

**International Rotations in Globally Networked Public Accounting Firms:
Implications for U.S. Audit Quality**

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Abstract

We interview twenty-seven experienced secondees (i.e., auditors on an international rotation from one member firm to another member firm in a specified role for a fixed period of time), and two practice leaders with the objective of understanding secondments in the public accounting setting and how secondments are perceived to affect audit quality. Respondents perceive secondments are an important and effective, albeit costly, mechanism to improve audit quality at the engagement team, office, and firm level. Specifically, sending personnel abroad is a mechanism to: (1) satisfy supervision and review standards; (2) reduce the physical distance created by geography; (3) transfer knowledge to international teams; (4) develop a “global mindset”; and (5) foster relationships across member firms. While theoretically secondments could be a mechanism for driving consistency in quality and control across the global firm network, strikingly, both U.S. and non-U.S. secondees describe their roles in a manner consistent with secondments functioning as a form of organizational control between member firms.

Key Words: audit quality, expatriate, international rotation, quality control, secondment

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I. Introduction

This study investigates secondments (i.e., international rotations of auditors from one member firm to another member firm in a specified role for a fixed period) within globally networked public accounting firms (GNFs). Specifically, we study the experience of both U.S. secondees out-bound to other global member firms and international secondees in-bound to the U.S. firm to gain an understanding of the secondment process in GNFs, and their perceived effect(s) on audit quality. While limited information on public accounting secondments is available, PwC (2017) reports that the U.S. firm has over 500 professionals on assignment in 27 countries, across lines of service. The majority of these secondees are deployed to large markets with substantial U.S. business presence (Australia, Canada, Japan, Netherlands, Switzerland, the U.K.), but many developing (Brazil, China, India) and smaller (Italy, Ireland) markets also host U.S. secondees (PwC 2017). EY (2021) publicly provides high-level figures, reporting that 900 individuals have participated in the firm’s “Global Exchange Program” since 2000, which targets longer term secondments, and that 2,800 international assignments were managed across the firm in 2020. Such data support that international rotations are non-trivial to public accounting firms, but the purpose and value of such arrangements has not yet been studied in the academic literature.¹

The management and industrial-organizational (I-O) literatures suggest that transferring individuals across global organizations, in specified roles for a fixed period of time is a mechanism of information exchange, coordination, and control (Black, Gregersen, Mendenhall, and Stroh 1999). Specifically, while some secondments may fill a role in a foreign location or develop managers, others are employed as an

¹ To our knowledge, only tangential research on global group audits has documented limited observations about secondments in practice. Specifically, Downey and Westermann (2021) suggests that auditors of various rank are seconded from the U.S. firm to perform roles related to the audits of U.S. issuers abroad (e.g., serving as a U.S. GAAP expert, performing internal controls work). This evidence further suggests that the U.S. firm hosts international auditors on secondment to learn the U.S. regulatory environment, provide insights to U.S. auditors regarding their local context, and resource understaffed engagements. The actual scope of inbound versus outbound secondment programs for any specific member firm or any specific line of service at any given time is unknown.

intentional strategy to facilitate organization development and control. However, the decentralized structure and operations of GNFs are markedly different from previously studied contexts such as multinational corporations (MNCs). Specifically, the GNF member firms, and not the global entity, perform services and are subject to regulatory oversight (Downey and Westermann 2021), begging the question as whether and how secondees are used as a mechanism of control at the global and/or member firm levels.

To promote audit quality each GNF member firm is required to maintain a system of quality control, aimed at ensuring auditors comply with professional standards (PCAOB 2002; 2019). The PCAOB inspects each member firm's quality controls and issues relevant findings in Part II of their inspection report. Systems of quality control are of current interest to regulators, in part, due to the structure of GNFs and greater reliance on other auditors from member firms or affiliates (PCAOB 2019). Specifically, the PCAOB (2019, 24) notes that incremental or alternative quality control requirements in the area of other auditors may be necessary, expressing particular interest in activities that "proactively prevent or detect engagement deficiencies." As written, the quality control standards promote audit quality through the development of firm internal controls in the areas of: independence, integrity, and objectivity; personnel management; acceptance and continuance; engagement performance; and monitoring (PCAOB 2002). While historically such activities focused on domestic practices of the member firm, in the current global environment the PCAOB (2019) considers expressly requiring member firms to develop practices that apply to others outside of their domestic firm, particularly as it relates to personnel, engagement performance, and monitoring. This is novel, because it implies one member firm putting controls in place to ensure quality work from another firm (i.e., firm-to-firm control). This study investigates secondments as one potential mechanism for fulfilling such requirements.

We study the perspective of experienced secondees with the objective of understanding secondments in the public accounting setting, and how such secondments are perceived to affect engagement audit quality. To investigate our research questions, we interview 18 U.S. auditors with secondment experience outside of the U.S., nine non-U.S. auditors with secondment experience within the U.S., and two Big 4 U.S.

practice leaders.² Our analysis is inspired by both positivist and interpretive traditions (Canning, Gendron, and O'Dwyer 2018). As little is known about how and why secondments are deployed, we first aim to describe the mechanics of secondments in the public accounting context.

Our descriptive findings suggest individuals participate in three broad types of secondments in public accounting: position filling (“busy season” exchanges of lower-level personnel), management development (“developmental” tour), and organizational development (“strategic” tour). We focus on developmental and strategic secondments, which are longer in nature and generally involve more senior personnel, and are thus more likely to be mechanisms of quality control, aimed at improving audit quality. Although many respondents perceive their secondment experience to be unique, collectively the data show that respondents typically volunteer for secondments as part of a firm-wide program or application process. Citing the popularity of international opportunities amongst auditors (Durocher, Bujaki, and Brouard 2016), secondees report preparing a business case and completing an interview process, where they are assessed for “fit” with the host firm. While secondees suggest they have little input into the process, including terms of their contract, their collective experiences highlight the role of member firms and offices in customizing secondments, as member firms (not the global entity) typically bear the financial cost of secondments. Such customization is particularly notable in secondment experiences that target specific client needs.

