THE SECRET OF SUCCESS OF A TRANSFORMATION TO AN AUDIT FIRM, FORCED BY NEW LEGISLATION LINKED TO THE INSTITUTIONAL THEORY.

Master’s Thesis Accountancy (EBM869B20)

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Abstract:
This thesis addresses the question of how an organization can guide the implementation of an informal change. The formal change has already occurred, forced by legislation. How can an organization then direct the implementation of an informal change? This study provides valuable insight as it focused on the transformation in just one firm and is a more in-depth study. Furthermore, as the legislation is new, there is currently no academic value available. This thesis makes use of qualitative research, a case study. To collect data from the employees, an exploratory survey and interviews were used. The results show that different factors can influence the behavior of employees when they need to change. Communication, feedback, personal morality, participation, and reflection strategy in this organization have had a positive influence when informal change must be implemented.
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Chapter 1 - Introduction

Over the past few years, audit quality has been a greatly discussed topic in the Netherlands. A great deal of research has been conducted in this area. The Authority for the Financial Markets (AFM), the Dutch body which oversees financial markets (www.afm.nl), has also conducted research on the audit quality of Dutch audit firms. The outcome of this research is currently and frequently being discussed. AFM has shown that the quality of the statutory audits is not sufficient, and they have not been able to implement the changes as rapidly as they had initially planned (www.accountant.nl, 2017).

There are major disagreements between the AFM and the accountants about the quality requirements (www.fd.nl, 2017). Therefore, there is a new (compulsory) instruction for quality management systems (NV KS) in the Netherlands as of the beginning of 2017 (www.accountant.nl, 2016). This instruction was prepared by the NBA¹, the Dutch professional body of accountants. The instruction regards the quality systems of audit firms. It seems a particularly good move to reconcile the difference between the AFM and accountants. However, there are several uncertainties and restrictions.

A good example of these uncertainties and restrictions is found in the instructions of quality management. This instruction limits the possibility of working strategically with a non-audit firm – for example, with a tax advisor or an administration firm. It is not possible to work as an accountant at an audit firm, where they work with firms that perform assurance-related orders. This restriction forces many administration organizations to become an audit firm, especially relevant for collaborations. When changes are required of an organization, several changes are then necessary within the relevant organizations as well.

There are four reasons for change in organizations; change of customers, change of competitors, changes in regulations, and changes in technology (Peacock, 2017). In this thesis, the changing of regulation is the cause for transformation within the company.

When adjustments in regulations arise, pressure forces organizations to adapt their structures, strategies, and processes (Haveman, Russo, Meyer, 2001). Organizations that change and adapt to their environment succeed, while the organizations that do not change fail (McNamee, McNamee, 1995). The research of Boonstra (2000) has shown that, of all organizational changes in the Netherlands, 70% have failed. Furthermore, according to Cook, Shortell, Conrad, and Morrisey (1983), compulsory instruction is a type of expense that can strain an organization’s resources and threaten its existence. Therefore, it

¹ The NBA drawing up and maintaining clear rules of conduct and professional rules through testing and continuous education, for all accountants.
is very important to do research about the changes that firms make in response to an evolving environment (Jones, Baskerville, Sriram, Ramesh, 2013).

For overall insight on changes in this organization, institutional theory is used in this thesis. To study organizational change as a result of regulation, it is more practical to focus on institutional economics, because it relates to organizational routines such as management accounting changes and practices (Burns, Scapens, 2000). Another reason institutional theory is utilized in this study is because it has become one of the most prominent theories within the analysis of organizations (Ramona, 2012). The formal organizational structure is not only shaped by technical demands and resource dependencies, but also by institutional forces, including rational myths, knowledge legitimized through the educational system and by the professions, public opinions, and the law (Ramona, 2012).

The organization has thus encountered formal change, but how is this translated into informal change? It is easier to implement a formal change than an informal change, as this process is more straightforward than attempting to change ways of thinking, such as are embedded in existing management routines. Therefore, the research question of this thesis is as follows:

*How can an audit firm, after the implementation of a formal change, guide an informal change so that the firm is able to implement new quality management systems?*

To answer the research question, a case study is used in this work.
1.1 Contribution
This research delivers a valuable contribution to the existing literature. Currently, much literature about institutional theories is available, showing how the environment affects an organization (Clegg, 1981). Research has been conducted regarding the pressure from the government on organizations that leads to isomorphism (DiMaggio, Paul, Powell, Walter, 1983). Other researchers have examined the practice variance that arises under institutional logic (Cruz, Ines, Maria, Robert, Scapens, 2009; Orton, Douglas, Karl, Weick, 1990). Also the resistance to change in certain circumstances has been investigated (Oliver, 1991). Overall, there is a large amount of literature about on this subject.

Literature on institutional theories existing of many studies, which compared different organizations, can be found. Wang, Yuan and Wu (2017) compared Chinese audit firms from 2000 to 2007. Another study performed an investigation to compare firms in the public sector in England (Ashworth, Boyne, Delbrigde, 2007). A further study examined and compared companies in New Zealand and Australia (Pilcher, Robyn, 2011). The valuable contribution of this study is that it does not compare organizations, but that it focuses on the transformations of just one firm. Furthermore, little research has been done about informal change among employees after a formal change has been implemented. As such, this thesis is a more in-depth study, using a case study and gaining a better understanding of “why” and “how” things happen (Ridder, 2017, p. 282).

Another valuable contribution is the kind of organization where this research occurred. The accounting profession is compelling to research when the dynamics of institutions and practice are the focus of study (Lounsbury, 2008). As well, few investigations are available that analyze the development of the process of auditing policy (Semba, 2016). Thus, by doing this kind of research in an audit firm, further value is added to the literature.

Lastly, there is value in the study of such a new regulation. The regulation was implemented at the beginning of 2017, therefore no academic research about this subject is available. Particularly, there is no research that also includes the institutional theories.

In the remainder of this thesis, the first chapter is the sector description. This provides a clear image of the field of accountancy, the organization, and the legislation that is necessary in this research. Thereafter, a literature review is included, with sub questions that help to answer the research question. In the following chapter, the methodology for this study is described. The research findings are subsequently discussed in Chapter 5, and the conclusion and discussion are discussed in Chapter 6.
Chapter 2 - Sector Description

To study the impact of regulations on organizations, it is important to understand the change in regulations and which organizations have to deal with the new legislation. Because of this, the study starts with a short description of the new legislation and the organization.

An accountant is a trust person for the general public. He or she indicates how reliable the annual accountants of a company are. Furthermore, the accountant supports the entrepreneur when he/she has questions about finances or administration, for example.

All accountants are registered in the Netherlands in the NBA accountant register. There are about 21,000 accountants, who all have common rules of conduct. Integrity, objectivity, expertise and care, confidentiality, and professional conduct are essential values for every accountant. Because of their crucial role in society, accountants have a legally protected title. The NBA protects both titles (chartered accountant [RA] and accounting consultant [AA]) and promotes good professional practice. This goal is achieved by composing and maintaining clear rules of conduct and professional conventions for all accountants through testing and continuous education. The professional organization monitors the quality of the accounting profession and stimulates the development of the discipline. Consequently, the regulations are constantly adjusted or changed.

At the beginning of 2017, the NBA prepared a new regulation for quality management systems (NVKS) in the Netherlands. The NBA was established by law and charged with promoting the good professional practice of its members, for example, the RA and the AA. The NBA then acts as the bridge between such professionals and society; they serve the interests of society and the profession as the representatives of the entire accounting field in the Netherlands.

