Embedding a 'Reflexive Mindset':
Lessons from Reconfiguring the Internal Auditing Practice

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ABSTRACT

The education and training of internal auditors is an example of management learning which has received limited attention in management education journals. This paper presents the lessons from an action research inquiry designed to reconfigure the Internal Auditing function to address the problem of a conformance mindset and compliance-based approach. We show how cultivating a 'reflexive mindset' becomes a critical catalyst in developing an Internal Auditing approach that leads to the identification of misconduct, conduct risk and deficiencies in the organization's conduct risk management and governance frameworks. We contribute to advance reflexivity as a practice that can support the reconfiguration of management functions like Internal Auditing, not only by readjusting operating routines but also by encouraging internal auditors to critically (re)consider how their activities may contribute to the common good of the organization's members and customers.

INTRODUCTION

Internal Auditing (thereafter IA) is part of the process of organization management, providing a tool for control, assurance, risk management and improvement, with auditors increasingly involved in management consulting and governance (Hoos et al., 2018). A secondment period in IA has often been part of management training for future senior managers (Abbott, Parker & Peters, 2010; Christ et al., 2015; Messier et al., 2011). Auditors are therefore constitutive of management, whilst also having particular professional standards and qualifications, in addition to a broader curriculum on typical management studies subjects such as strategic planning, organization behavior, performance management, finance and accounting, and project management. Although the education and training of auditors can be seen as a particular example of management learning and education (thereafter MLE), their education and development has received virtually no attention in management education journals. A search over the past twenty years in *AMLE*, *Management Learning*, *Journal of Management Education* and *International Journal of Management Education* found no articles that discuss the education of auditors and just three articles that refer to accounting students (Burdon & Munro, 2017; Rodgers, Simon & Gabrielsson, 2017 and Vance et al, 2007).

As far as we can ascertain from our review of both MLE and accountancy journals, the professional education of auditors has received insufficient critical scrutiny from MLE perspectives. Their education is highly content-driven with a competency-based orientation defined by the Chartered Institute of Internal Auditors (IIA, 2021), that dictates the International Professional Practice Framework and mandates the standards for IA professional practice. Although ethical codes of conduct are in place, as is the case with other professional bodies, we do not have evidence that reflective practice has become integral to auditing education, unlike

other professional areas, such as teaching, nursing and other health and social care professions. For example, a search of the journal *Reflective Practice*, covering the 2001-21 period, revealed no articles on IA, accountancy or finance in general, compared to over 254 on nursing, 268 on social work and 1568 on teaching. Given that formal inclusion of reflection is found to "contribute to a culture of professionalism" (Mules, 2018: 178) and that more reflexivity is considered desirable in professionals for the good of society and as a critical means for restoring trust in professional conduct (Blond, Antonacopoulou & Pabst, 2015; Chow & Calvard, 2021), it is now timely to consider how auditors can learn to practise[1] reflexivity and thereby improve their professional practice to avert misconduct, which is the focus of this paper.

Professional misconduct persists despite recurring sanctions, increasing regulations, ethical codes and adverse publicity. Organizations, despite being named and shamed, often appear to be unsuccessful in their attempts to reconfigure their practices (Gabbioneta et al., 2019; Mohliver, 2019). In this paper we focus on the mindset that may underline professional misconduct. We build on existing conceptualizations and provide empirical substantiations to earlier accounts that call for reflexivity in the practical judgements that underpin professionals' action choices (Blond, et al., 2015). This paper presents the lessons from an action research inquiry that focused on the conduct of IA in a financial institution to identify ways of averting the deficiencies in the existing compliance-based IA approach and the compliance-mindset that it promotes. This culminated in the design and implementation of a new conduct-focused IA approach, which was crafted to embed reflexivity as an integral practice and to obviate recurrent 'conduct risk' (thereafter CR), that is, any behavior a firm engages in that would cause problems to consumer

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[1] In this paper we intentionally differentiate 'practise' and 'practising' (in the sense of rehearsing and refining) from 'practice' (i.e., activities and professional approaches to draw attention to the process that underpins the development of reflexivity as discussed here).

protection, market integrity or competition (Llewellyn, Steare & Trevellick, 2014). Therefore, we extend the typical classroom-based orientation of professional education to the workplace where professional standards are demonstrated in the way professional practice is conducted. Our analysis shows how practising reflexivity may help supersede a 'conformance mindset'. The emerging 'reflexive mindset' draws on collaborative knowledge that renews IA practices to retain the independence auditors need to uphold while being immersed in auditees' activities to understand the dilemmas they face.

A 'reflexive mindset' affords navigating complexities of tensions, dilemmas and paradoxes endemic in organizational life by drawing attention to the judgement calls that professionals rely on in their practice. In this respect, cultivating a reflexive mindset goes beyond critical incidents and crucibles that activate practical judgement. We draw on Antonacopoulou's (2010, 2019) positioning of reflexive practice in 'service of the common good[2]' and 'impact (improving action)' as well as Cunliffe and Ivaldi's identification of how collaborative engagement within an organization can develop "a heritage of common good… a practical-moral knowledge constituted through interaction" (Cunliffe & Ivaldi, 2021: 296), promoting "embedded ethics as a form of lived ethics situated in how people understand and live ethical values, that is, values in— not prior to or abstracted from—experience." (Cunliffe & Ivaldi, 2021: 295).

As we will show, the intervention of action research enabled recognition of the emerging trends of misconduct and CR through reflexive critique, which enhanced auditors' agility, thereby enabling them to address deficiencies in the organization's CR management and

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[2] The idea of 'comon good' or 'common interest' has a long history dating back at least to the writings of Aristotle, and explored in more contemporary fields of moral philosophy, politics and economics within different parts of the world. There are varying definitions across these fields as well as within the original languages within which the term is discussed, however, common good can be understood to mean that which contributes to shared human flourishing; that which is beneficial to all or most members of a given community; placing collective interests above individual (Morrison, 2012; Lo & Solomon, 2014). In very recent years the concept of common good is being applied to business and management thinking (e.g. Aust, Matthews & Muller-Camen, 2020).

governance frameworks. We make two important contributions. First, we show how the development of a 'reflexive mindset' can be a catalyst in reconfiguring IA practice. Second, we consider the implications for responsible management education and the professional development both of auditors and of other professionals, so as to foster reflexive critique.

We organize the paper as follows. We first provide further contextualization of professional misconduct and the function of IA. Following this we review the literature on reflexivity in support of addressing misconduct in professional practice. We explain why reflexivity is value-adding in reconfiguring IA practice specifically. We then explain the methodology that guided the design and implementation of a new IA approach. We present empirical evidence to show how reflexivity was fostered and embedded in IA practice and we illustrate the impact of reflexivity in averting CR through two specific IA assignments which were active arenas of practising reflexivity.

RECONFIGURING PROFESSIONAL PRACTICES: THE ROLE OF REFLEXIVITY

Organisational Misconduct and Internal Audit

Recurring misconduct scandals continue to reveal that professionals stand on shifting sands while making decisions and taking actions that can be influenced by self-serving factors (Mohliver, 2019; Harrington, 2019). Recent evidence of professional misconduct has heightened the significance of embedding reflexivity in refining the practical judgements underpinning professionals' action choices (Blond et al., 2015). Professionals' objectivity can be compromised not least due to the guidelines they follow and the incentives they receive (Bamber & Iyver, 2007), which may inadvertently promote wrongdoing despite the risk of undermining their professionalism. This is a mark of the persistent difficulty in detecting and averting misconduct, due to various reasons, including: weaknesses in corporate governance and structures that do not

prevent misconduct or that lessen fiduciary obligations (Muzio et al., 2016); employees by-passing systems of institutional controls to maneuver the boundaries of what constitutes right- and wrong-doing (Harrington, 2019); professional misconduct that is impervious to media scrutiny, and is rewarded by certain stakeholders even when conflicting with societal norms (Roulet, 2019). Responding to regulatory mandates, organizations in general set up 'three lines of defense' (IIA, 2019), where risk owners and managers are the first line, risk management is the second, and risk assurance the third. As part of that third line of defense, IA represents "the last wall before external audit and regulators" (Brasseur, 2020), intended to provide independent assurance that possible risks have been effectively assessed and monitored (Daugherty & Anderson, 2012). The increased emphasis on IA's role in corporate governance reflects evidence that organizations with IA are better able to detect misconduct than organizations without this function (Coram, Ferguson & Moroney, 2008).

Post-Enron, the training of auditors to check on compliance with the Sarbanes-Oxley Act[3] has produced a conformist mindset (Bailey, Gramling & Ramamoorti, 2003), so that auditors are commonly perceived as 'internal policemen' in organizations. Moreover, this has undermined IAs' ability to fulfill their role as a 'third line of defense,' given that a compliance-based IA approach promotes a conformist mindset and has been found to be ineffective in auditing 'conduct risk' (CR). Compliance-based approaches and conformist mindsets have also proven to be ineffective in other contexts, as illustrated by the fact that performative compliance with the requirements for executive remuneration disclosure has eroded their intended function

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[3] The Sarbanes–Oxley Act of 2002 is a United States federal law, brought in after the Enron and WorldCom scandals, that set new or extended reporting requirements for all companies listed in the U.S. Similar laws exist in other industrialized countries including Japan, Australia, South Africa and several European nations. Checking of compliance with Sarbanes-Oxley requirements has also been the major task of the Big Four auditing firms (PwC, KPMG, Deloitte and EY). Hence auditors trained by these firms and associated organizations have largely been schooled with a compliance-orientation and conformance mindset.

as an instrument of control for corporate governance in the UK (Harvey, Maclean & Price, 2019).

Bounded by a conformance mindset, auditors focus on pre-existing control procedures instead of assessing if the procedures are appropriate and effective in monitoring and/or mitigating risks. In the interest of consistency and accuracy, we note that compliance is one form of conformity (Brown, 2020). We draw attention to compliance and extend previous references to conformity to highlight the focus on accomplishment and the temporary nature of such a mindset, to show how reflexivity can address it.