Ultimately secondees report serving in a variety of roles covering business growth and development (e.g., rolling out new technologies and global methodologies; participating in requests for proposal), multinational client service (e.g., country desks; client specific needs), and audit quality. Audit quality impacts were notable across nearly all secondee experiences. Specifically, U.S. secondees act as a mechanism to satisfy the PCAOB’s supervision and review standard, particularly in jurisdictions where auditing is more of a commodity (i.e., many audits, lower fees) and where local regulation restricts access

² We refer to secondees who are outbound from the U.S. working abroad as “U.S. secondees” and secondees who are inbound to the U.S. as “non-U.S. secondees”. Given that we interview more individuals with outbound secondment experience; the draft manuscript at times is uneven in its discussion of perceptions (U.S. vs. non-U.S.). We anticipate performing a third round of interviews in the next few months to gain greater perspective from non-U.S. secondees who successfully repatriated to their home firm.

to workpapers. In addition, the presence of both U.S. and non-U.S. secondees “on the ground” reduces the physical distance created by geography, allowing secondees to bridge gaps between home and host countries, as well as between member firms and clients. Further, U.S. secondees report knowledge transfer roles as it relates to interoffice instructions, application of U.S. standards, consistency of audit approach, and preparing international teams for PCAOB inspection, all of which are perceived to benefit audit quality. Finally, the immersive nature of secondments is noted to foster international relationships and networks, and also develop a secondees’ “global mindset.” Secondees report that their strengthened networks and mindsets ultimately allow the global teams they serve to be more effective and efficient, from identifying necessary resources to knowing where likely mistakes are and having the connections to ensure they are appropriately addressed. Notably, U.S. secondees describe making more of an audit quality impact while on tour, while non-U.S. secondees imply that their audit quality impact will more likely be achieved upon repatriation (e.g., sharing first-hand knowledge of U.S. standards).

From a theoretical perspective, our results are consistent with the use of secondments as a form of organizational control, whereby secondees help to foster greater commonality and consistency between their home and host firm during their time abroad and act as an informal communication network upon their return (e.g., Black et al. 1999). However, comparing to prior research on MNCs, our data suggest that public accounting secondments operate on a more granular level: member firm to member firm, and are not orchestrated by (or for) the global entity. In other words, secondees primarily benefit the audit quality of the involved member firms, operating at a firm level and not as a global control mechanism. This finding is significant because it illustrates member firms enacting quality control mechanisms over one another, with limited involvement of the global entity. This is striking, because it implies that individual member firms may be driving the ideals of continuity and control, but likely only in areas that serve their own individual purposes.

This study contributes to the auditing literature by providing initial evidence of how the practice of international rotations assist in bridging the gaps between GNF member firms to ensure compliance with U.S. standards. PCAOB inspections of firm quality controls highlight the lack of adequate controls over

work involving non-U.S. member firms as a key area of focus and identified deficiencies (Aobdia 2020). While other areas of common PCAOB quality control focus, such as tone at the top, acceptance and continuance, internal inspections, and independence are well documented in the literature, very little is known about mechanisms that promote audit quality when working across GNFs. Our data suggest that the benefits of secondments to audit quality are in direct alignment with PCAOB inspectors' focus on controls as it relates to work involving non-U.S. member firms, including supervision, appropriateness of audit guidance, and assessment of local understanding of U.S. standards (Aobdia 2020). Overall, our evidence highlights the use of secondees in areas that are of relevance or risk to the home country firm, including group audits, foreign private issuers, and internationally listed MNCs. Thus, in contrast to research on expatriation, we find that the focus of more recent U.S. secondees is largely not to socialize the local firm. Rather, U.S. secondees act as agents of organizational control, while non-U.S. secondees are socialized by the U.S. with potential for the secondee being an agent of socialization upon repatriation. In respect to organizational control, this study extends the literature by evidencing how secondments operate as a control when enacted by members (or units) within a global organization, as opposed to the global entity itself. In addition, our findings hold implications for the I-O literature where the influence of expatriates on home and host firms is an unexplored topic (Takeuchi 2010).

From a practical perspective, this research informs current standard setting efforts (e.g., PCAOB 2019; IAASB 2019) by providing insight into how firms are developing control mechanisms that span firm boundaries, rather than limit quality controls to domestic activities. While anecdotally several GNFs purport to be developing and advancing quality management activities at the global entity level, regulators only observe the practices of inspected member firms. Thus, any "global" quality controls are not subject to inspection, raising the importance of understanding how individual member firms may enact their own quality control practices on a more global scale, particularly as it relates to audits of large MNCs. In doing so, our results also serve to assist firms in understanding how to leverage secondees more fully while on tour and upon repatriation. Finally, given the importance of international opportunities in the hiring and

retention of younger auditors (Durocher et al. 2016), both recruiters and faculty may benefit from a broader understanding of secondments.

II. Background: Expatriation and Quality Control

Expatriation

Over the past forty years, a substantial body of I-O psychology and behavior research has examined expatriation in MNCs, focusing largely on the management of expatriate arrangements with limited consideration of the strategic purpose of expatriates. These international rotations within MNCs generally seek to address a local talent shortage, develop the individual manager, or develop the organization (Edstrom and Galbraith 1977). However, organizations place greatest emphasis on use of expatriation for managerial and organizational development, strategically deploying MNCs as an organizational control mechanism for improved coordination and oversight, socialization, and creation of informal communication networks across the organization (Edstrom and Galbraith 1977; Black et al. 1999). In their role, expatriates may serve as a direct and explicit form of organizational control (functioning in the role of headquarters by making decisions and supervising local work), or a more indirect and implicit form of control (integrating into the local subsidiary to gain a global mindset, develop social capital and facilitate a common corporate culture Harzing 2001; Collings 2014). However, Kraimer, Bolino, and Mead (2015) suggests that much of this literature should be interpreted with caution (e.g., small sample sizes, insufficient depth of measures, single informants), leaving many unanswered questions regarding the use of expatriates to achieve organizational control. Such questions are magnified in public accounting given the unique structure of GNFs, where deploying secondees as mechanism of organizational control, whether explicit or implicit, involves loosely coupled and largely autonomous member firms (Lenz and James 2007).