Because it is important for the NBA to monitor organizations, a quality system is used. A quality system is the most important instrument for an accounting unit, managing the activities of accountants and other employees. It also demonstrates that these activities are carried out in a qualitatively sufficient way and in accordance with applicable legislation and regulations (General Explanation of the NVKS). The quality management systems set minimum requirements. Rules for quality systems are not new; there have been various rules for a long time. The NVKS replaces all those existing rules concerning quality systems as of January 1, 2018. The NVKS forms one set of rules for accountants carrying out assurance or assurance-related assignments, with further requirements for control and other standards (NV COS), the exception being statutory audits. The application of the rules depends upon the nature of the assignment, not on the role of the accountant carrying out the assignment (public, internal, or governmental accountant). This principle aligns with other regulations, such as the regulation on
professional conduct and professional rules for accountants (VGBA) or the regulation on the independence of accountants in assurance engagements (ViO). When the new quality management system is successfully implemented, this change will improve the quality of the work in the changing firms.

The new regulation for quality management systems, however, does limit the ability to work strategically with a non-audit firm – for example, with a tax advisor or an administration firm. It is not possible to work as an accountant at an audit firm, when a network component that qualifies assignments as quality management systems (NVKS), let it be carried out by parties other than ultimately responsible accountants or final responsibility professionals (article 8, second paragraph, preamble and under b). The NBA wants that the rules for accountants only cover accountants and that it is not possible to circumvent the rules by making use of an administration firm. This restriction also helps to restore the confidence of society, because there are no longer different quality standards.

Because of the broad definition of network in the new quality management systems (NVKS), many organizations must change their administration organization into an accountant organization. With strict supervision and fines, accountant firms must meet the requirements of the regulations. Firms and their employees are forced to change their work methods, which entails many challenges. People in an organization must do their work in other ways and be more critical of their own work and the work of others. These needs can create many problems in the changing organizations.

Such problems have also arisen in the company where this research has been carried out. It is a medium-to-small firm that is comprised of an accountant organization and an administration firm. Through the new legislation, the company has been forced to change the administration portion into an accountant firm. The firm itself is located in the north of the Netherlands and has operations over four locations. Half of the workers are stationed at the same firm every workday, while the other half work at multiple locations. The two firms are under the supervision of one Executive Director and two Chartered Accountants.
Chapter 3 - Literature Review

3.1 Institutional theory

Meyer, Rowan (1977) and Villadsen (2013) defined institutional theory as: “the emphasize the importance of norms, values and beliefs in order to explain the behavior and choices of organizations and actors that are active in the same field” (De Corte, et al., 2018, p. 200). It concerns organizations and actors in the same field, because they often have the same legislation, exchange all relevant information and knowledge, and are sometimes dependent upon each other (De Corte, Roose, Bradt, Roets, 2018). All fields can be regarded as an external institutional environment and can describe how to operate in an efficient and responsible manner (Villadsen, 2013). If an organization wants to survive, it is important to act in line with the legitimate interest of the institutional environment. This is equally as important as supplying good work (Thoenig, 2003). Organizations in the same field are, in this study, the accountancy organizations. Every accountancy firm has to manage in compliance with the legislation and can exchange relevant information and knowledge with each other. However, it is not likely that firms share information and knowledge, because the accountancy firms are competitors.

An institution was defined by North (1991) as “humanly devised constraints that structure political, economic and social interaction” (p. 97), consisting of formal rules and informal constraints. Formal rules are, for example, constitutions, laws, and regulations. Norms of behavior, conventions, and self-imposed codes of conduct are good practices of informal restrictions, the unwritten rules. The institutions formulate the rules of the game, which the organizations then must follow in pursuit of their own learning and resource allocative objectives (Cantwell, Dunning, Lundan, 2010).

Organizations are systems of coordinated action among individuals and groups who differ in preference, information, interests, or knowledge (March, Simon, 1958). Organizations also have formal and informal defined and accepted roles, often wanting to achieve the same specific objectives together (Ramona, 2012). Organizations maintain a certain institutional framework to ensure the interests of their members and are constantly changing this framework to achieve greater benefits (Ramona, 2012)

Both formal and informal institutions need to be present before an institutional system is complete. A change in the character and content of either, or both, of these leads to a diversification in the institutional system. In this thesis, this occurs through an introduction of a new rule/legislation – a formal change. According to Burns and Scapens (2000), it is easier to implement a formal change than an informal change, as it is more straightforward than attempting to change the ways of thinking which are embedded in existing management routines: “The formal rules are changing fast by the result of judicial or political decisions, after this the informal constraints embodied in customs, traditions and codes of conduct have to change” (North, 1990, p. 6). Thus, when a formal change occurs, there is a need for some guidance or support of the new way of thinking for a successful implementation (Burns, Scapens, 2000).
Additionally, “some formal rules will have very different performance characteristics because of different informal norms and enforcement” (North, 1994, p. 366). Therefore, the question is how the accountancy firm, where the research occurred, intends to change the (different) behaviors of the employees and other informal rules to make the formal change to a success.

3.2 Changing behavior

Because the formal transformation (the change into an audit firm) can cause different performance characteristics, it is important to account for different forms of changing behavior. An alteration can have a strong impact on the firm and its employees, because an organizational change is a difference in form, quality, or state over time in an organizational entity (Van de Ven and Pool, 1995). Therefore, knowing how to implement a change with success can have significant impact (Oreg, et al., 2018). Most people do not like changes; they remain faithful to what they have and with what they have done before. These working methods are successful, and thus workers believe these methods will remain so in the future (Peacock, 2017). As such, Oreg, et al. (2018) concluded that it is important to pay attention to the experience of the employees in a particular changing event. They have a model of different possible responses from employees to the changes. The four types are as follows: change resistance, change proactivity, change disengagement, and change acceptance. This model consists of valence and activation. Valance represents the degree of pleasantness or positivity, ranging from unpleasant to pleasant (Oreg, et al. 2018). Activation refers to the energy associated with the effect, ranging from high activation to deactivation (Oreg, et al. 2018). This model with the expected behavior is shown in Figure 1.
The first possible behavior is change acceptance. When change acceptance is in play, the implementation of the change will yield smoothly, but there would not be any meaningful feedback given during the change. But feedback is important as it can provide important information for the employees and for the organization. When there is change disengagement, though, the behavior of the employees in an organization is unresponsive, which can cause setbacks in the changing process and provides only limited feedback.

The people who resist change have critical information and opinions about the change. This creates many setbacks during the process. However, the critical statements of the employees can give important information for improving the changing process. The last kind of behavior is change proactivity. This behavior is beneficial for implementing new ideas in firms. However, such an approach means the planning and implementation process is slow because of the different opinions of various people (Oreg, et al, 2018).

The investigation has thus shown that acceptance is not, per se, good and resistance not, per se, bad. Most important is that feedback that can give some relevant tips to improve the changing process; therefore, feedback is addressed in Section 3.4. Because the changing behavior is interesting to review, one of the questions in this thesis is about the behavior of the employees:

**Q1: What is the change behavior of the employees in relation to the change?**

In view of the different types of behavioral changes, the question is how the change can be directed in the right direction. As people’s behavior can be influenced by various factors, it is therefore important to make use of these factors when implementing a more effective transformation. Several resources have shown factors that influence behaviors. These factors – communication, feedback, norms and values, and participants – are discussed in the next sections.
3.3 Communication

The content and the idea of the change came from national discussion. The management of this organization thus has to change to fit. However, the success of the change highly depends upon the understanding, support, involvement, and commitment of the employees (Burke, 2014). Organizations want to explain, predict, and control the changing process of their firm, but frequently, it does not progress as expected (Burke, 2009). One of the biggest risks when the organization must transform into an audit firm is insufficient communication (Alpin, 1974). Therefore, communication is crucial for a successful change. For the employees, it is important that they are informed across all phases of the transformation (Kraft, Sparr, Peus, 2018). The goal of the supported information is to create an easier and faster method of decision making: “The information that is provided has to be understandable, specific and relevant to the changing process” (Alpin, 1974, p. 65). It is the task of the managers to help employees understand why they need to change (Peacock, 2017). Thus, leaders should make use of different media and means to clarify aspects of the change to the employees (Kraft, Sparr, Peus, 2018).