Reflexivity

Reflexivity has come to be valued across a range of perspectives as a means of "complexifying thinking or experience by exposing contradictions, doubts, dilemmas, and possibilities" (Cunliffe, 2002: 38) An established body of knowledge has demonstrated its value in fostering sense-making and meaning-making, improved practical judgment, learning from mistakes, leadership development, team learning and decision making where professionalism is expected to be exhibited (Dyer & Hurd, 2016; Petriglieri, Wood & Petriglieri, 2011; Sutherland, 2012). A more recent advancement of reflexivity presents it as a practice that can serve as a basis for improving action and promoting the common good (Antonacopoulou, 2019; Cunliffe & Ivaldi, 2021; Peterson & Civil, 2021).

Reflexivity opens new avenues of seeing and perceiving by broadening an appreciation of the wider implications of individual and organizational action and this process motivates individuals to question entrenched assumptions and redraw the boundaries of extant knowledge. In this respect, reflexivity extends reflecting in/on action (Schön, 1983) or simple review of the standard operating procedures, because it fosters critique. Practising reflexivity nudges

professionals to extend beyond their existing knowledge and practices derived from past experiences, which may no longer be relevant in an evolving operating environment. This is why reflexivity supplements reflection, which is understood as a process of mulling over experience and evaluating it to reach new understanding (Boud, Keogh & Walker, 1985). Indeed, in agreement with recent research insights (Berti et al., 2021; Dashtipour & Vidaillet, 2020; Johan, Sadler-Smith & Tribe, 2019), reflections on concrete experiences and processes of work are important, because they provide liminal spaces where informal and incidental learning expose habitual ways of being and make more prominent the 'embodied phronesis' that is at the core of reflexivity as a situated, dialogic, aesthetic engagement supporting professional and personal growth (Hibbert, Beech & Siedlok, 2017). There is scope to further advance these insights on reflexivity as a practice by exploring its role in navigating the unknown. Here lies the scope for reflexivity to transcend accountability whilst maintaining the responsibility for the action choices that are made. This means that reflexivity harnesses a stance towards the consequences and impact of judgements and action choices which cannot be predicted. Here too lies the importance of anticipation and readiness to conduct professional work awakened to intended and unintended consequences for the organization and its internal and external stakeholders.

Recurring misconduct by professionals and/or the endemic weaknesses in governance structures and systems signal the urgent need to critique and not merely reflect on professional practice, to restore the ethos of professionalism beyond professionals' expertise and business knowledge, which calls for attention on practical judgment (Blond, et al., 2015). Practising reflexivity implies the imperative role of critique in questioning assumptions, values and actions not only to account for power and socio-political dynamics (Antonacopoulou, 2010) but to also foster a sense of community in the way issues are addressed holistically, akin to what Pyrko,

Dörfler and Eden (2017) refer to as 'thinking together'. This shift to a critical and collective practice of reflection addresses a key critique of reflexivity that, as an individual practice, it has limited effects on addressing or even learning about the messy politics of organizational life that constrain individual attempts at institutional behavior change. More promising is what Raelin (2001) termed 'public reflection'- a collective process of questioning assumptions through which people are more likely "to confront themselves and to create alternative interpretations of their own constructed reality" (Vince & Reynolds, 2009: 95), but which is also more likely to achieve momentum for change than individual reflexivity alone. Vince and Reynolds (2009) take this further with their advocacy of reflection as an organizing process which takes account of the political and emotional processes in an organization. As Pässilä, Oikarinen, and Vince (2012: 188) found in their research, "the most important insights arose when people learned to pose new questions to themselves and to each other across work units".

Reflexive practice guides professionals' disposition towards dilemmas and tensions that are integral to their everyday professional practices. Professionals need "to question our own attitudes, thought processes, values, assumptions, prejudices and habitual actions, to strive to understand our complex roles in relation to others" and this is being reflexive (Bolton, 2010:13). Moreover, reflexivity "questions our relationship with our social world and the ways in which we account for our experience" (Cunliffe, 2003: 985), thus mobilizing what Cope (2003) recognizes as 'higher level learning'. We see such learning as going beyond critical incidents (Maclean, Harvey & Chia, 2012) or crucibles (Byrne, Crossan & Seijts, 2018) whilst acknowledging their importance in prompting professionals to cultivate 'moral recovery' (Cullen, 2020). Our focus is on reflexivity as embedded in everyday practice such that it becomes the catalyst for reconfiguring professional practices more widely (Cunliffe & Ivaldi,

2021), and not only just the habits and routines embedded in the way everyday management practices are performed.

Hence, reflexivity can act as a catalyst for professionals to go beyond fulfilling their fiduciary obligations and to experience a shift in the way they restore the meaning and purpose of their professional traditions. Indeed, as we will show here, auditors' professional identity, fostered through their professional education, traditionally guided their conformance mindset and it is their growing capacity to think and feel differently about their IA practice, through reflexivity, that mobilized a reframing of their mindset. This provides support to recent accounts of the importance of reflexivity to identity work and the process of self-formation imbued by the social relations with others (Huber & Knights, 2021). Practising reflexivity in a professional capacity is perhaps the ultimate constellation of personal and social identity, thus when conducted in community and through collective action it can foster reconfigurations that renew the way practices are conducted by transforming mindsets and social conscience.

In short, the essence of reflexivity is both as a way of seeing and as cultivating the capacity to 'see' more deeply, going beyond what is visible (outside or superficially), as well as accepting responsibility for what 'seeing' entails. This focus on 'sight' offers another explanation why reflexivity fosters practical judgments by prompting attention to what matters, which positions reflexivity as a way of realizing the impact of professional practice to serve the common good, whether that is defined as organizational well-being or more broadly as human flourishing. This is the basis Antonacopoulou (2019: 25) draws on to promote a new definition for reflexivity as *'in-sight* … the capacity to see deeply within – inside - but also to see in a fresh light/sight over and beyond – a panoramic view'. Through this perspective reflexivity aligns external and internal gaze into the situation or event at hand and becomes a state of being within

and outside a situation simultaneously instigating breakthroughs in the action choices. We use this framing to explain the role of reflexivity in reconfiguring professional practices like IA.

Reconfiguring Internal Audit through reflexive practice

Auditors discharge their professional duties amongst auditees, operating in an evolving environment. The emerging CR is insufficient to keep pace with new knowledge. Reflexivity is necessary in IA, as it involves questioning the bases of auditors' interpretations that are influenced by their values, experiences and education as well as, the social realities and meanings they construct as they interact with others (Hibbert, MacIntosh & Coupland, 2010; Cunliffe, 2003). This process brings about change as auditors come to see themselves and their actions from the inside and outside simultaneously (Antonacopoulou, 2019), thereby engaging in a process of recursive "self-consciousness" (Anderson & Gold, 2015: 117) that heightens their sensitivity to the appropriateness of their own conduct while discharging professional duties. This is crucial as auditors are normally perceived as 'above scrutiny'. Reflexivity then brings auditors to an awareness of how "I am experienced and perceived by others" (Bolton, 2010: 14). This process invites them to accept the uncertainty of how others perceive things around them and reveals the transient and situational nature of their own knowledge and perspectives, as well as the importance of context in making sense of what they know (Weick, 2002). Conversely, in its independent governance role in CR management, auditors need to exercise practical judgment to take a stance in ethically ambiguous situations, especially when misconduct has been normalized as common market practices (Manning & Anteby, 2016). Reflexivity then fosters the capacity for such a stance to be formed, demonstrating courage to exercise practical judgment that anchors auditors to act appropriately.

Sources and forms of CR in activities need to be reviewed regularly in line with reported modus operandi of misconduct and changing business activities and environment (Institute of Internal Auditors, 2019). Additionally, auditors need to critique the status quo to make sense of the operating context and concerns over professionals' conduct and character in a holistic and integrated manner to see afresh how professional practices can be reconfigured. As conduct issues cross "disciplinary, occupational, and theory/practice boundaries" (Cunliffe, 2016: 744), practising reflexivity would help auditors to acquire a transversal understanding of CR and 're-cognize' (i.e., cast a fresh gaze on) misconduct across departments and organizational hierarchies, especially when it may be camouflaged in employees' compliance with procedural requirements. Reflexivity also supports auditors in assessing situations and people and handling the challenges in an assignment whilst also critiquing the possibilities and constraints of reflexivity itself (Mauthner & Doucet, 2003). This meta-reflexive orientation is what forms the core of what we will explain later in our analysis as a reflexive mindset.

Reflexivity as a practice and a mindset involves a "commitment to learn and it is driven by the willingness to change" (Antonacopoulou, 2004: 49). Hence, in reconfiguring the IA practice to avert CR, auditors need to readily learn to identify new crevices where CR exists and to reveal uncharted terrains that need to be audited, for example, including HR processes and strategic alignment of corporate ethical objectives with employee practices. Fundamentally, such learning and change would entail auditors' going beyond their conformance mindset and the linear thinking cultivated through the adoption of the compliance-based IA approach. Such a cyclical learning and changing process elevates reflexivity in auditors' ability to overcome the compromise of professional independence.

Loss of professional independence for auditors is synonymous with losing their professional credential (Roussy & Rodrigue, 2018). Hence, auditors' reflexivity can also make a crucial contribution in realizing how others perceive their independence and to increase management's willingness to adopt their recommendations. Carcello et al. (2018) argue that senior managers increase their reliance on auditors' recommendations when IA is used as a management training ground. Hence, cultivating reflexivity in auditors can contribute to their training for management and governance roles in CR management.

Auditors' extensive engagements with auditees on new developments in the financial industry, as well as in organizational practices, could help them to better unveil unanticipated insights on CR (Ma'ayan & Carmeli, 2016). However, such entanglements can cause auditors to empathize with auditees' difficulties and adopt their assumptions, thereby undermining professional independence in undertaking audit assignments (Mohliver, 2018; Roussy & Rodrigue, 2018). To prevent undue empathy for auditees, auditors can exercise regular self-critique and suspend judgment to prevent impairment of their professional independence. Practising reflexivity, auditors can cultivate the responsibility to act with integrity as they become conscious of the impact of their actions. Auditors are prompted to intentionally define impactful auditing processes to arrest conceived and committed misconduct to prevent the erosion of the value of the organization. When this happens, auditors are re-oriented to act responsibly, to embrace new possibilities and to construct appropriate auditing processes to focus on unfamiliar terrain where misconduct can be breeding.