Despite the theoretical importance of expatriates as mechanisms of organizational control within MNCs, prior research emphasizes that expatriation is fraught with challenges and often unsuccessful. For example, the seminal study by Tung (1981) documents that ten to 20 percent of expatriates are recalled or dismissed due to an inability to effectively fulfill their intended role. Similarly, Alder's (1981) seminal work suggests that repatriation is difficult for expatriates, who often feel dissatisfied that their international

experience is not valued upon repatriation, resulting in disrupted career progression, and turnover (Suutari and Brewster 2003; Kraimer et al. 2015). To better understand such challenges, the majority of extant literature is concentrated on expatriate selection and training, international adjustment, and repatriation.

Research on expatriate selection and training considers what characteristics and training regimes are most likely to lead to expatriate success, broadly defined as their on-the-job performance. While little is known about how expatriates are recruited for their assignments, studies of selection suggest that technical skills are not sufficient for success, rather expatriates must possess language and cultural competencies, even more so than personality traits (Kraimer et al. 2015). Once selected, expatriates go through an anticipatory phase of adjustment, followed by in-country adjustment (Black, Mendenhall, and Oddu 1991). Ultimately, an expatriate's assimilation is influenced by individual, job, organizational culture, socialization, and non-work factors (Black et al. 1991). Additionally, some studies emphasize the role of organizational factors (including MNC structure), support networks, and expatriate's own proactive efforts for successful adjustment (Aycañ 1997; Farh, Batrol, Shapiro, and Shin 2010; Ren, Shaffer, Harrison, Fu, and Fodchuck 2014).³

Studies of repatriation consistently find that expatriates experience a difficult transition back to their home country, often more difficult than their initial adjustment abroad (Alder 1981; Gomez-Mejía and Balkin 1987; Tung 1998). Specifically, expatriates express frustration that their international experience is not valued and that their career progression seemingly stalls during their international assignment. Empirical tests of repatriation models suggest that age, total time overseas, social status, and housing upon repatriation are all factors that affect the repatriation experience (Black and Gregersen 1991). Additionally, the degree to which repatriation at work and home unfold in the way the expatriate anticipated (Black, Gregerson, and Medenhall 1992), and how strongly the expatriate identifies with their international work experience impact the repatriation adjustment (Kraimer, Shaffer, Harrison and Ren 2012). Ultimately, the cost of such frustrations and/or dissatisfaction is turnover, although international experience is strongly

³ Given the substantial breadth of international adjustment (e.g., personal, professional, family) we choose not to focus on this area with respondents, instead targeting our inquiry towards the impact of secondments on audit quality.

valued in the job market and thus still represents a professional gain for individuals (Stroh, Gregersen, and Black 1998; Suutari and Brewster 2003).

Taken together, our review of the extant literature in I-O psychology and behavior provides a basis for understanding aspects of the expatriation process. Importantly, the structure of globally networked audit firms differs considerably from that of a MNC, and as such significant differences in the auditing context may be observed related to the secondment process. Noting this tension, we pose the following broad research question about secondments in the public accounting setting:

RQ1: How do audit secondees inbound to and outbound from the U.S. experience the holistic secondment process?

Quality Control Systems in Public Accounting

Public accounting firms are required to maintain a system of quality controls to promote audit quality through compliance with applicable accounting and auditing standards (PCAOB 2002). A firm's system of quality control is required to include policies and procedures around: independence, integrity, and objectivity; personnel management; acceptance and continuance of clients and engagements; engagement performance; and monitoring. The PCAOB inspects a firm's quality controls as part of their annual (or triennial) inspection process. Deficiencies in a firm's quality controls are reported in Part II of the PCAOB inspection report and only made public if the firm fails to remediate its control failures within 12 months (CAQ 2012). Currently, systems of quality control in public accounting firms are of renewed interest to standard setters (PCAOB 2019). Quality controls are of concern, in part, because only member firms are registered with and inspected by the PCAOB. As a result, the global entity lacks regulatory oversight despite the increasing prevalence of work performed across member firms (PCAOB 2019).

Given the lack of data pertaining to systems of quality control in public accounting and related PCAOB deficiencies, limited research explores quality controls and their role in promoting audit quality, particularly in the context of international audit work. Recent research by Aobdia (2020) highlights work performed across international boundaries as a key area of focus during the quality control portion of PCAOB inspections for U.S. firms. Specifically, PCAOB inspectors focus on whether the work performed with non-

U.S. member firms is effective, assessing controls over supervision, audit guidance, and knowledge and understanding of U.S. standards by non-U.S. personnel (Aobdia 2020). Notably, over a ten-year period Aobdia (2020) documents a 41 percent rate of deficiencies amongst the top eight U.S. accounting firms in quality controls related to work with non-U.S. member firms. Stated simply, 41 percent of these firm-year observations contained a deficiency related to work with non-U.S. member firms in Part II of the PCAOB inspection report. While little is known about quality controls in this area (Sunderland and Trompeter 2017), the repeated attention from regulators and evidence of potential deleterious effects in the group audits literature (Carson, Simnett, Thuerheimer, Vanstraelen and Trompeter 2019; Downey and Bedard 2019; Burke, Hoitash and Hoitash 2021) makes understanding and advancing practices that promote audit quality in international audit work an important ambition. Predicated on this prior literature, we pose the following research question:

RQ2: How does the role of the secondee contribute to audit quality at the engagement team, office, and firm levels?