When there are changes that impact the organization and are about behavioral change, leadership is very important (Stoker, 2005). A scheduled transformation is about intentional and goal-orientated change, with a clear direction. People in an organization are sensitive to every nuance of the behavior of the leader (Schneider, Goldwasser, 1998). When the leader shows that the change is very important for him/her and is enthusiastic about it, the employees copy this behavior (Schneider and Goldwasser, 1998). Furthermore, the leaders are institutionally empowered for setting tone, because they act as official representatives of the organization and have privileged access to internal information (Ravasi, Schultz, 2006; Brown, Humphreys, 2003).

It is important for an organization’s plan to have a flexible route for implementing change. It is a need, however, that the leader realizes he/she has to change his/her own behavior and has the ability to know themselves so that the leader knows how to change himself/herself (Stoker, 2005). In spite of the importance of leadership in a transformation, it is included only to a limited extent as a case study is used in this thesis.

Because the firm must comply with the regulations, it is necessary that employees have enough audit expertise to provide their work. According to Libby (1995), there are two ways to obtain audit expertise: instruction and experience. Examples of instruction are following a course at an educational institution or a course in the firm. “A course in the firm is, for example, a training of a new auditing standard or some specific training related to the audit of a particular client or industry sector” (Marriott, Telford, Davies, Evans, 2011, p. 143).
Experience is about practice and feedback. Practice is the performance of specific tasks, and feedback can be given formally or informally on these tasks (Marriott, Telford, Davies, Evans, 2011). Also, the investigation of Bonner and Walker (1994) found that increased audit understanding and procedural knowledge is a result of practical experience with feedback and together with some instruction. But only practice and experience are not enough to achieve a true understanding of audits. When only a manual with steps to follow – and no explanations or commentary regarding the suitability of such steps – is provided, the manual does not lead to the desired result (Marriott, Telford, Davies, Evans, 2011). Therefore, it is important to combine feedback with an understanding of the rules to increase procedural knowledge (Bonner, Walker, 1994).

For this case, then, it is important to give employees instructions on how to handle changes in the firm. Thus, the leaders of the firm should give the people a manual on how to handle the new way of working. It is important that the guide contains details of why the changes are relevant. But only supplying a manual to the employees is not enough. After a period of use, the leaders must give the employees feedback about their work; doing so increases their knowledge, thus leading to greater performance in their work. It is therefore important that the employees have gained experience to truly understand it.

The question about communication in this thesis is as follows:

\textit{Q2: Does the company provide enough communication for the change to succeed? And how can the communication be improved in the eyes of the employees?}
3.4 Feedback

Feedback is important, as it permits organizations to make progress in transforming the organization (Chen, Ouyang, Pan, 2013). The study of Chen et al. (2013) showed that feedback plays a key role when managers want to change the routines of the employees. In this way, the employees can learn about their behavior and change it by means of feedback. Not only the employees, but also the organization can learn much from feedback, especially when a firm makes use of Employee-to-Company feedback. When important methods or descriptions are not clear, they can improve them as soon as possible. A requirement for the success of feedback is a critical attitude in the employees and the leaders of the firm (Chen, et al. 2013).

According to the paper of Kurra and Barnet (2016), feedback is an investment and an important part of the development of a person, team, or entire organization. With frequent feedback, the organization can act quickly when dissatisfaction arises among the employees. Another advantage of frequent feedback is the documentation of a change’s progress (Alpin, Thomson, 1974). Peer-to-Peer feedback is also important, because during 75% of working hours, employees spend their time communicating with other employees.

The main findings of the feedback should then be discussed in the whole organization to achieve greater involvement with the transformation, which would result in greater change (Solomon, 1976, p. 583; Alpin, Thompson, 1974).

After receiving feedback, the organization is able to intervene. For a successful invention, it is important that they intervene deeply enough to affect enduring solutions (Alpin, et al., 1974). In some cases, a deep intervention is suitable. But the depth of the intervention may never be lower than the organizational norms and values. This necessity is because the appropriate depth of intervention is directly dependent upon the norms and values of the organization (Alpin, et al., 1974, p. 65). As such, the norms and values of the employees and the organization are important, and they are explained in the next section of this literature review.

The question in this thesis about feedback is the following:

Q3: Makes the organization sufficient use of feedback?
3.5 Norms and values
Another challenge in the changing process is the social environment, which affects the position of employees toward the change (Lien, Saksvik, 2016). According to Tvedt and Saksvik (2009), it is important to consider the norms of people in the firm when attempting to implement change successfully. This must be accounted for as a change is only successful when most of the employees change their attitudes or behavior, so an individual approach is important (Whelan-Berry, Gordon, Hinings, 2003). The employees are going to decide if they will comply with the new working methods or not (Tyler, 1990). When the culture of the organization does not match the culture of the individual, the employees behave in a way that is not efficient and effective for the firm (Balthazard, Cooke, Potter, 2006). Therefore, norms and values are important.

The culture in an organization is difficult to change; it is deep rooted in the firm (Schein, 1992). For employees in a changing process, it is hardest to unlearn old ways of working and forget their habits (Alas, 2007, p. 265). Under such circumstances, the employees start to doubt their own competencies (Homan, 2005). They know exactly how to practice their work, but how will they do so in the future? Norms are defined as standards of behavior which employees follow voluntary, thinking that they ought to follow them (Coleman, 1987). Values are beliefs about the appropriateness of ways, modes, and objectives (Marini, 2000). In an organizational culture, the employees have common values (Douglas, Davidson, Schwartz, 2001, p.103). According to Tyler (1990), there are three factors that influence compliance: deterrence, peer view, and personal morality (p. 42).

3.5.1 Deterrence
First is deterrence. It is dependence on the likelihood of being caught, the probability of a punishment, and the seriousness of the penalty. Deterrence is a formal control and therefore has less effect than informal sanctions (Vance, Siponen, 2012). However, “formal controls are important in shaping the behavior of employees” (Cheng, Li, Li, Holm, Zhai, 2013, p. 450). People attempt to carry out their work in such a way that they avoid punishment (van den Broeck, Vansteenkiste, de Witte, lens, Andriessen, 2017). Notwithstanding, it is not sufficient to only punish (Cheng, Li, Li, Holm, Zhai, 2013). The leads to the following question in the firm:

Q4: Does the firm successfully use deterrence in the organization to change the behavior of the people?
3.5.2 Peer view
The second factor is peer view – or how other people react if a does something wrong. When people have stronger bonds with colleagues in an organization, they are more likely to comply with the group rules in an organization (Hirschi, 1969). They control their words, actions, and avoid negative behavior.

Q5: To what extent is peer review present in the organization?

3.5.3 Personal morality
The last factor which influences compliance is personal morality – what people think of doing something that breaks the law.

When an organization forgets the culture and is only focused on the new rules, it is most likely that the change will not be successful, and people will return to their normal way of working. People choose security and try to avoid uncertainties. Therefore, for employees, it is difficult to change because the new working method gives rise to uncertainty (Buono, Bowditch, 1989). The organizational change raises questions on whether the changes are good for the firm or not. It is not always certain if people can perform the same tasks as before or if they must learn new tasks. Another uncertainty is if people within the firm will keep their job or not. An additional aspect of personal morality is the view and behavior of other people in the organization (Goslinga, Denkers, 2016). The research of Scholz and Lubell (1998) showed that people fulfill their obligations, even though they might have abandoned them, when they trust that others will also fulfill these obligations. Therefore, when people think other employees will comply with the rules, they themselves have less inclination to break the rules. For a successful change, it is thus important that all employees intend to comply with the new rules and express this intention. In this way, people will attempt to get out of the rules more slowly, such that the change will be implemented better and faster.

Q6: Do employees value personal morality?
3.6 Participation
Another factor that can influence the behavior of the employees is participation. It is known that employees are more satisfied with, and therefore support, the change if they are allowed to co-decide on the direction and approach. The participation of employees in decision-making processes provides more support for the change (Elving, Boonstra, 2013). According to Homan (2005), changing the behavior of managers and employees works together with changes in the perceptions of the people in the organization. There is room for new behavior when the image about the organizational reality is changed.