We examine these issues with our empirical illustration of the transformation of IA through an action research intervention that fostered reflexivity as a catalyst for shifting auditors'

mindset to one that was focused on people and their practices so as to arrest the embedded and emerging CR issues.

METHODOLOGY

Action Research

An Action Research (thereafter AR) inquiry was designed specifically to address the following research question: *How can auditors' reflexivity contribute to the reconfiguration of IA practice, to strengthen CR management?* AR was deemed the appropriate research approach for addressing this research question, because it provided the necessary depth of engagement and intervention to form the contextual understanding of the problem of recurring misconduct and auditors' ineffectiveness in identifying conduct issues and strengthening CR management. AR was also seen as appropriate because both reflexivity and reflection are integral to the approach (Coghlan, 2011). Its cycles foster the realization of "the contingency of our knowledge claims and the ethics of our presence in the world" (Tomkins & Ulus, 2015: 595), thereby enabling co-enquirers to become aware of and question their own previously unquestioned assumptions, values and actions - a process of self-reflexivity (Cunliffe, 2003; Hibbert & Cunliffe, 2015).

Action researchers are schooled to maintain both inner and outer arcs of attention (Marshall, 2016): engaging both in self-critical observation of the ways they frame, interpret, and feel about a situation, as well as focusing externally, to observe what is going on and to question taken-for-granted assumptions and practices with others. For Coghlan (2011:64) action researchers' relationship to their research context can be 'immersed reflexive' in the sense of paying attention to their assumptions and perceptions of a situation, noticing their influences on it and being transparent about their choices. Focusing on the external environment and one's place and constitutive role within it, is differentiated as 'critical reflexivity' (Hibbert et al, 2019:

188). That the cycles of action and reflection and the reflexivity provoked by AR might bring about a change in professionals' construction and enactment of their professional practice can be understood in terms of Mezirow's work on transformative learning, "generating content, process, and premise learning" (Coghlan, 2011: 62). This is also more recently echoed by Huber and Knights (2021), who draw on Mead's pedagogy to argue that through meaningful social interaction we come to 're-form' our identities and learn to think and feel differently. This framing is important to our study, because it aligns with the focus on reflexivity as 'conscience pricking'. The capacity to think and feel differently we see as integral to Freire's (1973) idea of conscientization which reframes understanding of one's circumstances and liberates the choice to act differently.

The complexity and changes in CR called for this AR inquiry to engage members of the IA function and other organizational members across units and levels to create and apply new knowledge to generate IA processes to address CR issues. The AR inquiry was conducted on the IA function of a financial institution and involved a collaborative inquiry group (CIG) of eight internal auditors, of whom four participated in two field assignments of this AR inquiry. The emerging findings at different stages of the AR inquiry were discussed within this CIG in order to extract richer and deeper understanding on conduct issues. Our own role (the authors of this paper) which we refer to as 'researchers', included guidance to the CIG on the action research process and reflexivity.

The CIG engaged in extensive interactions both amongst themselves as co-enquirers at different stages of the research process, as well as with other organization members as research participants in situ (Coghlan & Brannick, 2014). In so-doing, they were systematically embedding reflexivity as an integral aspect of their research practice. They were able to

challenge each other and critique insider and outsider perspectives on issues, including on how reflexivity was itself engaged with and demonstrated by members of the IA department who were invited through the research to adopt a reflexive mindset.

This project centered on two audit assignments within the organization, one into sales activity and one into trading, each carried out by an assignment team comprising a professional auditor and a non-career auditor. These auditors had more than one year in the organization and were familiar with conducting financial market activities audits. The study focused on the assignment teams' internal discussions, as well as their interactions with eighteen other organization members who were their auditees. Participant observations were supplemented by semi-structured interviews with all participants (with question themes including effectiveness of existing IA practices and reviews, managers' perceptions of misconduct and their management oversight on employees' professional conduct and effectiveness of existing policies and procedures in guiding employees' professional conduct) and archival materials in the form of documents relevant to the IA procedures and guidelines. Table 1 presents an overview of the participants (18 auditees and the collaborative inquiry group of 8 auditors) in the AR inquiry and the rationale for engaging them in the study.

-----Insert Table 1 here-----

The inquiry was carried out through a core AR cycle (Zuber-Skerritt & Perry, 2002, cited by Coghlan & Brannick, 2014: 12) of four phases, namely constructing (that is, exploring the issue to enhance understanding), planning action, taking action and evaluating action. Inherent in this main cycle were multiple smaller concurrent cycles of varying focus and intensity, each of which contributed to the enacting and completion of the large project cycle. This notion of cycles within cycles is likened by Coghlan and Brannick (2014) to a clock with hour, minute and

second hands moving contemporaneously. Because of space limitations we do not go into the details of the smaller cycles within the project. Suffice it to say, each of the major phases that we describe in more detail below also comprised a cycle of the steps constructing/planning /taking and evaluating action.

In the tradition of much AR, the assignment team members were co-enquirers in that they were fully informed of the purpose of the study, and they participated in collecting data in the form of semi-structured interviews, document review and observations. These enquiry-led interactions and conversations with the researchers provided the basis for distilling the variations in definitions and perspectives of professional misconduct, modus operandi and root causes of CR issues and how and why professional malpractices were conducted by management and employees, including auditors themselves. These conversations comprised a reflective cycle running in parallel to the core AR cycle (Coghlan & Brannick, 2014) and were an important means of exposing the assignment teams to reflexivity (Huntsley & Brentnall, 2019). The leap from reflection to reflexivity was facilitated by considering how IA could serve organizational well-being through reconfiguring the IA practice.

To support this reconfiguration of the IA practice one innovation was the introduction of non-career auditors to the assignment teams. Non-career auditors are employees who have not pursued a professional career in IA but decided on a career switch to become auditors after some years of professional practices in business activities (trading, sales, marketing, etc.) or operations. This was deemed to be a valuable adjustment, because the non-career auditors were able to share deeper appreciation of how traders and salespersons could camouflage potentially inappropriate business practices as seemingly acceptable ways of meeting customers' requests.

The assignments were used to test the robustness of the new IA conduct-based practice. Both assignments started with one-month fieldwork, similar to regular IA assignments. During the assignments, the assignment teams were guided by the researchers to practise reflexivity through a series of stages (see Figure 1), as we now elaborate.

-----Insert Figure 1 here-----

Constructing phase

For the constructing phase of the AR intervention, the collaborative inquiry group were asked the following questions: *How do you feel when misconduct recurs despite your performance of auditing reviews on these activities? What changes would you like to see in the IA processes and in yourself in order to be an effective contributor to CR management?* The auditees (disciplinary committee members, salespersons, traders, sales manager, trading manager) were asked: *How have auditors contributed to the identification of misconduct causes and CR management? What, in your view, needs to be done differently to instill professional practices that do not entertain CR?* These two questions were put to all categories of auditees in order to elicit comprehensive views from those who were facing ethical dilemmas in their daily business dealings and those who had to exercise judgment on the appropriateness of employees' behaviors. The responses were seen as important feedback to inform the auditors' mindset.

Responses from the CIG and auditees were triangulated with the organization's conduct-related documents and combined with the co-enquirers' reflections and other observations, helped to draw out themes on auditors' and auditees' orientation of what needed to be changed in the existing IA approach and how to change it. All responses to the changed IA approach were shared with the CIG in order to extract richer and deeper understanding on CR issues. Because conduct and misconduct are such sensitive topics, informal discussions were anticipated to be

more effective than formal discussions (as was typical in conducting previous audit assignments). Having an informal channel to raise conduct issues could open more channels for dialogue on the topic.

Setting up the new IA approach, as part of the AR intervention, the CIG auditors were also encouraged to ask critical questions and challenge assumptions on auditing CR traditionally. For example, they practised querying: *"Why do we always need to have a set of pre-defined IA processes to conduct audit assignments?"* Within the CIG, auditors critiqued one another's perspectives and eventually reached the position that pre-defined auditing processes might sometimes be an obstacle to see beyond superficialities, as supported by Non-Career Auditor's (A2) quote illustrative of the consensus in the IA teams:

> *"a pre-set of auditing processes will give a good framework for how we conduct audit, but if we want to flush out conduct risk which in my view is one of the most complex risk, and very subjective and you need experience to be able to find them. Pre-defined auditing processes will not be able to help. In fact, they will deter and constrain the type of thinking we need when auditing conduct risk."*

Planning Action

As a result of the constructing phase of the AR study, the CIG auditors began to plan aspects which they thought were required for a reconfigured IA process. They recognized the need to have deeper business knowledge so that they could better identify CR; they sought to create a platform to share knowledge; they determined to conduct their audits by business process and not by departmental silo, so as to assess strategic alignment of corporate ethical objectives and employees' practices; they decided to audit HR processes to explore how conduct issues were associated with HR practices; and they planned an integral evaluation of the effectiveness of audit reviews and auditors. In short, they progressively configured a different starting point from which to conduct their IA practice; they were beginning to recognize that what connected them and auditees was serving the common good of the organization and its

stakeholders. It is here that we started to note the value of reorientating these auditors' practical judgements towards an ambition to redesign IA practices.

Taking and Evaluating Action

The new IA practice emerged recursively through reflexive critique of the status quo and information provided by management and employees (the auditees) to reach the root causes of conduct issues. The 'evaluating action' phase of AR served as a discipline for the assignment teams to pause and reflect on actions taken and to make sense of their experiences, assumptions and identified trends. The auditors' recursive questioning enabled them to delve into auditees' daily practices and their performance. In particular, they questioned the auditees as to how their performance was assessed and the extent to which traders'/salespersons' financial rewards had driven them to pursue financial targets at the expense of professional conduct. The assignment teams also sought to unearth why communications on conduct issues had been suppressed.