III. Research Method

To investigate our research questions, we interviewed auditors with secondment experience. In this section, we describe our research practices, including our interview instrument and respondents. We also describe our process of transforming the collective body of responses into a theoretically grounded narrative (e.g., Golden-Biddle and Locke 2007; Ragins 2012; Jonsen, Fendt and Point 2018) that also offers resonant and compelling accounts of secondment experiences (Baxter and Chua 1998; Dai, Free, and Gendron 2019).

Instrument and Respondents

We derived our formal interview questions from existing literature on expatriates. Our preliminary interview script consisted of semi-structured questions about each key theme of an individual's secondment: selection and training, international adjustment, role, and repatriation. After the first two interviews, we revised our script to include a question specific to our interest in the role secondments play as a quality control mechanism at the engagement, office, and firm levels. See Appendix A for a copy of our final interview instrument. We also maintained a list of follow-up questions that evolved over the course of the

interviews. In earlier interviews, our follow-up questions focused on understanding secondment fundamentals. In later interviews, we probed secondees about secondment nuances, such as details of the contract, differences in firm culture and procedures, and experience with international inspections. Our follow-up questions were not consistent across respondents; while thought out in advance, the flow of conversation dictated what follow-up questions we asked.

We solicited perspectives from auditors who have participated in or are participating in a secondment to/from the U.S within a GNF. We interviewed 18 U.S. auditors with secondment experience (also “on tour”) outside of the U.S. and nine non-U.S. auditors with secondment experience within the U.S.⁴ Respondents were continuously identified using personal and professional contacts. We also deployed a snowball strategy (Atkinson and Flint 2001) to connect with additional respondents.⁵

Five of our respondents completed tours less than 18 months long and 22 completed tours greater than 18 months long; the range of secondment experiences spanned from 12 to 84 months. Fourteen of our respondents represent Big 4 firms, 11 represent other globally networked firms (“Other GNF”), and two represent smaller accounting firm associations and networks (“AANs”). Eight of our respondents are female. Secondment experiences span four continents: Asia, Europe, South America, and North America. Most, but not all, of the secondments took place in major metropolitan cities. Three secondment experiences were completed prior to 2015, twenty were completed between 2016 and 2020 and four were completed or

⁴ One secondee serves in a non-audit capacity and works in his firm’s risk advisory practice; serving on financial statement audits only as a specialist. A different individual we interview has an unusual secondment contract due to the COVID-19 pandemic; he serves in a “50/50” capacity, spending half his time working for the U.S. firm “at home” and half his time working remotely in his secondment role.

⁵ Snowball sampling is utilized as a way to connect with difficult to obtain target populations (Atkinson and Flint 2001). Interview responses became notably repetitive around interview number fourteen *suggesting* saturation had been met (consistent with Guest, Bunce and Johnson 2006). However, our respondents from the first 14 interviews were largely homogeneous in that they were U.S. secondees outbound to the U.K. and the E.U. While this is consistent with PwC (2017), which suggests nearly fifty percent of U.S. secondees are sent to Europe, the objective of our work is to understand secondments holistically, and therefore we made a concerted effort to source non-U.S. secondees, secondees inbound/outbound from jurisdictions outside of the U.K, and/or high-ranking partners familiar with their firms’ secondment programs as a quality control mechanism for subsequent interviews. While much of the secondment fundamentals were recounted in a similar manner, we continued to learn of subtleties and nuances, particularly surrounding structures, contracts, and speculation about secondments post pandemic through interview number 25. Notably, most of the non-U.S. secondees we interview chose to localize and therefore we will perform further data collection targeting non-U.S. secondees who successfully repatriate to their home country, as we speculate that these individuals will have different experiences from their localized counterparts (e.g., audit quality role upon repatriation).

remain ongoing in 2021. Notable externalities present during the time periods our respondents were on tour include: the fall of the Berlin Wall, the vote for and implementation of BREXIT, increasing global tensions around the regulation of business (e.g., Nationalism, reduced access to visas), and the COVID-19 pandemic. See Table 1 for respondent demographic information.

[Insert Table 1 About Here]

In addition to interviewing 27 secondees, we also interviewed two Big 4 partners, one national audit quality leader and one responsible for regional secondment facilitation (hereafter “practice leaders”). Although both individuals had secondment experience(s), these interviews did not follow our established protocol, instead we engaged these individuals about firm perspectives on secondments.

Data Collection and Analysis

We collected data from June 2020 to September 2021. Two days prior to the interview, we provided respondents with pre-interview materials including a consent form, demographic questions and the planned interview questions. We conducted all interviews by Zoom, each call averaging one hour in length (range 43 minutes to 76 minutes). Both members of the research team were present for all but three interviews. One interviewee declined to be recorded. For each interview, the author(s) took detailed notes, comparing and expanding on notes and key takeaways immediately after the interview. For those interviewees who provided consent to be recorded, we converted each recording into text using Nvivo’s automated transcription service; one research assistant or one author reviewed transcripts for accuracy. Interviewees were permitted to review their transcripts subsequent to each interview.⁶

In the spirit of research commensurability (Power and Gendron 2015; Canning, Gendron and O’Dwyer 2018), our analytical approach is inspired by both positivist and interpretative paradigms. Following a more positivistic tradition, we first analyze interview transcripts utilizing Nvivo software. One author independently developed first order themes and sub-themes occurring in the data – these themes were them

⁶ Three interviewees requested to review their transcript. One interviewee redacted a substantial amount of information related to his/her firm’s structural expansion into Europe and what was presumably proprietary information about firm operations. As such, redacted content is not included in the manuscript.

refined and/or expanded during the coding process and as additional interviews were conducted.⁷ Within these themes one author looked for patterns, relationships, and contradictory cases (Patton 2015, Silverman 2010). Positivism presents itself in descriptive form by describing mechanics of the secondment process.