Q7: To what extent were the employees able to participate in the change to make it to a success?

3.7 Action and reflection strategy
Several factors have been discussed regarding how the behavior of people can be influenced. But what can an organization do to adjust the behavior of their employees?
In particular, there are two kinds of strategies to give the employees information: action and reflection.

3.7.1 Action strategy
The aim of the action strategy is to correct the employees and the processes in the firm that prevent the change model from acting as expected. In most cases, the existing research focuses on action strategy. This strategy provides processes and experience about it for obtaining feedback. This feedback can then be used to create opportunities to modify the models for the future. Van Ven and Sun (2011) argued that the action strategy is limited without making use of the reflection strategy. A use of the two strategies together is the best way.

Q8: Do the employees in the firm get the feeling they are better informed because the changing firm make use of the action strategy?
3.7.2. Reflection strategy
The reflection strategy puts focus on the models and changing them so that they better fit the process of change in the organization (Van der Ven, Sun, 2011). The greatest difference between the two strategies is therefore the starting point; the first strategy tells the employees in the firm the opinions and the occasions for planned changes. This second strategy starts with participants and changes the models so it better fits with the ideas of the participants. This is also an important point for the organizations that are changing into an audit firm. It is good to develop a model to change and present this to all the participants (action strategy), but it is at least as important to utilize the reflection strategy so that the models can be adjusted. Because of the new quality management system, the firm must change in an accountancy firm. As a result of this, several things are changing for the employees in the organization. They should get information about all these things. This leads to the following question in the firm:

*Q9: Do the employees in the firm get the feeling that they are better informed because the changing firm make use of the reflection strategy?*

3.8 Conceptual model
These propositions lead to the following conceptual model:

In summary, the transformation into an audit firm is formal change. This change has already been made and thus affected the behavior of the employees. To make the change a success, it is important that the informal change is implemented properly. Various factors that influence the behavior of the employees should be considered if the informal changes are to be implemented as well as possible. In this thesis, these factors are discussed and examined to see if they are also applicable for this audit firm.
Chapter 4 – Methodology

4.1 Qualitative design

To answer all the questions above, a qualitative design was used. There are several reasons for a qualitative approach. The first is because it is used to receive open-ended answers and is thus the best way to find answers to ‘how’ questions (Edmondson, McManus, 2007). Second, it is a method for achieving a sufficient overview of the participants’ perspective (Maitlis, 2005). This is necessary because this research required an open approach instead of a hypothesis that had been defined beforehand. Furthermore, it can also provide a deeper picture, and any motives can be better identified.

Last, this approach gives and makes sense of change. The back and forth between leaders and the people in the organization are left clear (Kraft, Sparr, Peus, 2018). Because the interplay between the employees and the leader is important in this case, the qualitative research design is the most effective choice. The objective of this research is how to change the behaviors of the employees due to the impact of the new legislation. Therefore, in this thesis, a case study is used to provide an in-depth study in an real-life context (Crowe, Cresswell, Robertson, Huby, Avery, Skeikh, 2011).

4.2 Case study

The company that was examined in this case study is a small to medium firm in the north of the Netherlands. The company has had to change, through the new quality management systems, into an audit firm. The formal changes were already implemented, but now the employees had to change their working methods and behavior (informal changes) so the quality management systems could successfully be implemented. Only the people in the organization whose behavior and working methods were impacted by the change were included in the research. The sample included 11 employees (more detailed info can be found in Table 5.1.1), who voluntary participated. To make the results as representative as possible for the entire organization, participants from several locations and various positions were included in this study. A simple representation of the functions in the company is shown in the organizational chart below. The client advisors and assistant-accountants were included in the study because the change had the most impact on them. Eight of the eleven participants were men. Most participants had worked at the same company for 10 years.
4.3 Research method

To complete qualitative research on the behavior and opinions of the employees in the firm, surveys and interviews were used. In the beginning of the study, an exploratory survey was sent to all 33 employees. This step was to get a picture of how people, in general, thought about the change. More precisely, questions were about gender, age, feelings about the change, et cetera. A list of all the questions can be found in Appendix I. The survey was sent by email, and 24 employees answered the survey, a response rate of 73%.

To answer the literature and to establish a clear image of all relevant subjects, the interviews were semi-structured. In this way, all topics were discussed in all interviews (Qu and Dumay, 2011), but, above all, it allowed participants to make their own contributions. As a consequence, the participants had more elaborate responses, and all the relevant points of the participants are discussed in this thesis. The questions in the interviews were derived from the conceptual model. Every part of the model has a few questions, starting with most general and ending with the questions about changing behavior. All the questions can be found in Appendix II.

After giving permission to participate in an interview, the participants were informed via the email about the purpose and the procedure of the interview. The questions asked were not announced in advance. The interviews were personal interviews and conducted at the office where the participants worked. Thus, the participants were in a familiar environment and, therefore, more open.

At the beginning of the interview, the purpose of the interview was explained again, and the benefits of participation for the firm were highlighted. All the participants confirmed having their interviews recorded and transcribed. Then, the interview started with a few easy questions to put participants at ease. There were a few general questions to guarantee anonymity. Subsequently, all the different theory blocks are being treated. To begin with transformation, then next communication, feedback, norms and values, and, lastly, the changing behavior.

At the end of the interview, the participants could ask some questions, give additional comments, and provide feedback. The average duration of the interviews was 31 minutes.

4.4 Data analysis

The answers of the exploratory survey were put into an overview. The tables with the results can be found in Appendix I. The interviews were transcribed after completion. Hereafter, the questions are placed in a table per theory block. The answers of the participants are in the next column and in the fourth column; it is clear how many participants gave that answer. The last column shows if the question came from the survey (S) or interview (I).

The results of the data analysis are brought together in the tables in the next chapter – Research Findings. Quotations are used to clarify and better substantiate what participants meant and thought.
Chapter 5 – Research Findings

This chapter presents the results of the exploratory survey and interviews, based on the theory from Chapter 3. Section 1 shows the results of the exploratory survey. In the second section, general information and the changing behavior of the participants is discussed. Section 3 concerns communication. Thereafter, feedback is discussed in the fourth part of this chapter. Section 5 discusses norms and values. The following section is about participation of the employees, and thereafter the action and reflection strategy are explained. In the last section, a conclusion of all the factors is given.

5.1 The organization

In response to an exploratory survey in the firms, an overview of the employees in the firm follows:

![Chart showing gender distribution]

Mostly of the participants were men. Only 17% of the respondents were women.

![Chart showing age distribution]

The above graph shows 63% of the employees were between 46 and 55 years old, and 58% of the employees had worked for longer than 10 years in the firm.

All the respondents indicated that they had noticed few or much of the changes, and 88% of the employees indicated that they had little or much more work because of the changes. The results also demonstrate that they were more stressed by the higher workload. But most importantly, results showed that all the employees were neutral or positive toward the changes. Not one of the informants answered that they had negative feelings about the changes. All the questions and results are presented in Appendix I.
Next, the general results about the participants of the interview are provided.

![Table 5.1]

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
<th>Interview (I) or Survey (S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>What is your function in the company?</td>
<td>Assistant accountant 5/11</td>
<td>11/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Client advisor 6/11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>How long do you work here?</td>
<td>0-5 years 2/11</td>
<td>11/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6-10 years 0/11</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;10 years 9/11</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 5.1.1: Overview results general information.*

The table above shows that the participants fulfill the function of assistant accountant and client advisor in the firm. Almost all the participants have been working for ten years or more in the organization. Only two of the participants were employed in the company for a shorter period of time. For the reason that the most participants completed their work in the same way for years, it is important to pay attention to the experience of the employees in this particular change event.

5.2 Change behavior

This section answers the first question of this thesis.

