

# ETHNOGRAPHY: A BASIS FOR CONDUCTING RESEARCH IN AUDITING

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## Abstract

This paper demonstrates the relevance of ethnography as a basis for carrying out research in auditing. Ethnography, a qualitative research approach widely used by researchers in anthropology and sociology involves a situation where the researcher takes active part in activities involving the phenomenon under investigation. The approach is fairly new in the management sciences. Accordingly, there has been an increasing advocacy for qualitative research models in the management sciences. Consequently, ethnography is presented in this paper in order to sensitize accounting researchers, particularly those with a bias in the auditing area, to consider it in their research design. The paper holds the position that the adoption of the approach will enable the auditing researcher to understand better why the auditor does things in a particular way, circumstances that inform decisions taken by him on any particular audit and the pressures often mounted on him that may possibly be responsible for the problems commonly identified with the auditor in the audit function.

## Introduction

Research in accounting, particularly during the period following World War 11, emphasized an almost universal devotion to quantitative approaches (Mattessich, 1995; Jeacle hO'gartigh & hO'gartaigh. 1999; Cuba & Lincoln, 1994). Whilley (1986) and McCarthy & Puffer (1999), for example, refer to the "Scientific at ion" of US Business Schools in the 1950s and 1960s as characterizing their quest for intellectual legitimacy. Qualitative research during this period was generally demoted to low level research work (Glasser and Strauss, 1967). Thus, qualitative research techniques, which should normally address social phenomena from the "subjectivist" or "anti-positivist" perspective, were noticeably infrequent in auditing and accounting research literature. Research in auditing is concerned with the measure of the quality of audit performance, the : procedures and the professional ethics that must be followed in the conduct of an audit. With this -focus in the mind of the auditing researcher it is hereby proposed that ethnography, a fairly new : qualitative research approach in the management sciences {Johnnie & Nwasike, 2002), promises to be a significant research methodology in investigating and understanding behaviour in the auditing field.

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Within the social sciences generally, there had been an increasing advocacy for qualitative research methods as a rich alternative to the conventional scientific model (Hopper and Powell, 1985; Cliua, 1986; Berelson, 1952; Morgan and Smircich, 1980). Yet, ethnographic studies are uncommon in accounting and auditing research literature due, partly, to its relative "newness" as a research methodology in the management sciences.

In proposing ethnography as a basis for research in the field of auditing, we do not intend to denigrate the "Scientific" or "Objectivists" approaches that have since dominated research in this field. Rather, our effort here is to sensitize academics and others interested in auditing research to consider ethnographic analysis in their research design.

Halfpenny (1979) has pointed out that ethnography (an approach widely used by researchers in cultural anthropology) involves "grasping and comprehending the culturally appropriate concepts through which (actors) conduct their social life". Thus, ethnographic research approach involves a situation where the researcher takes active part in activities involving the phenomenon under investigation. While actively participating in the group, the researcher is also observing, grasping and comprehending those aspects of a people's culture which influence the behaviour of group members in organisations (Johnnie and Nwasike, 2002). It is our contention therefore, that the adoption of this approach, will enable the auditing researcher to better grasp why the auditor do things the way he does, how he goes about doing them. The prevailing

circumstances that inform the decisions he makes on the audit and the possible pressures often mounted on him that may be responsible for the problems commonly identified with the audit function. Ahiauzu has in the past used ethnographic approach in investigating human activities in African organisations (Johnnie and Nwasike, 2002).

In a broad sense, our aim in this paper is to demonstrate the relevance of ethnography as a basis for research in auditing. We shall do this by giving an overview of what ethnography is, its major features, and the stages involved in the process of an ethnographic study. We will begin by examining the research approaches in the social and management sciences, narrowing down to the contrast of the two major approaches and shifting only later to our predominant interest.