The overall analysis is written in a more interpretative spirit, in that we do not strive for objective representation or statistical significance. We adopt the view that perception and experience is subjective i.e., is socially constructed by the secondee him/herself (Maxwell 1992). Accordingly, we recognize that different accounts and interpretations of a secondees' experience exist (Ahrens and Chapman 2006). For example, our analysis focuses on the secondee's own perceptions whose views may differ from the host firm sponsoring the secondee or from individuals accompanying the secondee. Also, we interview only those secondees inbound/outbound to the U.S. which may differ from secondees who are inbound/outbound between non-U.S. jurisdictions. In the analysis, we include quotes that are compelling, insightful, or clarifying; we also include quotes that resonate generalizations across responses where appropriate.

Trustworthiness

To ensure that our findings respectfully convey the collective insights of the secondees we interview (Power and Gendron 2015) rather than our own biases, motivations, or interests, we perform two trustworthiness checks (Malsch and Salterio 2016): deviant analysis and member checking. To perform deviant analysis, we search for and report on anomalies and contrary cases that emerge from the collective interview data. To perform member checking, we sent a draft of the manuscript to each interviewee for comment. As of this writing, three interviewees affirmed our analysis as "accurate"; the remaining respondents did not respond to our request for comment. We also sent a draft of the manuscript to two audit

⁷ On author initially coded interview responses by each phase of expatriation. Within each phase the author identified the following first order themes. Within the recruitment and selection phase, the author coded: rationale, qualifications, formal/informal process, employment contracts, and business case. Within the transition and adjustment phase the author coded: personal transition, work transition, logistics, and culture. Within roles and responsibilities, the author coded: quality abroad, engagement work, supervision and review, travel, visibility, and communication. Specific to auditing and audit quality, the author coded: regulatory differences, audit approach differences, quality concerns, and quality mechanisms. For repatriation, the author coded: contract timing differences (extension, permanent relocation, on-time, early withdrawal), client portfolio upon return, career penalties/enhancements, and leveraging secondments.

partners who did not participate in an interview but agreed to review the manuscript for their general comments.

IV. Analysis

This analysis reports secondees' experiences with the secondment process and perceptions of how the secondee role affects audit quality, both in the U.S. and abroad.⁸ In the section that follows, we first present the types of secondments deployed in public accounting, followed by a chronological narrative of the recruitment, selection, and contract negotiation processes. We then describe the work roles and responsibilities bestowed on the secondee and how such roles are leveraged to improve audit quality while on tour and upon repatriation. Where appropriate, we distinguish between differences in perception that arise between U.S. and non-U.S. secondees (i.e., due to variation in type of secondment, but also in their roles and responsibilities within a given secondment type).

Secondment Types

Collectively, our data is consistent with prior I-O literature (Edström and Galbraith 1977, Harzing 2001) suggesting that there are three broad motivations for deploying secondments: position filling, management development (hereafter “developmental” tour), and organizational development (hereafter “strategic” tour). Position filling tours are generally shorter tours (i.e., less than six months) located in countries where an “office partnership” or a member firm “agreement” has been established to send and host (or “borrow”) resources between locations (i.e., a functional “supply/demand mechanism”). While our data focuses on developmental and strategic tours, respondents suggest that larger firms have established “employee exchange programs” or “busy season swaps” between, for example, the U.S., U.K. and Australian member firms to cover understaffed engagements. One practice leader suggests that these tours are “hugely popular” and while they fill a business need, these tours are “not important [in terms of staff] getting significant development [from the experience].”

⁸ Expatriate literature examines a number of important dimensions that fall outside the scope of this study. For example, while an important feature of psychological comfort for the secondee, we do not focus on the experiences the secondee's partner or family.

Developmental tours are generally one to two years in duration to give “differentiating experiences” for “personal and professional growth” to valuable experienced senior associates and managers. Eight U.S. and eight non-U.S. secondees self-identify their tour as developmental. Each described the importance of adding international experience(s) to their “professional toolkit” (19-Switzerland).⁹ Specific to non-U.S. secondees, these tours are a means for individuals to gain first-hand experience with SEC reporting requirements and PCAOB standards; benefiting the firm when individuals repatriate and share their knowledge “back home”. For several secondees we interview, international experience was so important to them personally, that their tour was deployed as a retention mechanism: e.g., “There was no incentive for my home office to send me to the U.S., except that I said I would leave if they didn’t” (23-Germany*).¹⁰ One manager even suggests that “there’s a benefit to retention, not just for those that actually go on rotations, but the fact that [Firm] even offers rotations is a source of motivation for many within the workforce, even though a lot of them might never go” (05-Brazil/Chile). This sentiment extends even further to recruiting of new staff. For example, both Deloitte (2021) and KPMG (2021) offer new hires the opportunity to apply for a four-week global internship program.

In contrast to developmental tours, strategic tours are generally longer tours, two years or more, which for the U.S. firm are targeted towards “high priority” countries that have: (a) extensive growth and development opportunities; (b) many U.S. based clients with client or industry specific needs; and/or (c) audit quality issues as identified by internal and external quality review programs.¹¹ Given that longer term

⁹ We identify interview respondents using a unique participant ID followed by the non-U.S. participating country. We use an asterisk to denote a non-U.S. secondee, e.g., the reference (06-U.K.*) would indicate an interview respondent who was inbound to the U.S. from the U.K. The absence of an asterisk denotes a U.S. secondee, e.g., the reference (16-Japan) would indicate an interview respondent who was outbound from the U.S. to Japan. In addition, we have made minor modifications to quotes that do not change the fundamental meaning of the original comment (e.g., omit filler language, anonymize firm or client names where one was provided). Finally, in most cases, quotes that span one to three lines are incorporated within the text and quotes that are greater than three lines are offset as a free-standing block of text.