*Q1: What is the change behavior of the employees in relation to the change?*

For a start, the change behavior of the whole organization is analyzed, using Question 6 of the exploratory survey.

![Bar chart]

The results show 15 participants were positive about the change. The other nine participants had a neutral attitude toward the change. But not one of the participants indicated they had a negative attitude regarding the change.
Table 5.2: Overview results of changing behavior.

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
<th>Interview (I) or Survey (S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>What is the explanation about the change in your words?</td>
<td>Positive</td>
<td>0/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neutral</td>
<td>1/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negative</td>
<td>10/11</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Are you enthusiastic about it or brings it stress?</td>
<td>Little bit stress</td>
<td>1/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enthusiastic</td>
<td>3/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>It is more frustration</td>
<td>1/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No stress and not enthusiastic</td>
<td>4/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not enthusiastic</td>
<td>2/11</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Has the workload been higher or lower?</td>
<td>Little bit higher</td>
<td>2/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Higher</td>
<td>6/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>It is not changed</td>
<td>2/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>I have no workload</td>
<td>1/11</td>
<td></td>
</tr>
</tbody>
</table>

Question 6 of the explanatory survey shows that the participants had a positive attitude toward the change. Not in the sense that they were enthusiastic about it, but they had shown a high level of activation, as demonstrated by the quotations below:

“We are going for it” (I 3).
“We have to go that way, so we go for it” (I 4).
“Everyone is trying to follow the new way of working” (I 9).
“Everyone wants to do it in a good way” (I 10).

The results also show some participants (three out of eleven) were enthusiastic, and some were not. In that way, they were not directly saying they felt stressed or upset. However, participants showed the opposite in the interviews:

“I hear a lot of grumbling” (I 1).
“I find it very prohibitive in how I can carry out my work” (I 3).
“I am only concerned with the status of the report” (I 4).
**Conclusion**

Given the previous section about the change behavior of the participants, the first question can be answered. The participants have a high level of activation and are enthusiastic but still stressed about the change. Looking to Figure 1 of Oreg et al. (2018), the change behavior of the organization is between change resistance and change proactivity.

![Change Behavior Diagram]

**5.3 Communication**

In this section, the question regarding communication is answered.

*Q2: Does the company provide enough communication for the change to succeed and how can it be improved in the eyes of the employees?*
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
<th>Interview (I)</th>
</tr>
</thead>
</table>
| 6               | When did you hear the organization was going to change into an accountancy firm? | I don’t know exactly  
1- 1.5 years ago  
In the end of 2017 | 4/11  
5/11  
2/11 | I              |
| 8               | Have you been involved in these meetings?                                | No  
Yes | 5/11  
6/11 | I              |
| 9               | When and from whom did you receive information about the change?         | At the office and by mail  
By mail  
At the office | 1/11  
3/11  
7/11 | I              |
| 10              | What do you think of the information that has been provided? Was it enough? | Yes  
I do not understand  
It could have been better  
No | 6/11  
1/11  
2/11  
2/11 | I              |
| 11              | How much information has been strengthened from the organization about the change and what the consequences are for your work? | Enough information  
Some info, but not enough | 13/24  
11/24 | S              |
| 12              | Did you receive explanations about the meaning of the execution of the work? | No, to little  
Yes, but it can better  
Yes, in a meeting  
Yes | 2/11  
4/11  
4/11  
1/11 | I              |
| 13              | Have you received, for example, a manual how to deal with certain aspects? | No  
Yes | 7/11  
4/11 | I              |
| 14              | Can you name something that you would like to receive more information about? | No  
More face-to-face conversations  
More about the consequences  
More explanations | 6/11  
1/11  
1/11  
3/11 | I              |
| 15              | Can you contact someone if you have questions or comments?              | Yes  
Yes, within our location  
Yes, my family  
Often I look afterward what the feedback is | 2/11  
7/11  
1/11  
1/11 | I              |
| 17              | Can you approach your supervisor with questions about the change?        | No, try to solve it internally  
No, I do it too little  
Yes | 2/11  
1/11  
8/11 | I              |

*Table 5.3: Overview results communication.*
Table 5.3 demonstrates the communication in the organization because of this transformation. Five people indicated that they hear about the change between 1 – 1.5 years ago; these five were all client advisors. The employees with other functions in the firm were not directly informed about the change. This explains also Question 8, where six of the eleven participants indicated they had been involved in the meetings about the transformation; only the client advisors were involved. People received information of the change by mail or at the office. The interviews showed that not everyone was happy with the way in which the decision was made and how the organization was informed:

“Actually, the assistants should have been involved. The transformation affects their work more than ours” (I 4).
“We are missing commitment” (I 5).
“We had to hear it via via” (I 6).
“There was the possibility to give input, but not much was done with this” (I 6).

Little more than half of the participants believed that the information provided (Question 10) was enough. But 45% indicated they were not getting enough information, did not understand the information, or thought said information could have been better. Quotations from the participants emphasized this pattern:

“They can write much about it, but I prefer face-to-face conversations. When you talk to each other, you understand each other” (I 3).
“When you talk to each other, you understand each other’s points of view” (I 4).
“The communication here is not good” (I 6).
“The differences were not well explained” (I 10).

Question 12 gave more information about the received explanations regarding the meaning of the execution of work. The most participants were satisfied. Two participants were of the opinion they were given too little information, and four indicated that the explanation could have been better.

When asked if the participants had received a manual, four people answered affirmatively, and the rest stated they had not received a manual. A quote from one of the participants can probably explains this, “We have received some mails, but not a real manual” (I 8).

Emails were sent by the managers about different aspects of the change. These emails demonstrated how the participants needed to deal with certain things. The first such mail went to the client advisors, who were able to provide feedback on the mailing. However, there was often no response. However, the employees were aware of that, stating, “I could also participate a little more in the discussions. Communication is often lacking in this firm” (I 4). Subsequently, looking to Questions 15 and 18, it is clear that participants attempted to solve issues mostly within the office where they were working.

Between the four offices, there was less communication. The participants are aware of the lack of communication, “That is internally discussed, but that has not been brought out to other locations. Another issue of communication” (4).
Communication with the supervisor was good, as 73% of the participants reported going to the supervisor with questions about the change.

Conclusion

Because communication is crucial for a successful change, leadership should ensure clarity regarding a change for the employees. The firm has provided information about the change by email and at the office to inform every employee about the transformation. This is a vital method of communication, because it contains details regarding why the change is relevant for the firm. However, 45% of the participants thought the information was not enough, and the people in the firm did not exactly know when they heard about the change. Not all people in the firm understood the given instructions and wanted more explanation, more information about the consequences, and face-to-face conversations. To conclude and to answer the question, this company has provided information about the transformation, which was sufficient for most participants. However, it could be improved by providing further explanation and more face-to-face conversations.

5.4 Feedback

To give answer to the third question of this thesis, the results on feedback practices are shown below in Table 5.4.

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
<th>Interview (I) or Survey (S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Has there been a moment when your work has been examined substantively and that comments have been made to learn from it?</td>
<td>No</td>
<td>3/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>8/11</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Is this also specially done after the change?</td>
<td>No</td>
<td>3/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, by the accountants</td>
<td>8/11</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Is there the possibility to give feedback to your colleagues?</td>
<td>No, because I don’t understand it</td>
<td>1/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, within our location</td>
<td>7/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>3/11</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Is there the possibility to give feedback to the leader(s)?</td>
<td>No</td>
<td>2/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>5/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, but I don’t make use of it</td>
<td>4/11</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.4: Overview results feedback.

Question 19 indicates that 73% of the participants said there has been a moment when their work was examined. This is because all the annual reports are checked by another office. The other participants
did not receive this kind of examination, because they performed different tasks other than creating annual reports. After the change, an extra check by the accountants has been added. For this reason, the same percentage of participants gave a positive answer on the question (20) asking if this was specially done after the change.
The possibility to give feedback to colleagues and the leader(s), Questions 22 and 40, was affirmed. Of the participants, 91% indicated they were providing feedback to their colleagues. Just one participant did not have that possibility because the instructions about the change were not clear. But this was a communication problem. In addition, 82% answered that they have had the opportunity to give feedback to the leader.