The researchers' explanation of reflexivity and recursive provocation of questioning familiarized the assignment teams with what reflexivity entailed and this drew the team members into deep and systematic reflection on action, exposing their assumptions and routines as they explored why a compliance-based IA approach had previously been adopted instead of prioritizing their attention and actions on CR. This process of understanding situational complexities confronted the assignment teams' blind spots in accepting past ideas of business management's role and employees' behaviors. It also harnessed a sentiment of responsibility towards recognizing that CR undermines fairness to customers and well-being of organization and society.

Engaging research participants through the different phases of the core AR cycle helped the CIG auditors to recognize the need to change the existing IA approach. The dialogue between

these auditors and auditees demolished mental silos and admitted insights contrary to the auditors' own perspectives, thus extending their ways of seeing beyond their dominant perspective. This ensured the above-mentioned changes to the IA approach were what the CIG asked for and co-created. The insights drawn from interactions with auditees challenged auditors' entrenched assumptions and extant practices to generate new perspectives for auditing CR and these became the impetus to critique the existing IA approach and shifting its focus to CR. This cyclical and critically reflexive learning-and-investigating approach in the AR inquiry enabled auditors to uncover auditees' motivations for persistent misconduct and accommodation of wrongdoing. The absence of and/or inadequacy of bottom-up communications tainted top management's understanding of the impact of employees' practices on corporate ethical objectives. Drilling to the bottom of these issues to recommend sustainable solutions motivated the AR intervention to stem recurrent misconduct (Coghlan & Brannick, 2014). AR was therefore, suited to explore emerging conduct issues from various perspectives, which would not be amenable to traditional scientific research approaches (Brydon-Miller, Greenwood & Maguire, 2003).

Data from the AR inquiry was accumulated in the form of notes of informal discussions and interviews and observations which were journaled by the co-enquirers and regularly shared and discussed with the two assignment teams, the wider CIG and with us, the researchers. These focused conversations provided the scope to extract more systematically the perspective and insights of members of the AR collaborative inquiry group.

ANALYSIS AND FINDINGS

Data Analysis

The AR inquiry entailed an exploration of a possible IA approach and not "an open field in which anything can happen or a single answer that the analyst intends to prove" (Krippendorff, 2004: 344). This method of inquiry is distinguished for its emphasis on "analyzing texts in the contexts of their uses" (ibid, p. xiii). Hence, the various stages of the AR inquiry generated different data and, other than participant observations and the review of secondary sources detailed earlier, semi-structured interviews were an additional supplementary data collection process that enriched the systematic data collection and analysis. The new conduct-focused IA approach was evaluated through the outcomes of the two audit assignments.

In analyzing data across the various data collection methods, our focus was to first look for linkages between research objectives and the research question ('How can auditors' reflexivity contribute to the reconfiguration of IA practice, to strengthen CR management?') from research participants' perspective and to further analyze the data based on the professional experience of the research participants, who understood the intricacies of audit assignments. By applying a problem-driven content analysis to transform collected data and review documents into contextual information suitable to answer the research question and achieve the research objectives we were able to distill a series of themes and yet remain mindful of the differences in perspectives amongst different members of the AR inquiry collaborative group. The frequency of the recurrences on specific codes like sources of conduct risk, IA approach deficiencies, IA approach improvements and auditors' mindset suggested the importance to the same matter by informants and guided further verification and exemplification in the CIG informal discussions (Krippendorff, 2004). Through this content analysis process, we identified patterns that emerged as summarized in Table 2 and Table 3.

-----Insert Table 2 and Table 3 here-----

Through this process we identified four key themes which explicate how the reflexivity embedded within this AR intervention facilitated a reconfiguration of the IA practice: the power of critique in identifying root causes; breaking silence; agility and reflexive mindset; and professional independence/immersion. These thematic findings are presented below.

The power of critique in identifying root causes of CR

The conduct-focused IA approach required auditors to reflexively work with ill-defined decision-making criteria in handling ethical dilemmas, handling ambiguity in the definition of prohibited business activities and embracing uncertain outcomes as each phase of the audit assignments unfolded. This called for the assignment teams to be reflexive to overcome the apprehensions of uncertainties and to question management and auditees in order to comprehensively understand the conduct concerns. There was some initial reluctance: *"We were not used to continually questioning auditees and information provided to us. We were uncomfortable with this style and thought that a lot of time might be wasted."* (Career Auditor, A1). However, they progressively adopted a new way of critiquing auditees' practices and in doing so started to uncover and corroborate relevant information to identify misconduct, and this compensated for lost time. Insights derived from practising reflexivity enabled auditors to achieve their assignment objectives and complete investigations that prioritized CR within the allocated time. Auditors employed recursive questioning to develop layers of investigative questions to focus their examination on areas of higher CR exposure as illustrated in Figure 2, showing that the answers to one question became the impetus for the next question and auditors' increasing sharpness in asking relevant questions to reach the root cause of issues.

-----Insert Figure 2 here----

Consistent with Bowlin (2011), in this situation the assignment teams' reflexive questioning and critique increased their contextual knowledge and benefited the organization through the exposing of root causes of misconduct. Specifically, in the sales assignment, auditors triangulated product types, transaction volumes, and levels of customer profitability against unfavorable market conditions. In the trading assignment, auditors recursively questioned to make sense of the traders' need to maintain product inventories at levels much higher than customers' demands. Persistent questioning to identify unexpected or unusual trends and unexplored areas helped auditors to reach the foundational sources of CR and to better understand the traders' and salespersons' motives for misconduct.

Using the previous compliance-based IA approach had made career auditors feel safe, because of the expected binary outcome of assessment that would indicate the works as "compliant" or "non-compliant". However, such predictable outcomes were unlikely to render preventative recommendations to enhance CR management and reduce misconduct recurrences, because emerging CR cannot be identified merely by checking for compliance with rules and procedures. Instead, when using the conduct-focused IA approach, the assignment teams' reflexivity heightened their CR consciousness to regularly challenge the validity of extant assumptions and understanding in a changing operating environment and this changed auditors' perspectives of the materiality of CR sources. Reflexive questioning sensitized auditors to conduct issues and their ramifications as they acknowledged they had to "*keep asking questions until [they] we reach an answer [they] we need and [they] we know what to do*" (Career Auditor, A2).

Auditors realized that the close-ended questions they had previously adopted when using the compliance-based IA approach could not help to identify persistent conduct issues. It was by

recursively asking how trading/sales managers monitor traders'/salespersons' activities and behaviors that auditors could determine these managers had not fulfilled their CR management responsibility. Auditees illustrated many examples of a 'conformance mindset,' as reflected in these trading manager quotes:

> *"These procedures have been set up to instruct traders and salespersons on what exactly they should do when taking orders, assessing product suitability, booking transactions, etc. etc. If they follow these rules, they can do their job properly. What is there to monitor?"*

> *"I review these reports because I am required to do so by the policies and procedures. I cursorily look at the level of transaction amendments/deletions and movements in profits/losses to see if they are similar to prior months. Then I sign-off on these reports, in compliance with procedural requirements."*

The compliance view of a sales manager was:

> *"Salespersons complied with the foreign exchange dealing policy. The foreign exchange profit margin they applied on customers' transactions were within the stipulated levels in the policy. Furthermore, the salespersons should be aware of their conduct requirements because they had all attended the mandatory conduct training sessions".*

In contrast, the assignment teams' new focus on people's behaviors and management supervision recognized that auditing CR goes beyond compliance with policies and procedures, and they displayed greater critique of how trading/sales managers monitor and recognize professional conduct: *"whenever we find an issue, we have to look at the decision-making process behind it and therefore the conduct behind it."* (Non-career Auditor, A2). Auditors began to ask more critically reflexive questions, such as: *"How do you review these reports pertaining transaction amendments/deletions and volatility of profits/losses?"* (Non-career Auditor, A1) and *"How do you ascertain that salespersons do not overcharge their customers?"* (Non-career Auditor, A2).

The experience of confronting variabilities and critiquing the status quo through reflexive questioning helped auditors to courageously work with emerging unanticipated outcomes until they identified the misconduct. Through the sales and trading assignments, CR management

framework deficiencies became more 'visible'. Reflexive critique became a catalyst for seeing

more and speaking out as CR misconduct emerged. The quotations below illustrate auditors'

critique of the sales and trading managers' lack of conduct management responsibility:

> *"How can you be unaware of the overcharging of customers practised in the last two years, given your experience in these types of sales activities?"* (Non-career and Career Auditors, A2)

> *"How do you monitor traders are not undertaking prohibited activities? Why do they need to maintain such high levels of product inventories that do not seem to co-relate with customers' transactions and demands in the past twelve months?"* (Non-career Auditor, A1)

Auditors kept *"asking why and why and why and try to really get to the root causes of the*

root cause" (Non-career Auditor, A2), accelerating their ability to not only critique through

recursive questioning but also to recognize judgement calls of business managers that were not

performed diligently.

Auditors breaking silence and exposing emerging trends of misconduct and CR

To draw insights on conduct issues from knowledge sharing among the assignment teams

and auditees and to develop relevant IA processes, auditors could not just accept the status quo

and simply check for superficial compliance with policies and procedures. Through the

assignments, auditors could extract insights on conduct issues beyond the surface of what was

seen, heard and even reported to business management. They recognized the need to *"ask the*

right questions to get the answers" (Non-career Auditor, A2). As they reflected on the relevance

of new information shared by auditees, auditors consciously suspended their judgements and

governing assumptions of business managers' awareness of new regulations affecting

trading/sales activities and the authenticity of management reporting that top management relied

on.

