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Discussant's comments on "Framing Effects and Output Interference in a Concurring Partner Review Context: Theory and Exploratory Analysis"

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I find the paper to be an interesting look at a practice-relevant audit task: concurring partner review. The authors use a research method that I believe to be very appropriate to examine the concurring partner review. In addition, they combine two streams of judgment and decision-making research to provide a framework from which they predict partners' behavior in a review task. The framework the authors develop combines research that deals with (1) decision framing, which examines the effects of how problems are posed to decision makers on the decision reached, and (2) research on the effects of a decision-maker being given a possible problem solution on his/her ability to retrieve other possible solutions from his/her memory.

This study is preliminary and exploratory. There are only four subjects; one in each of four experimental conditions. Thus, I do not comment on the results because there is not sufficient data on which to base any conclusions. Instead, I focus on the appropriateness of the framework and on how the constructs are operationalized in the study.

Importance of Describing Audit Practice

Audit research is, by its very nature, applied research. I believe strongly that good auditing research must examine issues that practicing auditors find relevant to what they do every day. Audit research and audit practice form a partnership where the practitioners face problems and dilemmas for which audit researchers can provide structure and fundamental understanding. Both parties must benefit from this partnership in order for it to survive.

An important role for audit researchers is to develop meaningful structures for problems found in practice. By carefully observing events in practice researchers can infer the existence of certain constructs and relationships that can serve as theory in predicting behavior or outcomes in new situations. Theories of auditing phenomena provide explanations that practicing auditors can use to solve practical problems. Thus, I feel that research like the authors' is essential for audit research to maintain its viability.

I think that a good model for this partnership exists between physicians and medical researchers. Physicians document the problems they face, and researchers bring to the partnership training in science and research methods that are beyond those of the typical physician. Certainly the analogy between medicine and auditing is not perfect. For example, audit researchers' lack of access to actual work papers has no parallel in medicine. Nonetheless, I find research into the task of concurring partner review certainly to be in the spirit of doing practice relevant research in auditing.

Is this Framing?

One stream of research that the authors integrate into their theoretical framework is known as "framing." The authors rely on a definition from Bedard and Graham (1994) which defines framing as "the induction of differential response through use of particular forms of a given question or issue." While the authors' operationalization of the framing construct is consistent with this definition, I do not believe it is consistent with the construct's origin in normative decision theory. Furthermore, I believe that the authors' framing manipulation confuses differential responses to

what are different problems with different responses to what is essentially the same problem. The latter is the definition that originators of the construct intended. I see the framing manipulation in this study as inducing different problems that differ not only psychologically, but, more importantly, economically.

Framing, as originally envisioned (Kahneman and Tversky, 1979; Tversky and Kahneman, 1986), occurs when positive and negative versions of the same decision problem, in terms of its probabilities and payoffs associated with different outcomes, induce decision makers to make different choices. Framing effects are violations of normative decision-making rules. For example, assume a decision maker faces the choice between \$400 for sure and an even chance of winning either \$500 or \$300. Phrasing the decision as a potential loss results in a strong preference for the risky choice, while phrasing it as a potential gain results in an equally strong preference for the certain act. This phenomenon violates any rational choice model and its explanation constitutes part of an alternative, non-normative decision theory known as prospect theory (Kahneman and Tversky, 1979).

The two conditions in this study essentially present two different problems. The authors' "framing" manipulation incorporated statements in the case reviewed by the subjects about whether the management of the client firm "generally reacted positively (negatively) to our recommendations" and "has been (has not been) agreeable to our suggestions." I do not see this as the same decision problem simply couched in either positive or negative terms. Instead, the problem of an agreeable client who reacts positively to the auditor's suggestions is very different from the problem of a client who disagrees and reacts negatively to suggestions. Having different responses to different problems is not framing as Kahneman and Tversky envision it.

The important consequence of creating different problems through the authors' framing manipulation yet only viewing the problems as differing in their orientation (positive versus negative) is that important cognitive and economic differences between the problems (clients) are ignored. To predict how a partner's cognitive processing would be impacted by differently framed problems, the authors rely heavily on a study by Dunegan (1993). Dunegan includes as part of decision makers' cognitive processing their cognitive representation of the task environment. As I point out, the positive versus negative dimension is only one of the dimensions on which the authors' task conditions differ. In terms of cognitive processing, the mental representations of the auditors in the two conditions were likely to involve substantially different episodic and semantic elements. I suspect that referring to the manipulation only in terms of the positive and negative aspects masks a number of aspects of the partners' mental representations that would be very relevant to our understanding of the concurring partner review.

