

# Offering bonuses demotivates highly driven auditors

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Audit bonuses can improve the work of auditors with little self-motivation, but damage the performance of highly driven auditors, research from Nyenrode Business University reveals.

Professors Herman Van Brenk and Barbara Majoor examined the impact of providing an audit quality bonus. Findings of their experimental study on 420 auditors based in the Netherlands show the effects are dependent on a combination of situational and personal factors.

“Incentives that are contingent on performance have the potential to improve performance, as they are a signal of trust and acknowledgement of people’s competence”, say the professors.

“Traditionally, the predominant practice has been to apply penalties for audit failures. However, rewarding auditors for high audit quality is increasingly being perceived as a good way to induce auditors to focus on audit quality”, says Herman Van Brenk.

In the situation of low time budget and compliance pressures, the findings suggest bonuses provide external motivation to auditors with a lower tendency to set themselves targets for high audit quality. However, these external incentives undermine the performance of highly driven auditors by lessening their feelings of autonomy and self-determination. But otherwise, the effectiveness of an audit quality bonus is limited.

The implications of this study, published in *European Accounting Review* (<https://doi.org/10.1080/09638180.2022.2044364>), present an opportunity for audit firms to rethink strategies for motivating their employees.

It is of particular relevancy to the Big 4 accounting firms who started offering audit quality bonuses in 2015, and upon whose employee’s audit quality bonuses have a weaker effect than on auditors in smaller firms, the researchers suggest.

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For more information, a copy of the paper, or to speak to Professors Van Brenk and Majoor, contact Kate Mowbray at BlueSky Education on [Kate@bluesky-pr.com](mailto:Kate@bluesky-pr.com) or call +44710022871