Through critical analysis, the auditors identified trading/sales managers' lack of CR consciousness, which was manifested in their urge to allow financial performance to overshadow the non-financial performance metrics of upholding professional conduct. Consistent with other studies (Larker & Pierce, 2016), we find that this was fueled by the direct linkage of financial performance to team rewards. For example, as auditors came to recognize the value of auditing HR processes, one of them asserted:

> *"Auditors need to examine the set-up and alignment in organization such that people do not have the incentive to have bad practices…Incentive structures are very important as they can promote misconduct."* (Career Auditor, A2)

In another illustration, when a sales manager was confronted with the tensions and competing priorities wherein his judgment of what action to take was critical, he did not exercise the practical judgment that could lead the sales team to serve the common good across the organization. Instead, he was motivated by the team rewards and accommodated the salespersons' misconduct whilst fostering the normalization of misconduct in the team (Palmer, 2012). In planning the audits, the auditors had consciously reminded one another to observe auditees' behaviors and responses and to identify unusual/unexpected observations and practices. This approach was adopted by a non-career auditor in the assignment, who broke his silence to voice the following concern:

> "*Let's be open to talk about experiences with problematic behaviors of the salespersons when trying to sell products to customers who may not have such needs."* (Non-career Auditor, A2)

This example illustrates how auditors' reflexive critique of the strategic alignment of corporate ethical objectives with employees' conduct, and their corroboration of middle managers' habitual concealment of misconduct from top management, revealed an underlying conflict of interest. Instead of simply assuming the alignment of corporate ethical objectives with employees' practices, an auditor questioned the sales manager with *"How do you ensure the*

effective alignment of the organizations' ethical objectives and the salespersons' practices?"
(Career auditor, A2). This critical question unveiled an unexpected underlying conflict of interest
in the sales manager's role when he responded as *"I am supposed to strategize with my team to
meet our targets so that we can get our team rewards. Yet, I am supposed to make sure that they
did things with proper behaviors. How is it possible to do both?"* On the one hand, trading/sales
managers had to role-model corporate ethical objectives in daily professional dealings. On the
other hand, they were also expected to motivate employees to achieve financial targets for which,
as managers, they shared in the team reward.

     Practising reflexivity raised auditors' CR consciousness to identify the underlying
conflict of interest that was 'silenced,' as affirmed in a non-career auditor's (A2) remark:

> *"We always said that managers must be conduct conscious so that they can be aware
> of any hanky-panky of their traders and salespersons. But if we as auditors are not
> conduct conscious, we cannot point out managers' failure in their conduct risk
> management."*

     The narrow scope of examination in the conventional compliance-based IA approach did
not identify managers' non-escalation of unusual activities patterns that could signal
inappropriate conduct. Similarly, when existing exception reports that could reflect employee
conduct went unreviewed, the existing organizational silence went undisturbed (Bisel &
Arterburn, 2012), thereby preventing a positive conduct culture change and public
acknowledgement of misconduct (Cayak & Altuntas, 2017).

     Trading/sales managers acknowledged that they reviewed reports pertaining to
transaction amendments/cancellations, volatility of profits/losses and outstanding dormant
portfolios monthly as required by procedural requirements. Auditors re-directed their reviews of
management reports to individual traders with the aim to identify any abnormal activity because:

> *"examining these reports from a trader's perspective could inform whether there
> might be transfers of profits/losses to the next months when excessive cancelled*

transactions were reinstated, implying a manipulation of profits/losses in reporting to management" (Non-career Auditor, A1).

The assignment teams no longer accepted the managers' traditional practice of reviewing reports from the simple perspective of whether they aligned with policies and procedures. Instead, auditors leveraged the knowledge of how the trading/sales managers reviewed exception reports to pry into unjustifiably high fluctuations in profits/losses to assess if traders were undertaking prohibited activities. Being motivated to identify CR concerns, auditors' reflexivity guided them to speak out when identifying dormant portfolios that allowed traders to hide loss-making or illegitimate transactions. This surfaced the 'conformance mindset' and entrenched assumptions which the previous compliance-based approach had nurtured.

Developing agility and a reflexive mindset

The absence of pre-defined auditing processes compelled auditors to reflexively acquire knowledge on the business environment and activities and on potential conduct issues and to develop auditing processes and implement investigations with deeper insights that could expand, extend, and enrich their perspectives on CR. This growing agility equipped the assignment teams to navigate the unknown in auditing CR with a mode of learning (Antonacopoulou, 2019) that connects sensibility (reasoning) sensitivity (emotions) and sentience (conscience). Auditors became energized to pry into new modus operandi to expose wrongdoing and misconduct. Herein auditors considered the CR implications of certain new regulations that had not been incorporated into the policies and procedures used by the trading/sales teams. Instead of being bounded by pre-defined auditing processes, auditors were activated to adopt different practices to analytically question the information provided by auditees and their managers and leverage the response of one question to ask the next in order to extract meaningful responses (Goldblatt & Band-Winterstein, 2016).

When auditors noticed that the sales manager had focused his review of business reports for profitability levels derived from profit margins approved in policy and according to procedurally required production frequency instead of assessing the reasonableness of the profits against prevailing market conditions and fairness to customers, auditors recognized the lack of focus on CR. This was not just a critical incident, but a clear illustration that the common organization good was not being served and this is what caused auditors to readily scrutinize their assumption that compliance with policies and procedures could assure professional conduct. This helped the auditors to develop the agility to adopt new auditing processes to assess employees' conduct and questioned how the sales team could have made so much profit from customers despite unfavorable market conditions. Through this reflexive critique, auditors uncovered that salespersons overcharged the same customer for two years. Auditors rationalized that although applied profit margins were in compliance with policy, the profit margins were far beyond prevailing market rates and this could not constitute fair treatment for customers. Auditors' reflexive mindset led to the invalidation of entrenched assumption of compliance with policies and procedures which was held by management and had previously characterized the career auditors as well.

The assignment teams' versatility and openness were apparent as they nimbly moved beyond examining conventional processes and activities to tread on unexpected outcomes and new areas like Human Recourse Management (thereafter HRM) processes and individual practices. Their agility in superseding the previous emphasis on products and processes with people and their practices when auditing CR became a new aspect of the auditing practice. As auditors reflexively discussed auditees' responses, they were jolted out of their entrenched assurance that compliance with policies and procedures could assure professional conduct. This

jolting or conscience pricking as we referred to earlier in our analysis, is captured in one auditor asserting:

> *"I now realized that auditing conduct risk involves…critical reflections and questioning and little of checking for compliance with policies and procedures. Our professional training during the Sarbanes-Oxley era has shaped our thinking which we now have to let go. It's quite a humbling experience to learn as I perform this assignment."* (Career Auditor, A2).

Auditors' growing ability to appropriately question and overcome their fears of uncertainties as they exposed themselves to one another's different perspectives and contrarian views on conduct issues enhanced their capacity to 'see' CR, an example of the spur to reflexivity of 'thinking together' (Pyrko et al., 2017). This reduced personal and progressively collective blindness which previously hindered receiving new knowledge (Cunliffe, 2003). The growing recognition of the multiplicity of CR heightened the assignment teams' courage to assess unfamiliar HRM processes transversally, auditing CR across departments and processes and superseding the conformance mindset and extant assumptions. This was a fundamental shift to instigating a values-driven approach to professional conduct that is now guided by a 'reflexive mindset'.

Co-existence of professional independence and immersion

A reflexive mindset enabled the assignment teams to uphold their professional independence while immersing in auditees' activities to understand them**.** Career auditors acknowledged that they *"did not have sufficient business knowledge and consequently business management did not always respect them. Hence they need to engage auditees more extensively to know the business activities better."* (Career Auditor, A1). Increased interactions with auditees help auditors acquire contextual knowledge essential for auditing CR, but in conventional practice deepened auditor-auditee relationships are discouraged because they might conceivably compromise auditors' professional independence, coloring their professional lens as they pursue

sensitive conduct-related information. In contrast, the auditors' reflexivity promoted in this study helped balance their immersion in auditees' daily duties while also upholding professional independence. Figure 3 illustrates the balance of professional independence and immersion in auditees' activities when practising reflexivity in the new conduct-focused auditing approach.

-----Insert Figure 3 here-----

By practising reflexivity auditors could examine data critically and consciously disallow perceptions and experiences to interfere with their understanding and interpretation of data from a CR standpoint. This experience awakened in auditors the importance of a reflexive mindset in clarifying and reinforcing their professional mandate and responsibility so as not to succumb to undue considerations while auditing CR.

In the reporting and appraisal phase, auditors reflexively evaluated their personal attitudes and practices when using compliance-based versus conduct-focused IA approaches. By exercising reflexive critique, auditors realized for the ***first time*** that the lack of CR consciousness, contributed to trading/sales managers' and employees' misconduct, could similarly affect their own effectiveness in auditing CR:

> "*if we as auditors are not conduct conscious, we cannot point out managers' failure in their conduct risk management role*" (Non-career Auditor, A2).
>
> "*to raise conduct issues and to put it down in the audit report…calls for having that awareness [of conduct risk] among us and talking about it and making sure that issues can be raised.*" (Career Auditor, A2).
>
> "*The main thing is everybody should keep in mind what is conduct risk...we always think about what can be interpreted as conduct risk.*" (Non-career Auditor, A1)

Previously, a lack of CR consciousness meant auditors were not prompted to look out for unanticipated conduct issues and challenge business management's perspectives on potential CR exposures. This contributed to their past failure to address CR and arrest misconduct, including their own professional "misconduct" as illustrated diagrammatically in Figure 4.

-----Insert Figure 4 here-----

Cultivating a reflexive mindset awakened their sensibility and sensitivity to CR recognizing the pertinence of practising reflexivity and the shift in their perspective, including their self-reflections, prompting their new stance as summarized in Table 4. This new stance signals that a reflexive mindset can be defined as a positioning to surpass existing perspectives and versions of reality maintained by current practice and engage in conscious and agile ways of reconfiguring IA to serve the organization's well-being. In this context, the common good is the repositioning of auditors, auditees and customers as a collective with the shared interest and priority to alleviate CR. Doing so improves the quality of their relationships and elevates it beyond merely co-existing, but co-creating the conditions that enable them all to flourish, and the organization to maintain its reputation and value.

-----Insert Table 4 here-----

DISCUSSION

The findings show how a reflexive mindset accentuated auditors' CR consciousness and contributed to a reconfigured, conduct-focused IA practice, expanding their agility to extract corroborative evidence on employees' unusual conduct. The reflexivity guiding IA practice drew auditors closer to identifying the misconduct and CR sources, which were the objectives of the field assignments in this AR intervention. They were better placed to recognize the differences in auditor attributes within the two IA approaches and to make informed choices in departing from a compliance-based approach in favor of a conduct-focused IA approach.