### **Research Approaches in the Social and Management Sciences: *The Quantitative/Qualitative Distinction***

At present, social and management scientists are not agreed on the methodologies to be adopted in their research. Although several authors (Guldner, 1971; Khun, 1970; Lessnoff, 1976) have advocated different methodologies, the work of Burrell and Morgan (1979) appears to have summarised the entire spectrum. According to them, it is convenient to examine the issue of the social world in terms of four sets of assumptions related to ontology, epistemology, human nature and methodology. Ontological assumptions enable us to understand the very essence of the phenomenon being studied. Is the phenomenon to be studied, imposed on the individual from without and as such is having an existence of its own; or is it a product of the individual's mind? Epistemological assumptions are assumptions about the grounds of knowledge - how knowledge is developed and communicated to fellow human beings, how one can sort out what is "true" and what is to be regarded as "false".

Assumptions relating to human nature identifies the relationship between human beings and the environment in which they operate. The kind of ontologies, epistemologies and nature of human beings determines the type of methodology one adopts in social inquiry.

Generally, therefore, there are two major and largely opposing views about the nature of social inquiry - "Sociological positivism" also called the "objectivist" or "positivist" approach and the "German Hegelian Idealism" also called the "Subjectivist" or "relativist" approach. The "positivists" see the social world, as an objective reality which, therefore could be investigated and interpreted using scientific principles as is applicable in the natural sciences. In essence, it treats the social world - a world very unlike the natural world, a world made up of man and the institutions he has created to regulate his behaviour — as if it were the natural world. Thus, the positivist adopts a "realist" approach to ontology, backed up by a positivist epistemology, a relatively deterministic view of human nature and the use of 'nomothetic'<sup>1</sup> methodologies. Consequently, the objectivists rely on the application of systematic research designs and techniques, including the formulation and testing of hypotheses and the conduction of scientific tests. Thus, the objectivist adopts a quantitative research method to the study of human affairs.

Standing in complete opposition to sociological positivism is the other major school of thought -that of German Hegelian Idealism. Proponents of this school of thought are of the view that research in the social and management sciences involves the investigation and interpretation of the social world using qualitative techniques in the analysis of data. The Subjectivist adopts a nominalist approach to ontology, an anti-positivist epistemology, voluntarist with regard to human nature and favours ideographic methods as foundation in the analysis of social phenomena. In effect, the "subjectivist" adopts a qualitative research method to the study of human affairs.

For years, the scientific or nomothetic methodology has dominated a large proportion of contemporary research in the social and management sciences (Dunn, 2001). Guba & Lincoln (1994) refer to the situation simply as 'over quantification'. Quantitative research is professionally respectable and this respectability has been further reinforced by the computer. Nevertheless, there is a growing dissatisfaction with the patent overemphasis on quantitative methods. The predominance of the scientific paradigm to investigating and understanding social phenomena must be seriously questioned. After all, there is none and may never be an error-proof research methodology capable of resolving all the problems of research (Obikeze, 1981). As Travers (1978) argues, both quantitative and qualitative research approaches are rooted in phenomenal experience, and in this sense, both are empirical. They share a common ground. As Dunn (2001) points out, "although qualitative research is popularly perceived as antithetical to quantitative work, it is actually complimentary to it. Most quantitative projects possess qualitative elements, and vice versa". Both methods - the qualitative approaches (of which ethnography is one) and the quantitative approaches - involve observation and making of inferences. The difference occurs in the way they go about observing and making inferences.

Ethnography, a variant of the ideographic research methodology, promises to be a vibrant approach in the hands of the accounting researcher for analyzing behaviour in the field of auditing. In making this proposition, we are not in any way advocating that ethnographic analysis be substituted for quantitative techniques, nor are we suggesting that the approach will provide a final solution to the manifest gap in the extant approaches. Rather, it is our hope that this presentation will spur researchers in the field of accounting to consider ethnographic analysis in their research design in order to bring to light the lapses identified. As has been observed by Adler and Adler (1994), ethnographic approach (or participant observation) stands, as the fundamental base of all

research methods as it is free from subjects' whimsical shifts in opinion, self-evaluation, self-deception, embarrassment and outright dishonesty. Participant observation, they went on, rests on something researchers can find constant: their own direct knowledge and their own judgment.

### **Ethnography-Meaning and Essential Features**

Ethnos, a Greek term denotes a people, a race or cultural group (Smith, 1989). When ethno as a prefix is combined with graphic to form the term ethnographic, the reference is to the sub-discipline known as descriptive anthropology - in its broadest sense, the science devoted to describing ways of life of humankind. Ethnography, then refers to a social scientific description of a people and the cultural basis of their people hood (Peacock, 1986).