¹⁰ Throughout the results section, we use the terms “most”, “many”, and “a majority of” when referring to a percentage of secondees responses greater than 60 percent, “about half” between 41 and 60 percent, “some” between 21 and 40 percent, and “few” or “several” for fewer than 20 percent.

¹¹ We only interview one non-U.S. secondee inbound to the U.S. on a strategic tour as a director, who was serving his firm in an advisory role. One interviewee (30-Singapore*) suggested that non-U.S. firms may experience difficulties identifying individuals for strategic secondments. For example, her firm has severe resource constraints, such that the firm cannot afford to lose staff to other countries. As a result, her firm limits the number of outbound secondees to

secondments involve more senior personnel, all of the secondees we interview identify their tour as developmental and/or strategic.

Recruitment and Selection

In contrast to prior literature suggesting that international tours within MNCs are predominately organizationally initiated (e.g., Biemann and Andresen 2010), most of our interviewees recall that their secondment was self-initiated. For these individuals, initiating the process generally begins in one of two ways, via the firm's internal international job board or via an opportunity identified by a partner with whom the secondee closely works. Our collective data suggests that the largest firms all have "global mobility" platforms (e.g., website, newsletter) where "member firms advertise [internal] opportunities [across service lines] internationally" (06-U.K.*). While formally posted international assignments exist, nearly all secondees suggest that their initiation was "unique", feeling that their tour was a result informal inquiry, partner connections/relationships, and "back-office politics" between partners from their home, host, and/or global firms. One even recalls "going behind my partner's back, directly to global headquarters" to make her tour happen (23-Germany*).

Although most secondees perceived that their tours were initiated informally, the majority of more recent secondees (i.e., 2015 or later) at larger firms are ultimately screened via a standardized application process whereby each secondment candidate must submit a written application and complete at least one interview. In the written application the candidate prepares a business case, outlining benefits to the secondee, the firm, and, if applicable, the client. The business case is submitted to the firm's centralized "global mobility" or "global strategy" committee for review and approval.¹² The candidate then interviews

one a year. We imply from this discussion that some smaller non-U.S. firms may not have sufficient resources to permit strategic secondments, which typically involve personnel at the more senior levels who are difficult to replace on local engagements. Further, firms with a smaller global presence (e.g., fewer global clients, global interests) may be less likely to need the benefits afforded from a strategic secondment.

¹² One secondee explains that his firm's centralized mobility committee serves several functions. First, the committee is responsible for making the formal administrative (e.g., processing applications) and logistical (e.g., visa application) burdens of the secondment processes easier. Second, the committee is there to "help smaller network [i.e., member] firms – that don't have anywhere near the scale and depth of resources that the largest member firms do - to have access to global advantages such as sending people on secondments... [Thus,] their role is really to facilitate the effective functioning of global [Firm] policies" (06-U.K.*).

with the host firm and/or one or more of the firm's "global mobility leaders" in "an interview not dissimilar from interviewing for a new job" (10-U.K.). While one senior suggested the interview was a "test" ("they were testing me to see if I could survive working in the U.S." (20-Taiwan*)), most secondees indicate that the focus of the interview(s) is on determining the individual's qualifications and/or vision for "adding value" while on tour and upon repatriation.

Whether an individual is deemed qualified is dependent on the purpose of the secondment and the characteristics of the candidate. Given that "more people are interested than there are opportunities available" (20-Taiwan*), secondees universally indicated that only the "highest performers" are considered: "They're not going to refer you to another firm/city to work when you haven't been performing at your local office" (22-U.K.), nor will they incur the expense of relocating you and supporting you abroad. Candidates must also demonstrate that they are the appropriate "fit" for the available assignment in terms of rank, demeanor, industry and/or client expertise:

"When the firm looks for people to move [overseas], they generally focus on high performing people. They also look for people who are the 'right' demeanor and who would 'fit' the culture. They try to stay away from sending people who are aggressive or have an abrasive management style, especially in a country like Japan, where the culture is very different. It requires a lot of patience. It's very detail oriented. So, they want somebody who can manage well in that type of environment." (18-Japan)

While language is a consideration in the selection process and overall assignment, it appears that the requirement to be fluent in the host country language differs between U.S and non-U.S. firms. For more senior U.S. personnel, language is not a requirement to be granted a tour abroad because language is accommodated e.g., "I had a senior manager who babysat me [translating]" (02-Austria); "I had an earpiece in and there was a translator talking through a translation device" (18-Japan). However, for less senior U.S. personnel, one practice leader indicated that they often only apply to a country where they know the language (i.e., predominately Anglophone countries). For the non-U.S. secondees we interview, proficiency in English was a requirement to be granted a tour in the U.S. (e.g., "I invested a lot of money in learning English" (25-Japan*)), likely because most of these secondees we interview were assigned to work on local U.S. clients, where English is the corporate language (Detzen and Loehlein 2018). Finally, secondees acknowledge that "who you know" matters in being selected for secondment, because it is "personal

relationships that helped us make [secondment] a real possibility” (12-U.K.); and often a little “nudging” or “flexing power” from a “partner calling a partner s/he knows” (06-U.K.*) is necessary to achieve a desired secondment package.

Secondment Structures and Cost-Sharing Arrangements

Our collective data suggests that secondment employment contracts are somewhat standardized, although “the perks get more favorable as you go up in rank” (17-Chile). Secondment contracts are not negotiated by the centralized global mobility committee but instead “behind closed doors” between those responsible for “footing the bill” (sponsoring partners of the home, host, and occasionally the global firm; 27-Singapore). We discuss four different employment structures for secondment: (1) home firm employee (i.e., the secondee is “loaned” to the host firm but remains an employee of their home firm); (2) local hire or transfer (i.e., the secondee becomes an employee of the host firm); (3) dual employment (i.e., the secondee is simultaneously an employee at both home and host firms); and (4) global firm employee (i.e., the secondee becomes an employee of the global firm headquarters).¹³

Non-partner secondees who retain employment with their home firm are treated as a “[home country] employee but just functioning in a different location ... [i.e.,] an extension of [home firm] engagement teams” (07-U.K.). These contracts are more standardized in that these individuals are generally paid by their home firm in home country currency with some form of exchange rate “true up” and/or cost of living adjustment: “I was a U.S. [home country] employee throughout the duration of my rotation which meant I had U.S. payroll, U.S. healthcare, everything... I was given what was effectively ... a ‘slush fund’ for cost-of-living adjustments” (10-U.K.). Interestingly, in at least one case this arrangement required the U.S. firm to set up a legal entity (on paper) in the foreign jurisdiction to comply with visa/labor regulations.