Because feedback helps progress in the transformation of the organization, the firm has to use it to change the routines of the employees. The firm was using this tool to ensure that all reports have the same standard and high quality: “We look at each other’s reports in the office anyway. A few years ago that happened to equalize the quality at the offices” (110).

**Conclusion**
Regarding if the company made sufficient use of feedback, it can be concluded that they did so. Due to how a large part of the participants said that their work was examined, they can give feedback to their colleagues and to the leader. Feedback has already been used in the company. After the transformation, an extra requirement of additional feedback was added. However, the feedback is not especially towards better implementation of the change but is used for quality assurance.

**5.5 Norms and values**
The table below provides the results of the norms and values in the firm. After explaining the results, Questions 4, 5, and 6 of this thesis – about deterrence, peer review, and personal morality – are answered in the conclusion.
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>Can you still carry out your work the same as always, or does this have to be done in a different way?</td>
<td>Same way</td>
<td>5/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extra tasks and less freedom</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extra tasks</td>
<td>4/11</td>
</tr>
<tr>
<td>25</td>
<td>Is this new way easier, faster or has it a better quality?</td>
<td>For a better quality</td>
<td>7/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>4/11</td>
</tr>
<tr>
<td>26</td>
<td>Do you notice something if the rules are not complied?</td>
<td>No, only grumbling</td>
<td>3/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>7/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>1/11</td>
</tr>
<tr>
<td>27</td>
<td>Is it clear how you have to carry out your work or are there any questions?</td>
<td>It is clear</td>
<td>9/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There are always questions</td>
<td>1/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No, I don’t understand it</td>
<td>1/11</td>
</tr>
<tr>
<td>28</td>
<td>What are these questions?</td>
<td>Not applicable</td>
<td>7/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>About different things</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>About the added value</td>
<td>1/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What does the accountant want?</td>
<td>1/11</td>
</tr>
<tr>
<td>29</td>
<td>How can this be solved?</td>
<td>You can call each other</td>
<td>1/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More conversation with the accountant</td>
<td>3/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Don’t know</td>
<td>1/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not applicable</td>
<td>6/11</td>
</tr>
<tr>
<td>30</td>
<td>How do you think the rest of your colleagues think about the change?</td>
<td>Positive, but it has to settle down</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Different views</td>
<td>4/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not positive</td>
<td>3/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We don’t talk about it</td>
<td>2/11</td>
</tr>
<tr>
<td>31</td>
<td>Why do you think so?</td>
<td>For quality assurance</td>
<td>1/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less freedom</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Far behind schedule</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extra tasks are annoying</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Many questions</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not applicable</td>
<td>2/11</td>
</tr>
<tr>
<td>32</td>
<td>How is the atmosphere within the company?</td>
<td>Fine</td>
<td>8/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sociable</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Good, but all closed in themselves</td>
<td>1/11</td>
</tr>
<tr>
<td></td>
<td>Question</td>
<td>Response</td>
<td>Frequency</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------------------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>33</td>
<td>Is this different for each location?</td>
<td>I don’t know</td>
<td>6/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>4/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>1/11</td>
</tr>
<tr>
<td>34</td>
<td>Are you going to work with pleasure?</td>
<td>Yes</td>
<td>9/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>2/11</td>
</tr>
<tr>
<td>35</td>
<td>How do you describe the relationship between your colleagues?</td>
<td>Good</td>
<td>11/11</td>
</tr>
<tr>
<td>36</td>
<td>Do you talk about the change together?</td>
<td>No</td>
<td>5/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>5/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, but too less</td>
<td>1/11</td>
</tr>
<tr>
<td>37</td>
<td>What is it about then?</td>
<td>About comments of the accountants</td>
<td>4/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>About the extra tasks</td>
<td>2/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not applicable</td>
<td>5/11</td>
</tr>
<tr>
<td>38</td>
<td>Do they think the same as you do?</td>
<td>Yes</td>
<td>4/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not everyone</td>
<td>5/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I don’t know</td>
<td>2/11</td>
</tr>
<tr>
<td>39</td>
<td>Would you appeal to them if you see that others consciously do not comply with the rules?</td>
<td>Yes, you have to</td>
<td>11/11</td>
</tr>
</tbody>
</table>

Table 5.5: Overview results norms and values.
Table 5.4 shows that five of the eleven participants could carry out their work in the same manner as before. This was because of the different functions in the firm. The client advisors indicated they could still carry out their work the same as always. In a quotation from one of the participants, they stated: “I can carry out my work on the same way as before, but I have less freedom” (I 3).

Most participants believed that this new method would result in a better quality, as shown by the interviews:

“In my opinion, the quality in the company was good. But now, we have quality assurance” (I 3).

“I think the quality only gets better. That must be, with all the checks” (I 8).

“The quality should be better, because everything is now guaranteed” (I 11).

Almost everyone complied with the new rules and thought it was clear how they would have to carry out their work. In some cases, it was not clear what the accountant wanted or meant, such as in what way it would add value and other things. Solutions to clarify this include more conversation with the accountant or to call coworkers when ambiguities arise.

The participants’ opinion on the thinking of other colleagues about the change was different. Some thought their colleagues had positive opinions because of the quality assurance. In contrast, some participants had negative options because their colleagues had less freedom, many questions, were far behind schedule, and found the extra tasks annoying. To quote a participant:

“I have to hand over the work, other people pull the strings” (I 4).

All the participants were positive about the atmosphere in the firm. Four participants indicated that this attitude differed per location, and six participants could not say anything about the other locations. Further, 82% of the participants were going to work with pleasure, and everyone described the relationship between colleagues as positive. Half of the participants were talking with each other about the change. It usually concerned the extra tasks and comments from the accountants.

It is not clear if colleagues thought the same as the participant about the change. Of the participants, 36% thought their colleagues felt similarly, 46% thought not everyone had the same view, and 18% did not know the views of their colleagues.

Every participant was convinced that they would appeal to someone if they noticed they did not comply with the rules. This action would be because they must, otherwise the annual report would not be approved by the accountant and thus could not be sent to the client.
When a firm wants to implement change successfully, the norms and values of the employees should be considered. Most participants had to perform extra tasks, however, 82% of the participants indicated that it was clear what they must do. Because the participants showed a high level of activation and were going to work with pleasure, they were thus changing their behavior/attitude to fit with the change. This is very important, because a transformation is only then successful. Next, the three factors that influence compliance are discussed on the basis of the results.

Conclusion

Deterrence

The first part of deterrence is the likelihood of being caught. In the firm, this portion was high because of the forms being signed. Similarly, new forms were introduced as result of the transformation, so it would be noticed which employees do not fulfill the new requirements. The probability of a punishment and the seriousness of the penalty – the second and third parts of deterrence – are difficult to determine because these vary from case to case. Also, the interviews did not demonstrate if people would be punished quickly. The only consequence for the employees was that the report could not be sent to the clients when it did not fulfill the requirements. This obstacle enhanced the degree of deterrence in the firm.

Peer view

The participants had a good relationship with their colleagues, and they liked the atmosphere. These findings are positive in respect to the change, as it becomes more likely that the employees would comply with the group rules in an organization.

Personal morality

Participants did not notice that colleagues were not complying with the rules. And when this noncompliance might happen, they would appeal to that particular colleague. Because 55% of the participants talked about the change with the colleagues, it can be concluded that employees showed their support of the transformation. Under such circumstances, the participants have less reason to break the rules.