Shifting from 'internal policemen' to reflexive collaborators

Traditional audit training has produced auditors who focus on compliance with policies and procedures and are typically perceived as the organization's 'internal policemen'. They do not normally examine activities with a focus on "the behavior in governance, the behavior of

management and the board, the skills, the abilities, the capabilities of the board and the non-executives" to ensure the effective identification and mitigation of CR risks (Chambers & Odar, 2015: 39). With such a conformance mindset, auditors are typically unable to distinguish misconduct when the definitions of right- and wrong-doing are masked by common market practices (Palmer, 2012). They tend not to perceive CR as a strategic risk in business activities (Spira & Page, 2003). Continued focus on checking for observance of rules reinforces auditees' perception of auditors as 'policemen' and thereby limits auditees' interactions with auditors to just responding to the latter's questions on whether they "comply" or "do not comply" with policies and procedures. Auditing CR with this approach does not allow auditors to earn the trust of auditees so as to establish collaborative relationships and draw out tangible and intangible data from sources that may not be apparent in a changing environment (Deloitte, 2014).

In contrast, the identification of misconduct and potential CR in the field assignments of this study demonstrates the contribution reflexivity can make to effective auditing of CR. A reflexive mindset brought critique to identifying root causes and placing the common good (in the sense of wider organization well-being) as a foundation for conducting their IA practice. It encouraged auditors to break silence and voice CR concerns. It strengthened their agility to look beyond the familiar; to question accepted practices from auditees and to suspend their own judgements (Bolton, 2010). A reflexive mindset also better enabled them to navigate the balance between immersion in the business context and sustaining their professional independence. This urged auditors to replace their formal 'policeman' approach with a collaborative orientation committed to strengthening the CR management framework through frequently convening informal and open communications with auditees. This step opens communication channels that promote transparency in sharing and positions auditors closer to auditees to earn their trust

(Ma'ayan & Carmeli, 2016; Verhezen, 2010). Exploration of conduct issues through practising reflexivity in an evolving operating environment fosters the agility that transcends existing knowledge and facilitates the acquisition of deep knowledge of business activities (Bowlin, 2011) with a heightened appreciation of ethical dilemmas in employees' daily interactions with customers. This emerging holistic understanding better enables analytical examination of trends that can signal where CR resides. Through reflexive critique and dialogue auditees and auditors can jointly reach insights on how organizational silence on conduct issues enables misconduct to be camouflaged and remain unacknowledged and unaddressed, as previously happened.

Developing a Reflexive Mindset

Embedding reflexivity as a catalyst for reconfiguring IA practice, as this paper attests, can lead to breakthroughs that extend beyond revising policies and procedures. Reflexivity as part of the ongoing and systematic review and reflection of action is not only an interventionist approach to address deep seeded cultural issues. It is also, as we have found, a powerful and meaningful approach for supporting transformative changes to professional practice with potentially far-reaching consequences for customer and organizational well-being. Auditors' reflexivity was developed through the experience of working in diverse assignment teams, with peers who were encouraged to question their conduct (the collaborative inquiry group), and with the AR inquiry that facilitated cycles of action and collective reflection (Raelin, 2001; Vince & Reynolds, 2009) or 'thinking together' (Pyrko et al., 2017) to sharpen up practical judgement.

The auditors who participated in the two field assignments experienced directly the transformation of the IA approach and its impact in averting misconduct and wrongdoing, by increasing their agility to perceive and understand ambiguity and ethical dilemmas in the business, and extending their capacity to respond by honing their practical judgement to be

accountable and responsible for the intended and unintended consequences of their action choices. Auditors acknowledged the contrasting outcomes derived from the adoption of a conduct-focused, rather than compliance-based IA approach, with reflexivity central to their new practice, as illustrated in Figure 5. Practising reflexivity enabled auditors to uncover how the salespersons had been overcharging customers for the past two years whereas this was not detected in previous compliance-oriented audit assignments on the same activity. With the conformance mindset, auditors were focusing on conventional risks like credit and market risks and how these were managed through employees' compliance with policies and procedures. This assumed a stable operating environment where using pre-defined auditing processes to conduct audit assignments was deemed sufficient.

-----Insert Figure 5 here-----

A reflexive mindset promotes auditors' self-discipline to regularly examine their own assumptions, values and emotions for signs of compromising professional independence in conflictual situations and to overcome it to ensure the credibility of audit deliverables to prevent the loss of IA professionalism (Christopher, Sarens & Leung, 2009; Roussy & Rodrigue, 2018). This is critical as auditors seeking to increase their business knowledge and auditees' concerns through more intensive interactions with auditees might be influenced by auditees' challenges, leading to empathy for auditees with compromise in professional conduct.

This extends our understanding of reflexive practice and its impact, beyond supporting critique as previously understood. We learn from our study that taking a stance, as central to critique reorientates the attention to a greater appreciation of the power of co-creating knowledge for impact (Antonacopoulou, 2019). Doing so addresses the criticism that justifiably needs to be afforded to individual reflexive critique itself. The initial framing of reflexive critique

(Antonacopoulou, 2010) already places new forms of critique (the critique of identity and critique of simplification) as central to reflexivity. These forms of critique not only extend critique beyond skepticism, power and political dynamics. They embed as central to critique the ongoing creation and co-creation of personal and collective flourishing as underpinned by their interconnection.

We position this key finding as an extension of the attention given in recent debates to the value of a 'growth' versus a 'fixed' mindset. According to Dweck (2016), two types of mindsets tend to characterize how people see themselves and others, depending on whether they see their current qualities and capabilities (such as intelligence, competence, etc.) as static and deeply ingrained (fixed mindset) or fluid and capable of development (growth mindset). In this study, the auditors' agility in performing the assignments with reflexivity promotes a "growth mindset" (Dweck, 2016), changing the IA approach to one that relevantly addresses emerging CR. In contrast, a fixed mindset would induce auditors to avoid challenges by sticking to the conformance 'checklist' that characterized the old compliance-based IA approach. A growth mindset emboldens auditors to sharpen their practical judgment to consider novel complexities and uncertainties as these emerge. These dimensions are central to the conduct-focused IA approach and goes beyond the familiar sources of CR and forms of misconduct. By incorporating reflexivity as a pathway for individual, team and organizational learning the reconfigured IA function reforms also corporate governance.

Limitations of Reflexivity and of This Study

In this paper, we have shown how reflexivity can mobilize transformation both of management practices and the mindsets underpinning them. The impact of reflexivity shows what is possible. Indeed, in this context of ongoing uncertainty and shifting operational conditions reflexivity can provide a sense of balance, especially when it is underpinned by a

stance that promotes responsibility and accountability to the intended and unintended consequences of action. Reflexivity recognizes that the auditors remain flawed humans (like all of us), but encourages them to examine and address the possible behavioral manifestations of these flaws in themselves and others.

In making claims for the benefits of a reflexive mindset in addressing CR and lessening misconduct we do not pretend reflexivity is a panacea either for eliminating organizational scandal and wrongdoing or for achieving human flourishing. We are conscious that the causes of organizational misconduct are complex and as much structural as they are to do with individual agency. Nevertheless, within the capitalist system in which IA acts as one line of defense for corporate governance, we agree with others such as Cunliffe & Ivaldi (2021) that it is still meaningful to hold a concern with the ethics and character of professional practice, and to seek improvements to the practice of IA as offered by reflexivity. By no means do we intend to imply that reflexivity is a 'silver bullet'. It merely demonstrates that beyond competence, the character of a practice is underpinned by the conscience with which it is performed. A mindset is but one way of demonstrating such consciousness. We are therefore mindful of the limitations of our study, and outline them below as a mark of our own reflexivity.

Our study focused on the specific profession of IA, in a particular industry context, and involved a small number of participants, all of which prompts us to be equally reflexive in acknowledging the limitations of our research. We do not pretend that the findings can be generalized empirically; however, we do suggest that they may have potential transferability to the education of managers in their governance role and other business professionals who satisfy the criterion of 'this seems familiar and echoes my experience'. An implication for future research would be to conduct a similar participative, action research study with members of other

professions, seeking to explore how a reflexive mindset might develop their professional practice.

Though the change presented in this study may be small-scale, it is still value-adding in signaling what is possible to help support the reconfiguration of professional practices to keep them robust. Moreover, it signals the need to go beyond simple compliance or conformity as a pragmatic response to the ongoing conditions (such as performance pressures, short-term orientation, compliance) that often hinder improving actions. There is scope to continue this research and capture longitudinally the impacts that embedding a reflexive mindset may generate, which may extend well beyond what we have reported in this paper.

This makes us all the more aware of the impact of a reflexive mindset in our own research practice. We recognize that to practice what we preach, throughout the research and in distilling the findings we had to remain consciously open to critique and ongoing refinements in our understanding of reflexivity as a practice, and the way a reflexive mindset has guided our commitment to attend to professional misconduct (in IA and beyond) not least by ensuring that what we present here is accessible and useful to both educators and practitioners. This is integral to the meta-reflexivity central to the way we guided ourselves throughout the research and the development of the thesis of this paper. Namely, when promoting reflexivity we must question whether we are being reflexive enough in critiquing reflexivity itself, recognizing it is not a panacea. As this study shows, however, reflexivity can be an important catalyst for reconfiguring practices like IA.

Implications for Educating Management Professionals

Our findings raise several important implications for the way management professionals – such as internal auditors – are educated to conduct themselves and sustain their professionalism

through their independence. Equally, we see implications for teaching and learning of managers more generally in their governance role to promote the cultivation of a reflexive mindset. Our findings encourage educators to embed and cultivate reflexivity in professional /executive education by adopting a pedagogical practice such as critical action learning (Trehan & Rigg, 2015; Antonacopoulou, 2018, Rigg, 2021), where peer support stimulates critique that fosters collaborative inquiry (akin to Pyrko et al., 2017, 'thinking together') and sharpens practical judgement. Entry level IA education can also incorporate such approaches as a means of introducing learners to reflexivity and thereby provide a safe space to problematize and embrace complexities in organization governance and risk management issues in order to reach the root causes of these issues.