According to Hodgen (1964) early ethnography grew out of the interests of westerners in the origins of culture, and civilization, and in the assumption that contemporary "primitive" people, those thought by westerners to be less civilized than themselves, were in effect living replicas of the "great chain of being" that linked the Occident to its prehistoric beginnings. Vidich and Lyman (1994) added that such a mode of ethnography arose in the 15<sup>th</sup> and 16<sup>th</sup> centuries as a result of fundamental problems that had grown out of Columbus' and later explorer's voyages to the western hemisphere, the so-called New World and to island cultures of the South seas.

Modern anthropologists usually identify the establishment of ethnography as a professional field with the pioneering work of the Polish-born British anthropologist Bronislaw Malinowski in the Trobriand Islands of Melanesia (1915). Ethnography fieldwork has since become a sort of rite of passage into the profession of cultural anthropology. The tools of the ethnographer have changed radically since Malinowski's time. While detailed notes are still a mainstay of fieldwork, ethnographers have taken full advantage of technological developments such as motion pictures and tape recorders to augment their written accounts (*The New Encyclopaedia Britannica*, 1998).

Dunn (2001) defines ethnography as "a research approach dependent on the undisguised, objective study of the habits, customs, and actions of people in a culture as they go about their daily lives". Ethnographers, he went on, utilize a qualitative perspective by trying to describe how a given culture makes sense out of its social experience. As Johnnie and Nwasike (2001) point out, the approach although relatively new in mainstream management science investigations has a fairly long historical tradition in cognitive anthropology and interactionist sociology. Thus, as Silverman (1985) points out, ethnography, an approach principally associated with anthropology, is concerned with "methods for describing interactional particulars" and which to the sociologist is the same as "participant observation", or simply, "observation" in social research. This is the meaning of ethnography with which we want to identify in this paper. In this paper therefore, no distinction shall be made between ethnography, participant observation or observation. Participant observation as defined by Dunn (2001) entails entering into a research setting and then monitoring, recording and interpreting the behaviour of research participants and on occasion, interacting with them.

### **The Process of an Ethnographic Study**

The ethnographic research process evolves through a series of different activities as it progresses from start to finish. The stages involved in the research design are as follows:

1. Determine "what" and "who" are to be investigated.
2. Determine the research setting.
3. Collection of data.
4. Analysis of data.

### **Determining "What" and "Who" to be Investigated**

The first concern of the ethnographic researcher is to determine the phenomenon to be investigated. Anything that has an appearance or things that are not easily quantifiable can be investigated. Thus, behaviour, spaces, time, feeling, processes or procedures followed in carrying out a role may be investigated.

After determining "what" will be investigated, the next focus is on "who" will form the subjects of investigation. "Who" to be investigated therefore are persons possessing the characteristics under investigation or those who can give reliable information about the phenomenon being probed.

### **Choosing the Research Setting**

After determining "what" and "who" to be investigated, the researcher's next task is to select a setting. Setting, here, simply means the place where the field experiment is to take place. Thus, settings could be public parks, streets, highways, public meetings, racetracks, residential households and college campuses. There are also settings that are less public and more institutionalized where people are linked by some common characteristics. Such settings include student dormitories, public lavatories, restaurants, stores, libraries and divisions or departments of an organisation (Whitley, 1996). As Bochner (1979) has noted, "the correct sequence is for investigators to have an idea which they wish to explore and then find a suitable place where that idea can be translated into a psychological experiment".

## **Data Collection**

After observers become more familiar with their settings, and grasp the key social groups and processes in operation, formal observation can begin with the formation of typologies. Gold (1958), in his classic typology of naturalistic research roles, outlines four modes through which observers may gather data: the complete participant, the participant as observer, the observer as participant and the non-participant observer.

## **Analysis of Data**

Adler and Adler (1994) have pointed out that analysis of observational data all depends upon the researcher's styles. Basically, data analysis comes by way of descriptions of the phenomena which could be written (e.g. articles) or verbal (e.g. presentations) reports of what has been found (Dunn, 2001). The analytic or interpretive procedures are not statistical in nature - they are subjective interpretations of situations (Denzin, 1989).