Thus, on the question of whether there is personal morality in the firm and if employees think it is important, it can be answered affirmatively.
5.6 Participation

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
<th>Interview (I) or Survey (S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Have there been meetings to make a decision?</td>
<td>Not with us</td>
<td>4/11</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>7/11</td>
<td></td>
</tr>
</tbody>
</table>

*Table 5.6: Overview results participation.*

There were some meetings to decide about the transformation. Four participants did not know if there had been any meetings, because they were not involved in those meetings. Question 8 shows that 55% of the participants were part of the meeting. Further, a committee had been established to investigate the differences between an administration firm and an accountancy firm. This behavior demonstrates that participants could co-decide on the direction of and approach to the change. Accordingly, employees provided more support for the transformation. However, a part of the remaining 45% would have liked more participation in the discussion, saying:  
“*I find too little involvement. I gave some input, but this was actually immediately invalidated*” (I 6).  
“We sit down with the advisors, but actually the assistants should have been there also” (I 4).

Conclusion

To conclude, a portion of the employees had the opportunity to participate in the change through meetings and a committee. This opening ensured that the change led to success more quickly.

5.7 Action and Reflection Strategy

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results</th>
<th>Participants</th>
<th>Interview (I) or Survey (S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Will be something done with these questions or comments?</td>
<td>Yes, I don’t know, No, Not applicable</td>
<td>7/11</td>
<td>I</td>
</tr>
<tr>
<td>17</td>
<td>Is the working method also adjusted on the basis of these comments or questions so that it becomes easier for you?</td>
<td>Yes, It is too early for that, No, we have to communicate more, Not applicable</td>
<td>5/11</td>
<td>I</td>
</tr>
</tbody>
</table>

*Table 5.7: Overview results action and reflection strategy.*

Table 5.7 shows that 64% of participants had the feeling something would done with their questions and comments. And five of the eleven participants confirmed the working method would be adjusted on the basis of comments or questions. Three participants thought they would have to communicate more if they wanted something to be changed in the working method.
The aim of the action strategy is to correct the employees. This correction is constantly happening in the organization, using the additional feedback on the annual accounts:

“That happens continuously. That is looked by a client advisor of another location. And after this, it goes to the accountant” (I 6).

In case of the reflection strategy, the models should be changed so they better fit the ideas of the participants. Of the participants, 45% believed this adjustment was happening in the organization. However, quotes from the interviews demonstrated other thoughts:

“I have no contact at all with the accountants. We get the report with remarks and did not see anything else” (I 3).

“I think that they have done too little with that” (I 6).

“I have the idea that everyone is for him/herself and that information is not really exchanged” (I 11).

Conclusion

It is clear the organization made use of the action strategy, as the employees in the firm corrected each other constantly. However, the reflection strategy was not clearly present. Indeed, most participants did not think that the models were being adjusted to better fit with their ideas.

5.8 Relations

In this section, the relationships between the factors and the changed behavior of the participants are described. The “change resistance” people are compared with the “change proactivity” people.
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Results ‘change resistance’</th>
<th>Participants</th>
<th>Results ‘change proactivity’</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Have there been meetings to make a decision?</td>
<td>Not with us</td>
<td>4/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>4/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>What do you think of the information that has been provided?</td>
<td>Yes</td>
<td>3/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>I don’t understand</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>It could have been better</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>3/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Will be something done with these questions or comments?</td>
<td>Yes</td>
<td>5/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>2/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not applicable</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Is the working method also adjusted on the basis of these comments or</td>
<td>Yes</td>
<td>3/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>questions so that it becomes easier for you?</td>
<td>It is too early for that</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No, we have to communicate</td>
<td>3/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>more</td>
<td>3/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not applicable</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Has there been a moment when your work has been examined substantively</td>
<td>Yes</td>
<td>6/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>and that comments have been made to learn from it?</td>
<td>No</td>
<td>2/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>How is the atmosphere in the company?</td>
<td>Fine</td>
<td>5/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sociable</td>
<td>2/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Good, but all closed in</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>themselves</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Are you going to work with pleasure?</td>
<td>Yes</td>
<td>6/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>2/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>How do you describe the relation between your colleagues?</td>
<td>Good</td>
<td>8/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Do you talk about the change together?</td>
<td>No</td>
<td>4/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>3/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, but too less</td>
<td>1/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Would you appeal to them if you see that others constantly do not</td>
<td>Yes, you have to</td>
<td>8/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>comply with the rules?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 5.8: Overview results of the relations.*
Communication
The relationship between communication and changed behavior can be analyzed using Question 10 of the interview. Table 5.8 shows that all the “change proactivity” employees believed they had received enough information. The other group, “change resistance,” reacted differently. Three participants had the same view as the “change proactivity” employees and had received enough information. However, 62.5% of the group was not satisfied with the information that the organization had provided. The results thus show that communication has a positive influence on the behavior of the employees when they have to change.

Feedback
Looking to Question 19, the results in both groups demonstrate that most of the participants expressed that their work had been examined. There is not a significant difference between the groups in this regard. Thus, it cannot be concluded that there is a clear influence of feedback on behavioral change.

Norms and values
The relationship between norms, values, and change in behavior can be analyzed with Questions 32, 34, and 35. Both groups had a positive attitude about the atmosphere in the organization. Also, the relationship between the colleagues was good in both groups. A small difference between the groups became clear in Question 34. The entire “change proactivity” group went to work with pleasure. However, 25% of the “change resistance” people indicated that they did not go to work with pleasure. Overall, there was a small difference between the two groups. Thus, a positive relation is found. Because aspects of deterrence are clear through citations and not to specific questions, it is difficult to make a distinction between the two groups. Therefore, the relationship between deterrence and change in behavior cannot be made in this thesis.

The relationship between peer view and changed behavior is not clear as Questions 32 and 35 were answered similarly for both groups.

The relationship between personal morality and changed behavior is positive. The results of Question 36 made clear that the “change proactivity” people (67%) talked more about the change than the “change resistance” group (50%).

Participation
The relationship between participation and changes in behavior is positive. Of the “change resistance” group, 50% were involved in the change. However, 100% of the “change proactivity” group were involved in the change.
Action and reflection strategy

The action strategy was clearly present in the organization. Because every participant gave the same answer, a comparison cannot be made between the two groups. Therefore, there is not a clear relation between the action strategy and changes in behavior.

The reflection strategy has a positive relationship with changed behavior. Of the “change resistance” people, 50% gave a negative answer when asked if the working method would adjust. However, none of the other group gave this answer.

The points outlined above result in the following model:

The positive or negative correlation between the relationships are above the line. In this organization, communication, feedback, personal morality, and reflection strategy are important aspects in changing the behavior of the employees.
Chapter 6 – Conclusion and Discussion

In the previous chapter, the findings of the surveys and interviews were described. This chapter then provides a conclusion and discussion of the results, followed by some small advice for the firm. In the next section, the limitations are discussed and Section 6.4 demonstrates the recommendations for future research.

6.1 Conclusion and discussion

The research question of this thesis is: “How can an audit firm, after the implementation of a formal change, guide an informal change so that the firm is able to implement new quality management systems?”. In the third chapter, theory that related to this question was discussed and expressed in a conceptual model. In Chapter 5, the results of the survey and the semi-structured interviews were described.

To implement informal change in the firm, the organization can guide this process in different ways. The behavior of the employees should be influenced so that they will accept the change. The changed behavior of the employees was positive and fell between change resistance and change proactivity. The resistance can have a good influence on implementing informal change, such that as employees give critical statements, the process of changing can be improved. Change proactivity also has a positive influence on informal change, because it is beneficial for implementing new ideas. This should not preclude the implementation of informal change. After a certain time, more people should change their behavior from change resistance to proactivity. This can be done by considering the information that might be provided, making use of feedback, and estimating the norms and values of the employees. As well, the degree of participation and the strategies for providing information are important factors when informal change is implemented. Now, these factors are discussed regarding to what degree the organization made use of these factors.

