.027**	**-0.099*****	**-0.045*****
	(0.021)	(0.015)	(0.014)	(0.018)	(0.014)
Audit Procedures	**-0.055***	**-0.057*****	**-0.035****	**-0.007**	**-0.107*****
	(0.031)	(0.016)	(0.018)	(0.019)	(0.014)
Consultations	**-0.103*****	**-0.089*****	**-0.113*****	**-0.050*****	**-0.039*****
	(0.028)	(0.014)	(0.016)	(0.017)	(0.014)
Control Variables					
Firm & Function Level	Yes	Yes	Yes	Yes	Yes
Observations	2,591	2,591	2,591	2,591	2,591
Adj. R2	0.20	0.377	0.21	0.21	0.29
F-Statistic (df = 19; 2571)	32.95***	83.66***	37.84***	37.84***	57.77***

*Note: ***, **, * denotes significance at 0.01, 0.05, 0.1 respectively (two-tailed).*

Appendix A: Interviews with Senior Leaders of the Big Four Firms

As a prelude to our study, we met with senior leadership of each Big 4 audit firm in the Netherlands. The purpose was to discuss each firm's recent "culture initiative" in response to ongoing criticisms by the Dutch audit regulator (AFM) that the audit firms need to develop internal cultures that are better focused on the production of high-quality audits. The interviews were semi-structured as we used pre-set questions to guide the discussions. Two members of the author team were present at each meeting, and we independently wrote up our notes in developing the summaries of the meetings.

Each firm indicated they were in the ongoing process of developing their culture initiatives in response to growing pressures from AFM that began in 2014. The term "zero tolerance" for errors was used to describe these initiatives. It was clear the firms are taking this seriously, but it was sometimes difficult to pin down exactly what changes were being made to their organizational cultures. All of the firms take a narrow view of audit quality, with a focus on "quality" deficiencies that are identified in the following ways: normal internal file inspections/reviews, formal quality control reviews, real-time reviews/interventions of audits, and external inspections. Firm A's approach seems to be to talk about quality all the time, to increase the conscious awareness that quality is the dominant culture value. Firm D seems to have a similar philosophy. As discussed below, Firms B and C are taking more specific initiatives.

Each firm indicated that their initial focus has been on audit partner behaviors, suggesting a kind of trickle-down approach to the instillation of culture values. Firm A gets partner buy-in, and then uses partners to message the centrality of quality to their engagement teams. The firm uses partner training sessions that include "dialogues" and cases, and examples of desired good behaviors to create the culture of quality. The leadership understands that audit quality is affected by culture, but also by the firm's audit methodology and the compliance with that methodology. We came away with the sense that Firm A has the most formalized and rigid methodology of the Big 4 firms, with a lot of compliance check lists. At the same time, the leadership is concerned about the need to get more "judgment" back into audits.

Firm B's approach is holding partners more directly accountable for engagement quality, increasing their interactions (face time) with the audit team, and using "upward feedback" from the team to the partner. The firm has developed protocols and training sessions for how to do this.

Firm C also uses partners to drive the commitment to quality. Partners automatically get a "bad performance" report if there is evidence of a low-quality audit. The firm has cut clients, so partners have smaller portfolios. The idea is that this will give partners more face time with their audit teams and enable more coaching. Firm C also uses upward feedback from audit teams as part of their partner review.

Firm D was the most difficult to understand. The impression is that they focus on "coaching" and training to convey the firm's cultural values and commitment to quality. They seem to talk a lot about audit quality and engage in story-telling narratives to encourage the kind of behaviors that are expected. Interestingly, they are also trying to develop a "learning culture" in which auditors learn from their mistakes, but this seems to conflict with a zero-tolerance for errors. The firm has also dropped clients that were not deemed a good fit with the firm's values, but there is some continuing tension between the older partner-centered culture versus the new audit-firm-centered culture.

All of the firms indicated the quality assessments of partners feed into the performance appraisal systems and compensation outcomes. For example, Firm D tried a "two strikes and you're out policy" (two consecutive years of low-quality audits). This created a lot of strife, and they now have a policy of giving partners the opportunity to change and to improve.