For most partner secondees, staying a home firm employee is critically important, as becoming a host firm employee requires relinquishing their ownership position in their home country firm. Further, these individuals typically do not fulfill the criteria to sign audit reports in foreign jurisdictions and are not

¹³ For additional legal and tax considerations regarding secondment employment structures, the interested reader may refer to PwC’s (2014) *Tax Insights for Global Mobility*.

extended an ownership position in their host country firm. Thus, most partners on secondment stay in the home country partnership for which the host firm “in theory, pays a lease [for the partner]” (02-Austria) to the home firm. However, one partner secondee indeed chose to relinquish his role in the U.S. partnership to serve his firm at the global level, and while he did ultimately return to the U.S. partnership it was not contractually guaranteed: “I was no longer a U.S. partner, nor was I a partner at our member firm... I was a senior managing director [at the firm’s global umbrella entity]” (04-Germany).

Six secondees we interviewed “technically severed [employment] from the [home] firm and become an employee of the [host] firm” (18-Japan) while two others from a smaller firm “went on an extended leave of absence to work for a ‘cousin firm’” (12-U.K.) within their firm’s network. In these cases, the secondee is considered a local hire or transfer and is paid in host country currency at the host country rate for a given rank, pays host country taxes, and receives host firm resources (computer, email address, etc.).¹⁴ It is noteworthy to mention that this structure can be less financially favorable to the secondee in that the host country rates can be substantially lower than the home country rates. For example, “the going rate for a public accountant in the U.K. is astronomically lower [25 to 30 percent] than [the U.S.]” and so going on secondment as a local hire, one has to “weigh how far in the hole you think you’re getting into” (12-U.K.).

About half of secondees we interview maintained some form of dual employment, whereby the secondee is simultaneously employed by both the home and host firms. Described by one secondee as “the foggy middle” (06-U.K.*), most with this type of contract recall reporting to both entities:

“I have a U.S. and Dutch timesheet. When I work on Dutch clients, I record my time in the Dutch time sheet and then I put [those hours] in my U.S. timesheet as ‘Dutch work’. I do the opposite when I work on U.S. clients. I put in my time on the U.S. time sheet and then in the Dutch timesheet put in ‘U.S. work’; I have a separate [secondment] code for that.” (21-Netherlands*)

“They took me off the U.S. payroll, put me on [host firm] payroll. I was paid £40,000/ year, so I definitely took a pay cut coming from the U.S. But then they also paid £800/ month for my rent

¹⁴ Smaller firm accounting associations and networks (AANs) benefit because they provide access to others’ expertise, training resources, and staff when required to compete in the market (Bills, Cunningham, and Myers 2016; Bills, Hayne, Stein 2018). However, the centralized leadership and processes inherent in global network firms (e.g., global leadership/coordination, common methodologies, systems, and quality control practices) are absent from smaller network or alliance arrangements. Thus, navigating a secondment across AAN firms lacks some of the global mobility support experienced by those seconding across GNFs.

stipend... [But] I still took my U.S. laptop with me. I still had to maintain [U.S.] training requirements and do all the required [U.S.] trainings.” (14-U.K.)

In addition, most secondees with a dual employment structure recall being monitored by and receiving performance evaluations from both home and host firm supervisors: “you have a coach in the States and you have a coach to look after your performance while you are here, but when they have roundtables they don’t rate your performance... if they wanted to fire you they would just send you back to your home office” (22-U.K.). While this arrangement carries some benefits (e.g., staying more visible at home despite a lengthy absence), it is structurally complicated. The following lengthy quote describes how participating entities must meet to “barter the deal” for which one partner secondee describes as an “argument about who’s covering what costs”:

“There are three parties involved. For Singapore [host firm], it’s effectively, [the member firm’s] president; he’s responsible for the budget and the fees so he has a vested interest in understanding what the impact will be. The counterpart that he worked with in the U.S. was our [regional] assurance leader... [The home office] gets fees. And effectively when you engage a foreign country to support you, you have to share some of the fees with them. They need to make a margin just like any other job. So, part of the negotiation was how do we [get to the] minimum that Singapore wanted to see with regards to fees coming overseas. [The regional assurance leader] had to work with several teams in [the home] office to effectively ‘get a piece here, a piece there,’ of the fees to support [the secondment]. [The regional assurance leader] has to say, look, [partner] is going to serve on these clients. He’ll help you in this capacity, quality control, clients, etc. You’ve got to share some of your fees and that goes towards it. It’s not fees to pay my salary or anything; it’s fees to make sure that the practice here has revenue generating activities. The third [party] is the global member firm because this is a global program. There are funds that get kicked in from our global [firm] to cover part of the costs so that both the [home] office as well as Singapore are not overly burdened; there’s a global pool that gets allocated to help support certain aspects of the compensation.” (27-Singapore)

Notably, secondees suggest that they do not have the ability to weigh-in outside of location and duration of their secondment, nor is the final cost-sharing arrangement known to the secondee, e.g., “I had zero influence on what is in the contract” (17-Chile), “there was not really any room for negotiation... I tried ... and they said that doesn’t really work like that; you’ve got a set package. It is what it is” (27-Singapore).