Communication is crucial for a successful change and has a positive correlation to the change in behavior. The firm informed the employees about the transformation. That being the case, the firm made use of communication. This action helped the employees understand why a change in processes and the implementation of informal change were necessary. The information should be understandable, specific, and relevant to the changing process. Because a large number of participants thought the information was not enough, the firm could have paid more attention to this factor. There is a need for more information about the consequences, more explanations, and more face-to-face conversations. The organization can still provide this help to the employees.
Next, using feedback is also important in implementing informal change in the organization. The company makes sufficient use of feedback; feedback was already being used. After the transformation, an extra moment of feedback was added. However, the feedback is not especially for a better implementation of the change, but it is used for quality assurance. To conclude, the feedback which is used in the organization does not for better implement informal change. To guide this implementation even more, they could make greater use of the feedback. It is important for the firm to account for feedback because, in the firm, there is a positive relation with changes in behavior.

Norms and values also influence the behavior of the change. Only when the culture of the organization matches the culture of the individual does the employees behave in a way that is efficient and effective for the firm. The first factor that influences compliance is deterrence. The firm does not make sufficient use of this factor. Usage can and should be improved, as it is an important control for shaping the behavior of the employees.

The second factor is positivity with respect to the change and currently present in the company, as it is more likely that employees would comply with group rules when they have a good relationship with their colleagues. The last factor that influences compliance, personal morality, is present in the company and has a positive correlation to the changed behavior. Most of the participants talked about the change with each other and stated that when colleagues did not apply, then they would appeal to them. So, to guide the informal change, the firm has to pay more attention to deterrence.

Next, the relationship between participation and the implementation of informal change is positive. When participants have co-decided on the direction and approach of the change, the support for that transformation is greater. More than half of the participants were part of the meeting, and a committee of employees had been set up. These actions had a positive influence on the implementation of the subsequent informal change.

The last block of the conceptual model is the action and reflection strategy. These two strategies both have a positive influence on the behavior of the employees in the firm. The firm made constant use of the action strategy, and thus it helped to implement the informal change in the firm. However, the reflection strategy was not clearly present in the firm and thus did not contribute to the implementation of the informal change. The organization has to consider using a reflection strategy, since it is clear the reflection strategy has a positive relation on change in behavior.

To answer the research question, the firm needs to focus on the factors with a positive relation to changed behavior. These factors are communication, feedback, personal morality, participation, and reflection strategy.
6.2 Recommendations for the firm

Recommendations to the firm for a good implementation of informal change are based on the factors that have a positive relationship to changing behavior.

Communication
The firm can improve their communication in the following ways:

- more interfacing between the four locations. Currently, people make decisions but do not communicate it to other locations of the firm. This area is not only an improvement point for the leadership, but also for all the employees in the organization.
- greater presence of accountants at each location, which employees also need, as shown by the interviews.

Feedback
Recommendations for feedback are as follows:

- Encourage even more feedback, because participants indicated that it often happened only internally in the firm. Stimulating this kind of feedback is important as during working hours, 75% of the time, employees spend their time communicating with other employees.
- Employees have to indicate to the leader(s) any areas of confusion so they can improve it as soon as possible. Therefore, feedback is not just the responsibility of the leader, but also of the employees.
- The main findings of the feedback should be discussed throughout the whole organization to encourage greater involvement, which would then result in further change.

Personal morality
A recommendation to personal morality is the following:

- Incite employees to talk about the change with colleagues.

Participation
Participation in this specific change is not relevant anymore, because the formal change has been implemented. The following is a recommendation for future change:

- Ensure full participation for all employees. When people can participate, they provide greater support for that change.

Reflection strategy
A recommendation for the reflection strategy is as follows:

- Change the models so they better fit with the ideas of the employees.
6.3 Limitations

The greatest limitation of this thesis is that the research has taken place in a small to medium accounting firm. Thus, it is not possible to generalize the results across the entire sector. Also, the location of the firm plays a role. All locations of the firm are located in the north of the Netherlands, and people who work in the firm also live in this area. Therefore, the personalities can differ from the rest of the country, and thus it is important to be cautious when generalizing the results.

Another limitation is the relatively new legislation that forced the company to change into an accountancy firm. That being the case, only the short-term consequences are accounted for. The long-term consequences are not discussed.

Last, one limitation is the relationship between deterrence and changed behavior. The likelihood of being caught, the probability of a punishment, and the seriousness of the penalty were not clearly identified in the interviews. Therefore, the correlation between deterrence and changed behavior in this firm cannot be provided. Initially, the interviews can provide socially desirable answers.

6.4 Recommendations for future research

There are various possibilities for future research. To make the results more general, research can be done in other firms across the country. This makes clear if the results are the same everywhere or if there are differences. Another way to improve generalization is by doing research after a long period of time. Then the long-term consequences can also be considered. Research can be done regarding if the factors really had influence on the behavior of the employees.

Another possibility for future research is to account for the factors (likelihood of being caught, the probability of a punishment, and the seriousness of the penalty) of deterrence so that a relationship between deterrence and change behavior can also be made.
References


Appendix I – Questions and answers exploratory survey

1. What is your gender?

2. What is your age?

3. How long have you been working in this field?
4. How long have you been working at this office?

- 4 < 5 YEARS
- 6 5-10 YEARS
- 14 > 10 YEARS

5. At which office / offices you work?

- 4 LOCATION 1
- 6 LOCATION 2
- 4 LOCATION 3
- 3 LOCATION 4
- 7 MORE THAN 1 LOCATION

6. Due to legislative changes, there are many changes within your organization. How do you feel about this change?

- 15 POSITIVE
- 9 NEUTRAL
- 0 NEGATIVE
7. How much do you notice of changes within your organization?

8. Can you indicate whether the amount of work has changed or changed for you because of the change?

9. How much information has been strengthened from the organization about the change and what the consequences are for your work?
Appendix II – Questions of the interviews

1. What is your function in the company?
2. How long do you work here?

Transformation to an audit firm
3. What is the explanation about the change in your words?
4. What does the change mean for you?
5. Have your activities changed after the change?

Communication (action & reflection strategy)
6. When did you hear the organization was going to change into an accountancy firm?
7. Have there been meetings to make a decision?
8. Have you been involved in these meetings?
9. When and from whom did you receive information about the change?
10. What do you think of the information that has been provided? Was it enough?
11. Was it global/good/concrete/executive?
12. Did you receive explanations about the meaning of the execution of the work?
13. Have you received, for example, a manual how to deal with certain aspects?
14. Can you name something that you would like to receive more information about?
15. Can you contact someone if you have questions or comments?
16. Will be something done with these questions or comments?
17. Is the working method also adjusted on the basis of these comments or questions so that it becomes easier for you?
18. Can you approach your supervisor with questions about the change?

Feedback
19. Has there been a moment when your work has been examined substantively and that comments have been made to learn from it?
20. Is this also specially done after the change?
21. What would you think if this will happen? Would you like to see what you can change or would you experience this as annoying?
22. Is there the possibility to give feedback to your colleagues?
23. Is there the possibility to give feedback to the management about what they could change in order to solve ambiguities, for example? (No, is this necessary?) (Yes? Does it help?)

Norms & values
24. Can you still carry out your work the same as always, or does this have to be done in a different way?
25. Is this new way easier, faster of has it a better quality?
26. Do you notice something if the rules are not complied?
27. Is it clear how you have to carry out your work or are there any questions?
28. What are these questions?
29. How can this be solved?
30. How do you think the rest of your colleagues think about the change?
31. Why do you think so?
32. How is the atmosphere within the company?
33. Is this different for each location?
34. Are you going to work with pleasure?
35. How do you describe the relationship between your colleagues?
36. Do you talk about the change together?
37. What is it about then?
38. Do they think the same as you do?
39. Would you appeal to them if you see that others consciously do not comply with the rules?

**Behavior**

40. What do you think of the change?
41. Are you enthusiastic about it or does it cause a lot of stress?
42. Has the workload been higher or lower?
43. And do you think that the changes benefit the quality or does that not make a difference in your opinion?
44. What can be done to make the change even better?
45. Would you like to comment on the change?