While the firms are attempting instill the culture of quality throughout the organization, a primary focus seems to be on punishing partners as a deterrent to low-quality audits. Not surprisingly, the firms indicate there has been some resentment among partners over increased monitoring and interventions by the firms, and the loss of autonomy and control by partners. For example, Firms B and D do real-time interventions on audit engagements based on reviews by a central unit that monitors audit quality. One can characterize the change as a move away from the traditional partner-centered audit and moving toward more of a firm-based audit with greater centralized control over compliance with firm procedures. All of the firms indicated that some partners have left in response to these changes, and firm C specifically mentioned around 20% of its partners left the firm because of the changes.

A common concern among all four firms is that the focus on a zero-error culture comes at the expense of innovation and a neglect of the business side of the audit firms' practices. A singular focus on a zero-error culture is probably not sustainable, given the commercial business needs of the firms to be profitable. Firm C also expressed a concern that you cannot have a professional culture of learning from your mistakes if you are at the same time also punished for failures.

Finally, despite the focus of the culture initiatives on greater control by the audit firm to achieve quality, some of the firms see the culture initiatives as having a dual purpose: not only to increase audit quality, but also to increase job satisfaction, particularly among more junior staff. Firm A believes its culture initiatives have improved job satisfaction which is measured annually by internal surveys. All four firms are trying to limit excessive overtime as one way of improving job satisfaction, as well as facilitating audit quality, the idea being that excessive hours can result in poor job performance and low-quality audits.

Reflecting on the meetings in terms of the competing values framework, all four firms appear to have an inward focus with a primary emphasis on tight controls to ensure audit quality. This is descriptive of a *Control Culture*. However, firms B and C stood out as emphasizing the importance of audit team collaboration (*Collaboration Culture*) more so than the other two firms Firm A and firm D appear to be a taking a holistic approach to systematically instill culture values and audit quality throughout the organization. While most of the initiatives are focused on "internal" aspects of control, there was some discussion by firms B and C in particular of the need to maintain an "external" focus in terms of innovation and the business side of the firm (*Create and Compete Cultures*).

A final perspective comes from the leaders of firm A who opined that organizational culture has its limits in terms of its effect on audit quality. Despite the firm's culture initiatives, how people behave is driven more by personal and idiosyncratic factors than by the organization's culture. This points to a limit in the degree to which culture underpins individual behavior, and which might be a problem in organizations like audit firms where the distributed nature of audit production makes it hard to "experience" and to internalize the cultural values of the organization.

To conclude, the meetings gave us a deeper appreciation of the challenges audit firms face in trying to change their cultures in response to regulator pressures. These meetings preceded our final decision to use the CVF, but we came away from the meetings with the belief that the CVF is a useful and timely approach to study audit firm culture. While a *Control Culture* is probably the dominant culture type for each firm, there are clearly tensions with respect to the control structure and whether it should be tight (*Control Culture*) or flexible (*Collaborative Culture*).

There is also tension about the degree to which audit firms should have an inward focus on quality (*Control Culture*) to the exclusion of an outward focus on innovation and competition (*Create and Compete Cultures*).

Appendix B: Variable Definitions

Variable Name	Variable Definition (Source)
Competing Values Framework	Based on the Organizational Culture Assessment Instrument (OCAI) from Cameron and Quinn (2011). The OCAI includes 16 statements to assess the four dimensions of the CVF. Each dimension has four statements and the score for each dimension is the average of the four statements.
Collaborate	Collaborate focuses on fostering a supportive and family-like environment where teamwork, participation, and personal development are highly valued.
Compete	Compete stresses the importance of achievement, competitiveness, and goal orientation, aiming to excel in the marketplace through performance and results-driven strategies.
Create	Create emphasizes innovation, creativity, and readiness to adapt, encouraging risk-taking and dynamic responses to new opportunities.
Control	Control prioritizes stability, efficiency, and a structured approach through formalized procedures, clear lines of authority, and consistency in practices.
Desired Culture	For each CVF dimension, we calculate the desired culture. This includes the answer to the question "How important is this to your firm?".
Current Culture	For each CVF dimension, we calculate the current culture. This includes the answer to the question "How much is present in your day-to-day work setting?
Personal Values	For each CVF dimension, we calculate the personal values. This includes the answer to the question "How important is this to you?".
Gaps Identified in CVF	
Communication Gap	The difference between partners' perception of the desired culture (firm-specific) - the employee's perception of the desired culture.
Personal Values Gap	The difference between the employee’s perception of firm values – the employee’s personal values.
Culture Gap	The difference between partners' perception of the desired culture (firm-specific) - the employee's perception of the current culture.