The differences in the economic nature of the two problems would certainly include the perceived risk and all the associated audit implications, such as the nature and amount of audit procedures required. Auditors' level of skepticism is heightened when the veracity of management's responses to auditors' inquiries is in doubt. Thus, I believe that the authors' framing manipulation actually induces two problem representations that differ on a rich set of dimensions rather than simply the same decision problem viewed as either positive or negative. Ignoring these other dimensions keeps us from seeing differences in problem representations that the manipulation actually induced.

It is not the case that I find the authors' framing manipulation uninteresting. My concern is that calling it framing implies a research motivation based on comparisons with normative theory, which is simply not the one incorporated in this study. In addition, this framing manipulation connects this study to a research literature that has little or nothing to do with what was done.

What is the Concurring Partner's Motivation?

The authors' second experimental manipulation involves providing the review partner with a solution to a revenue recognition problem proposed by the engagement partner. The proposed solution was intended to trigger output interference. Output interference is a result of one's inability to retrieve from memory items (alternative solutions) related to the item provided (proposed solution). In previous experiments where output interference was demonstrated (e.g., Moser, 1989) the subjects were instructed by the researchers to try to recall the related items. In this study, the subjects were not told to generate all the alternatives that they could, only to "describe the plausible solutions" that they had considered in response to the revenue recognition problem. So, we do not know whether they could have generated more alternative solutions. Thus, we cannot know whether output interference was induced by the proposed solutions.

I do not believe that the authors' manipulation produced output interference, nor can a very plausible alternative explanation for the results be refuted. While the two subjects who received the proposed solution from the engagement partner produced fewer alternative solutions, there is a very plausible alternative explanation for this result, which does not involve output interference. Instead, the subjects are likely to have performed as they would in practice where partners face enormous demands on their time. As a consequence of their limited time, partners work to be as efficient as possible. Thus, during a concurring partner review, partners react to the real economic incentives inherent in their environment and only pursue questions or solve problems that warrant the cost and effort. It is reasonable to ask what motivates a partner to question the engagement partner when there seems to be no reason to do so. Figure 4 of the authors' paper shows that all of the subjects generated independent solutions and a review of the episode abstracts in Appendix A shows that one of the subjects indicated that they could not think of alternatives. It seems that the uncooperative client scenario produced more processing, rather than output interference occurring.

Oversimplified Communication

The authors conclude that "the availability of potential solutions from engagement partners may inhibit full consideration of alternatives during concurring partner review." Yet their manipulation was a solution proposed by the engagement partner included in work papers reviewed by two of the four subjects. I think this oversimplifies the communication between engagement and concurring partners. There are many relevant issues that must be considered in any audit engagement, but only a few are critical to the ultimate conclusion reflected in the opinion. I suspect that the communication regarding those critical issues would be an involved dialog that might extend beyond the two partners. It seems likely that the issue in this case of the client's revenue recognition would have been sufficiently critical that a dialog would have occurred. And, that the discussion would have resulted in a number of alternatives being considered and examined. Research on group decision-making has shown that groups tend to generate more alternatives and that the correct answer is included in the set more often than when individuals consider the same problem. Given the oversimplified communication setting in this study, I think that it is inappropriate to conclude anything about how the communication between an engagement and a review partner should be altered.

Things Done Right!

As I said when I began my discussion of this study, it is the kind of study that audit researchers should conduct. It has some strengths that I encourage more audit researchers to employ in their research. Most importantly it begins with a question closely related to practice. By beginning with the task of concurring partner review, the research focus is on the practice of auditing and the tasks relevant to practice. Not only are relevant tasks important, so is the context in

which the task occurs in practice. While the authors only suggest researchable facets of the review context, such as the nature of the relationship between an engagement and a review partner, a fairly realistic context was provided for the review task. I believe that context is as important as the task in auditing research, and that the task/context interface should be the focus of future auditing research. One final aspect of the authors' research method that I commend is their use of subjects appropriate for the task. It is critical that the knowledge and experience of the subjects match the task they are given in order for the results to have any meaningful interpretation.

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