Other professional work-based learning, such as internships and shadowing assignments, can provide further opportunities to engage not simply in reflection on practice, but also in reflexivity, so as to develop learners' understanding of the distinctions between conduct and compliance focused auditing and the benefits of arresting CR. Educators will need to consider how the complexity and ill-defined situations of IA practice can be introduced to students, for example through company visits, living stories and dialogue with those whose reality becomes the focus of critique. This would help students learn to understand organization paradoxes, whereby competing organization priorities can simultaneously require ethical behavior and incentivize misconduct. Contemporary case studies and live work-based assignments can also be used to introduce real-life ethical dilemmas into auditors' education to sensitize them to the day-to-day challenges faced by professionals in the interplays of people, processes and politics. An orientation towards 'embedded ethics' where professionals 'understand and live' ethical values in their own practice (Cunliffe & Ivaldi, 2021) would equip auditors to focus on the equally

important aspects of auditees' sentiments and sensitivity to performance appraisal and rewards, as well as the underlying politics, instead of just assessing issues superficially relying on reasoning (sensibilities) as found in check lists and compliance orientated approaches.

A further practical implication of our study concerns the design of assessment. To achieve the learning outcomes of reflexivity, capacity for collaborative dialogue and ability to comprehend ambiguity, assessment tasks must include challenges which confront learners with their assumptions and taken-for-granted ways of acting. This means going beyond the normative testing of factual knowledge and analytical ability, to include opportunity to work with professional dilemmas and paradoxes which form, as we show in our study, a basis for practising reflexivity. This means that aside from critical incidents and crucibles, learning that is orientated towards serving the common good (at the interpersonal, organizational and/or societal levels) can become a powerful means of advancing the responsible management learning agenda (Laasch et al., 2020). There is also little that is so potent for developing the ability to collaborate in diverse work teams as the experience of engaging in diverse learning teams and having that work assessed (Trehan & Rigg, 2014). In this sense, we are in accordance with Holt's (2020: 597) advocacy, in the spirit of Hannah Arendt, that management education should create space "for thinking, for considering traditions anew, for wondering whether things might be otherwise" so that, as Huber and Knight (2021) also echo, they not only think but also feel differently. This would mean audit education that promotes going beyond sensibility (reasoning) and sensitivity(emotions), to embrace sentience (conscience) which is at the core of reflexivity. In this respect, learning to develop one's personal and professional identity is not a simple instrumental introduction to existing traditions and accepted practices, but raises questions of meaning and conscience. Audit education needs to cultivate in auditors the openness to adapt and

adopt new and contrarian perspectives as the environment evolves, enhancing their readiness to improve the traditional auditor role of "telling others what to do" through the issuance of audit recommendations.

Beyond entry level audit education, as IA discharges its organization governance role, senior auditors need to be included in management education that cultivates auditors' agility to oscillate between new learning and actions to keep pace with new management strategies and responsibilities. This management education should urge auditors to appreciate management challenges and also equip them to practise reflexivity to rise above political agendas to effectively assess the organization's governance with integrity. Additionally, education for audit managers can introduce them to the innovation of having career and non-career auditors in an audit assignment, to gain the benefit of collective reflexivity and glean from one another's strengths acquired through prior professional training and practices.

Conclusion

Reflexivity allows auditors to become immersed into auditees' activities, in order to better understand them, while keeping such immersion from compromising the auditors' professional independence, which is necessary to ensure the credibility of their audit deliverables and uphold their professionalism. Cultivating a reflexive mindset can awaken auditors to critique their personal attitudes and practices to uphold professionalism, and enables them to become reflexive collaborators in strengthening the organization's CR management framework. Practising reflexivity may be notably limited by the time constraints and role models available in professional work environment. Nevertheless, this may be overcome with increased education at the various organizational levels on what practising reflexivity entails, its criticality in today's evolving operating environment, and the shared benefit for auditees, auditors and customers.

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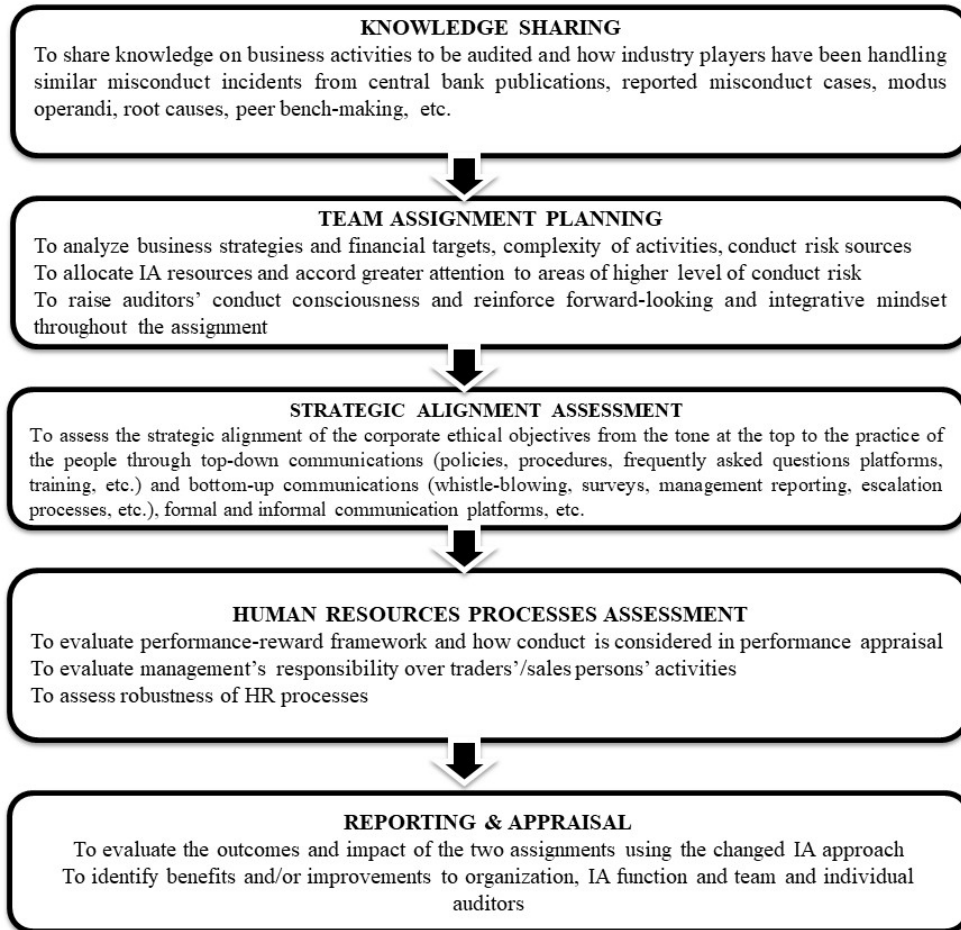
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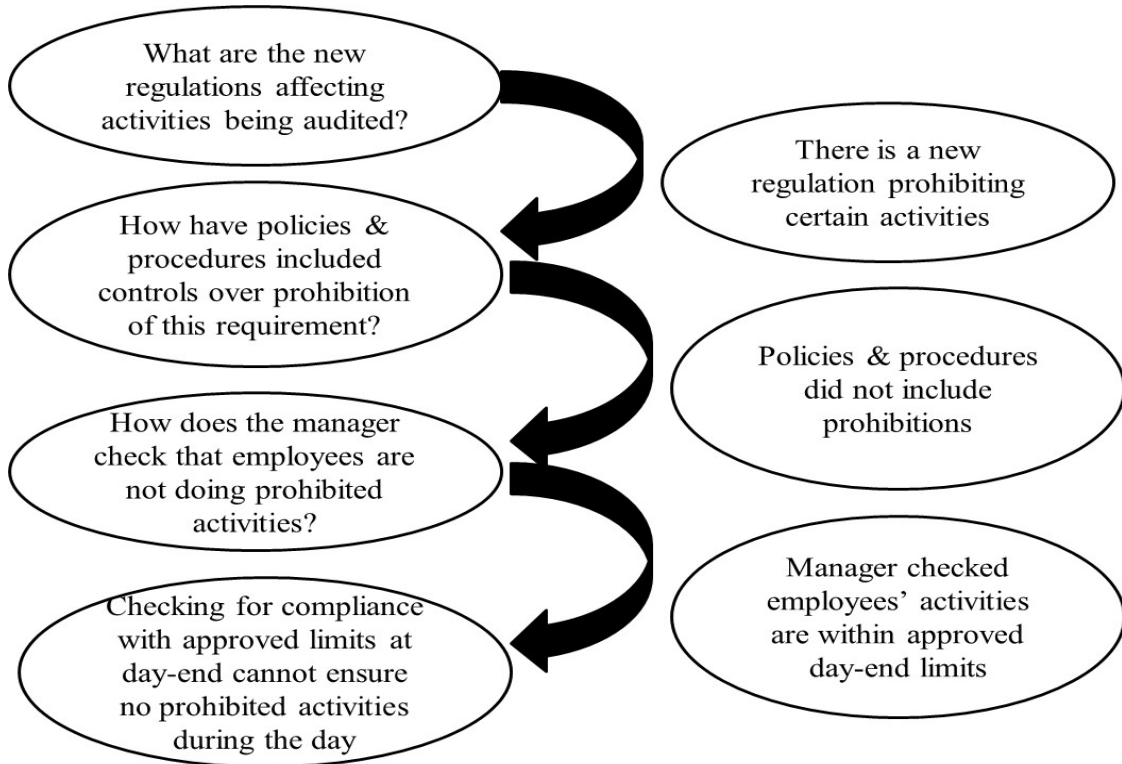
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FIGURE 1
The five key phases of the conduct-focused IA approach

KNOWLEDGE SHARING
To share knowledge on business activities to be audited and how industry players have been handling similar misconduct incidents from central bank publications, reported misconduct cases, modus operandi, root causes, peer bench-making, etc.