Work-Related Attitudes	The final survey instrument included additional variables that were used in Table 5. All variables are based on multi-item scales and the final score is the average of all items.
Psychological Safety	Based on Edmonson (1999). "A shared belief held by members of a team that the team is safe for interpersonal risk taking."
Perceived Organizational Support	Based on Eisenberger et al.. (1986) and Eisenberger et al. (1997). " Perceived Organizational Support refers to employees' beliefs about how much the organization values their contributions and cares about their well-being."
Person-Organization Fit	Based on Harold et al. (2016). P-O fit reflects the degree to which an individual's characteristics, such as values, goals, and personality, align with the core cultures, values, and requirements of the organization.
Embedding Mechanisms	Alberti et al (2022) list different embedding mechanisms in their review. We included these embedding mechanisms and asked respondents to indicate "how much is present in your work setting?"
Tone at the Top	A tone at the top, established by day-to-day leadership practices, emphasizing a quality-oriented culture.
Feedback	The use of formal performance feedback and reward systems (praise and recognition, pay, and selection / promotion) that emphasize a quality-oriented culture.
Resources	Allocating the necessary resources (time budgets and appropriate staffing) to enable a quality-oriented culture.
Training	Training and development practices (incl. training on the job, coaching, and technical support) that emphasize a quality-oriented culture.
Organizational Design.	The firm’s organizational design and structure (e.g., roles and responsibilities, different service lines, availability of learning and consultation units, geographical distance between offices) that reflect the firm’s emphasis on a quality-oriented culture.

Audit Procedures	Audit processes and procedures (e.g., audit methodology, use of work technologies and specialists, audit support systems, communication with other teams and offices) that emphasize a quality-oriented culture.
Consultations & Collaborations	Emphasis in your firm on consultation and collaboration with other auditors and colleagues to instill a quality-oriented culture.
Demographic Variables	
Age	The age of the individual in number of years, based on archival data provided by the firm.
Female	Indicator variable where 1 represents female and 0 represents non-female, based on archival data provided by the firm.
Function Tenure	The number of years the auditor has worked in their current position, based on archival data provided by the firm.
Firm Tenure	The number of years the auditor has worked for their current audit firm, based on archival data provided by the firm.
Professional Experience	The number of years since the auditor entered the auditing profession, based on archival data or self-reported in the survey if archival data is not available.

Appendix C: Scale Validations

***Panel A*: OCAI**

Competing Values Framework - OCAI Items (Cameron & Quinn, 2006)

OCAI Instrument - The same set of items was asked under three frames:

1. How important is this to your audit firm? (Desired)
2. How important is this to you? (Personal)
3. How much is present in your day-to-day work setting? (Current)

Variable	Standardized Factor Loadings	Cronbach's α	Composite Reliability	Average Variance Extracted
Desired				
Collaborate	0.569 – 0.759	0.79	0.79	0.5
Create	0.479 – 0.736	0.70	0.71	0.51
Control	0.599 – 0.772	0.70	0.79	0.53
Compete	0.561 – 0.637	0.79	0.7	0.5
Personal				
Collaborate	0.468 – 0.670	0.67	0.68	0.47
Create	0.503 – 0.702	0.69	0.71	0.58
Control	0.578 – 0.609	0.78	0.79	0.49
Compete	0.573 – 0.769	0.69	0.69	0.53
Current				
Collaborate	0.585 – 0.772	0.78	0.79	0.48
Create	0.565 – 0.684	0.71	0.71	0.53
Control	0.503 – 0.716	0.72	0.72	0.49
Compete	0.590 – 0.660	0.72	0.72	0.51

***Panel B*: Other Work-Related Attitudes**

Variable	Standardized Factor Loadings	Cronbach's α	Composite Reliability	Average Variance Extracted
Psychological Safety	0.388 – 0.654	0.69	0.67	0.53
Perceived Organizational Support	0.669 – 0.730	0.73	0.73	0.48
Person-Organization Fit	0.646 – 0.840	0.85	0.86	0.61