## **The Relevance of Ethnography in Auditing Research: A Conclusion**

The primary objective of an audit is to produce a report by the auditors to the owner(s) of the organisation and other users of financial statements that the accounts examined by them show a "true and fair view" of the transactions of the organisation for a given period. Thus, owners and other users must rely heavily on financial statements and reports of auditors to learn about the organisation's performance. Moreover, various elements of society have different expectations of auditors and the audit function. While management, for example, regards the public accountant as an expert on accounting matters who, among other things, is expected to make recommendations to improve the company's accounting system, and other operations, other users of financial statements expect auditors to penetrate into company affairs to exert surveillance over management, and to take active part in improving the quality, and extent of financial disclosure (AICPA, 1978). These apart, the accounting profession had been bedeviled by a myriad of other unsettled issues which cry for closer investigation. The diminishing public confidence on audit reports, especially in the wake of the notorious distress witnessed in the financial institutions, and other collapsed companies, whose accounts have been attested to by auditors as "true and fair", the client's perception of the auditors' role as well as the auditors' independence are some of the nagging issues presently plaguing the profession which calls for research by academics and practitioners alike.

These problems call to mind the need for a research approach which should involve the researcher getting closer to the actors (the auditors) themselves to understand what they actually do, how they go about doing them and the possible circumstances that warrant what they do at any given time.

As has been pointed out by Weirich & Karmon (1983), the focus of auditing research is on the auditing standards and procedures and the professional ethics that must be followed in the conduct of an audit. Auditing standards are not the same with auditing procedures. While the standards provide measures of the quality of performance, such as ensuring audits are carried out by persons, having adequate technical training, and proficiency, adequately planning and controlling the audit and gathering sufficient evidential matter, auditing procedures, on the other hand, refer to the acts or steps to be performed in an engagement.

Code of ethics govern the conduct of members and clearly specifies those actions that auditors should take and those he should avoid in order not to bring the profession into dispute or unfairly prejudice the interest of fellow members. The ethnographic or participant observation approach is quite suitable as a research method in these matters. With this approach, the researcher seeks to and becomes a member of the audit team and directly participates in the activities. Sometimes, the researcher as observer, collects historical documents, carries out interviews, questions key members of the group about particular aspects of the phenomena being investigated, watches closely how his subjects behave, makes use of certain amount of self-analysis, recording his own feelings and reactions to events as they occur (Wilkins, 1970).

From the foregoing, the participant observation method is not a single research method. Researchers are free to develop their own styles to suit the requirement of their particular line of research. They will devise their own systems for recording information and taking records while in the field. Thus, there are no hard and fast rules of participant observation which can be learned (Okwandu and Jaja, 1997).

As Marcus (1994) has argued, ethnography is one of the most favoured and prestigious forms of conceiving the style in which scholars do qualitative research as it cuts across disciplinary boundaries. It is possible, therefore, for the ethnographer to study an audit team in the field by physically participating in their activities. Thus, he or she would be able to study the audit procedures and all that goes on in respect of the audit going on in the auditor's client's office by taking either the complete participant, participant-as-observer or observer-as-participant role. As has been noted by Cooper and Schindler (2001), participant observation (other than the non-participant observation role) is practicable in the study of the functioning of a traveling audit team. Conducting research adopting such a methodology would go in some ways to confirm or dispel the many doubts in the minds of the public about the role of the independent auditor.

Our aim in this paper has been to demonstrate the relevance of ethnography for auditing research in the field of accounting. We have used ethnography interchangeably with participant observation (or observation) following Silverman (1985). Ethnography, though, not a new approach to conducting research, especially in anthropology and sociology, have been presented here in order to sensitize accounting researchers, particularly, those with a bias in the auditing area, to consider it in their research design. Happily, there has been

a significant shift in approaches to accounting research in favour of the qualitative methods. A number of scholars (Hopwood, 1985; Chua, 1986) have advocated more qualitative-based research methods as a rich alternative to the conventional scientific model.

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