↓

TEAM ASSIGNMENT PLANNING
To analyze business strategies and financial targets, complexity of activities, conduct risk sources
To allocate IA resources and accord greater attention to areas of higher level of conduct risk
To raise auditors' conduct consciousness and reinforce forward-looking and integrative mindset throughout the assignment

↓

STRATEGIC ALIGNMENT ASSESSMENT
To assess the strategic alignment of the corporate ethical objectives from the tone at the top to the practice of the people through top-down communications (policies, procedures, frequently asked questions platforms, training, etc.) and bottom-up communications (whistle-blowing, surveys, management reporting, escalation processes, etc.), formal and informal communication platforms, etc.

↓

HUMAN RESOURCES PROCESSES ASSESSMENT
To evaluate performance-reward framework and how conduct is considered in performance appraisal
To evaluate management's responsibility over traders'/sales persons' activities
To assess robustness of HR processes

↓

REPORTING & APPRAISAL
To evaluate the outcomes and impact of the two assignments using the changed IA approach
To identify benefits and/or improvements to organization, IA function and team and individual auditors

FIGURE 2
Auditors' recursive questioning in response to new knowledge

What are the new regulations affecting activities being audited?

There is a new regulation prohibiting certain activities

How have policies & procedures included controls over prohibition of this requirement?

Policies & procedures did not include prohibitions

How does the manager check that employees are not doing prohibited activities?

Manager checked employees' activities are within approved day-end limits

Checking for compliance with approved limits at day-end cannot ensure no prohibited activities during the day

FIGURE 3
Practising reflexivity to balance the tension between immersion in auditees' activities and upholding professional independence in auditors' activities

Immersion in auditees' activities (possible influences of politics)

Independence in auditors' activities

Practising reflexivity

Understanding context

Upholding independence

FIGURE 4

Consequences of the lack of CR consciousness of auditors and auditees

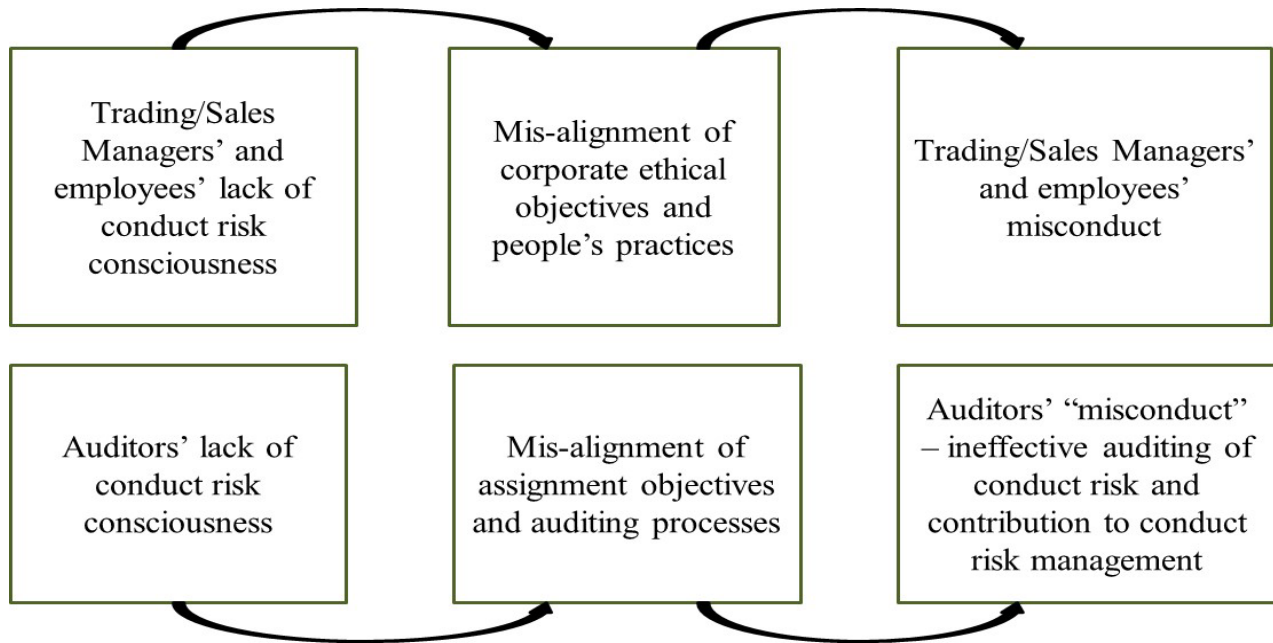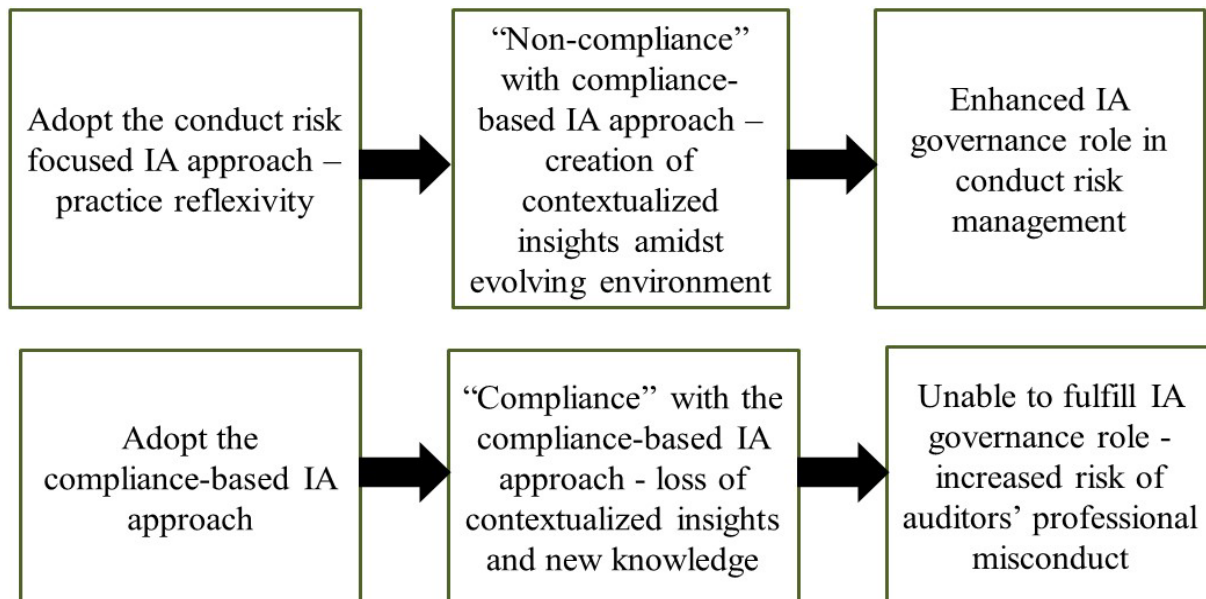|		
Trading/Sales Managers' and employees' lack of conduct risk consciousness	Mis-alignment of corporate ethical objectives and people's practices	Trading/Sales Managers' and employees' misconduct
Auditors' lack of conduct risk consciousness	Mis-alignment of assignment objectives and auditing processes	Auditors' "misconduct" – ineffective auditing of conduct risk and contribution to conduct risk management

FIGURE 5
Contrasting outcomes in the adoption of different IA approaches

Adopt the conduct risk focused IA approach – practice reflexivity	→ "Non-compliance" with compliance-based IA approach – creation of contextualized insights amidst evolving environment	→ Enhanced IA governance role in conduct risk management
Adopt the compliance-based IA approach	→ "Compliance" with the compliance-based IA approach - loss of contextualized insights and new knowledge	→ Unable to fulfill IA governance role - increased risk of auditors' professional misconduct

TABLE 1
Study Participants and Rationale for their Selection

Participant & [Numbers]	Rationale for inclusion
Trading and sales managers [4]	To extract data from employees most exposed to conduct risk and handling ethical dilemmas through their direct engagement with customers and financial markets.
Traders & salespersons [5]	To obtain personal views and feedback from those who had witnessed misconduct and the consequent financial sanctions in the years 2012-2014, and how they perceived the effectiveness of the existing IA approach in auditing conduct risk
Approvers of IA approach [3]	To understand approvers' perspective on the persistence of conduct risk, appropriateness of the existing IA approach and changes needed
Discipline committee members [6]	Responsible for handling conduct issues and disciplinary matters To extract the types and causes of misconduct of employees who had been disciplined
Internal auditors [8]	To understand from internal auditors' perspective why conduct risk persisted, appropriateness of the existing IA approach and changes needed.

TABLE 2
Emerging Themes and Patterns in the analysis of Data

Holistic coding	NVivo coding
Conduct risk management	Governance
	Communications
Misconduct	Causes
	Consequences
Internal auditing approach	Deficiencies
	Improvements
Auditors	Mindset
	Competence

TABLE 3
Data sources, analysis approach and sources

Data sources	Data analysis approach and purpose
In-depth semi-structured interviews of the auditors, IA methodologies approvers, disciplinary committee members and trading/sales managers and traders and salespersons. Organization's key conduct-related documents.	Preliminary round – used holistic code to "chunk" the data into broad topic areas based on the general idea in my research question. First-cycle coding – used *NVivo* coding to inductively identify possible themes that could emerge from the data Second-cycle coding – used pattern code to pull together contents into more meaningful themes, sets, etc.
Collaborative inquiry group discussions on themes distilled from interview outcomes and organization's key conduct-related documents	Collaborative inquiry group – involved auditors to discuss themes derived from interview data and reviewed conduct-related documents and determined the salient changes and/or initiatives to the IA approach for two audit assignments to be performed for this study.

TABLE 4

Comparison of auditors' attributes in existing and conduct-focused IA approaches

Auditors' attributes in using compliance IA approach	Auditors' attributes in using risk-based changed IA approach
Conformance mindset	Reflexive mindset
Conventional risk focus (credit, market and operational risk)	Conduct risk consciousness
Knowledge of policies and procedures	Knowledge of business activities and operating environment
Reliance on pre-defined auditing processes and assuming stability and certainty in operating environment	Ability to collaboratively co-create knowledge to make sense of problem context and seek for solutions in changing environment
Upholding professional independence through auditing with historical data and checking on compliance with policies and procedures	Upholding professional independence through practising reflexivity and surrendering influences/biases while immersing in auditees' daily duties