The following lengthy quote illustrates just how blind one director was to his own contract:

“Unfortunately [the cost sharing arrangement] is pretty unclear to me. My sense is that the U.S. firm is paying for all of [my secondment] ... During the six to nine months [of negotiations], I had no idea what was in [my contract] or what was being arranged or agreed or even what kind of [compensation] package was going to be included. I was very much in the dark and blind for that period despite chasing human resources and trying to get more information... Some parts of that are understandable because there’s an agreement and a relationship between the partners that has really nothing to do with me, if you know what I mean. I’d spoken to my [host] partner about the potential package and what was going to be involved. But until the contract was agreed, he could only talk in ranges.” (26-Ireland*)

In the end, dual contract secondees perceived that such cost sharing arrangements at a minimum made them financially “whole” and for most, these arrangements were viewed as financially favorable: “even though I was getting paid less, we had way more disposable income living in the U.K.” (14-U.K.). Although for most the inner workings remain a mystery, one practice leader summarizes what happens behind closed doors, indicating that there is more standardization than perceived by secondees:

“For [developmental tours] the benefits are the same, but the dollar amounts are of course going to be different depending on where you’re coming from and where you’re going to ... because the cost of living is dramatically different [in different cities]. In terms of ‘behind the scenes’ i.e., who’s paying for what, the home country or host country, that tends to be negotiated... the value and the benefit is equally received by the home country and the host country... The home country is getting a benefit because it’s a skill development for the person that you’re sending and when they come back, they’re even a more valuable person on your team. The host country is getting a benefit because this is a skill set that you may be lacking, and they’re going to bring something to develop your local resources. There are also [Firm global] programs ... there’s investment dollars that are pulled together to make strategic investments in various places. So maybe the home country is paying fees, host country’s paying for fees and then funding is coming from [Firm] global to fund the secondee’s role.... generally global is only going to get involved in the strategic assignments... the view is that these are more strategic at a firm level than they are at a country level. Strategic because often times these tend to be tied to our large global clients... our marquee clients around the world...”

In sum, the data in this section shows that there are four different types of secondment structures (the secondee is an employee of the home firm, host firm, both home and host firm, or global firm employee). Each structure affords varying degrees of perceived benefit and cost to the individual, home, host, and global firms. For the individual, except for tours structured as local hires/transfers, our data suggests that firms use compensation and allowances to maintain the secondees standard of living or slightly better it (Edström and Galbraith 1977); suggesting that most secondees are unlikely to truly “live like a local national” because their compensation instead permits, for example, the U.S. secondee to live like an American in the U.K. For the sponsoring firms, the cost sharing arrangement is negotiated, and the final contract is intended to equally benefit the home and host firms.

Secondee Roles & Responsibilities

A secondees roles and responsibilities differ dependent on the secondee's originating jurisdiction in combination with firm size. Specifically, some U.S. secondees are deployed for targeted multinational client service i.e., to serve a firm's "marquee" clients. Non-U.S. secondees are predominately leveraged on U.S. client engagements to gain first-hand knowledge of SEC and PCAOB standards. Across firm size and originating jurisdiction, secondees are broadly leveraged in the areas of business growth and development, local client service work (i.e., consultation, advisory, and audit), and audit quality roles.¹⁵

The distinction between the role of secondees in Big 4 and smaller firms appears significant as it relates to business growth and development. Prior research examining the globalization of the (now) Big 4 firms documents development of global methodologies and business expansion in emerging markets in the 1990s (Cooper, Greenwood, Hinings, and Brown 1998; Barrett, Cooper, and Jamal 2005). For example, one (now) Big 4 partner was sent on secondment just after the fall of the Berlin Wall recalling that "the main reason I was sent over there was to 'Americanize' the [European] audit practice" (02-Austria). A different Big 4 partner states "the demand to bring people overseas to train people in U.S GAAP and roll out technology doesn't really exist today because the [larger] firms are more integrated" (01-Austria). Whereas smaller firms appear to use secondees to assist in achieving similar objectives today. Specifically, a secondee from a smaller firm network may be sent abroad to develop and/or implement a global strategy for the member firm or region: "The [firm] needed someone to spearhead the process of building a global audit platform to roll out to every [firm] office in the world" (12-U.K.); "[One of my anticipated roles] was to develop a global strategy and work with financial service leaders across the world within the [firm] network and really figure out how we can focus on intentional growth and build a practice" (07-U.K.).

One U.S. secondee suggests that at its core "growth is about helping a [less sophisticated] member firm become self-sufficient" (27-Singapore). However, growth necessarily involves obtaining new client work, for which secondees suggest that their international experience is beneficial to the client proposal process

¹⁵ Given its length and significance, we discuss audit quality inclusive of specific audit quality roles as a stand-alone section.

e.g., “people like to know that they’re talking to someone who lived it, who understands it, who really knows the people that they’re working with there” (07-U.K.). Other U.S. secondees perceive that their mere presence aids in the bidding process:

“[For] proposals that had a significant international component... I would often show up with the international team, on site, for oral presentations, basically to show a ‘one-firm’ approach [to show us] working as an integrated team... For the first time in my life, it was helpful to have an American accent in the room. Sometimes [the client] just wants someone speaking with an American accent.” (10-U.K.)

“The [host firm] puts me on every single proposal we do with companies that want to list in the U.S. because, look, we have a U.S. partner. [It signals that] Singapore is an important location to the firm as a whole. We [the firm] send a U.S. partner here; one is always on rotation. We invest in Singapore because Singapore is growing. I’ve been able to bring in business that they probably wouldn’t have had if I had not been here just because [my presence] credentializes them.” (27-Singapore)

What is interesting here is the speculation that the simple presence of a U.S. professional abroad is perceived by several secondees to “credentialize” or bestow legitimacy to both developing (e.g., Singapore) and established (e.g., U.K.) member firm practices. Non-U.S. secondees also suggest that their international experience may help attract foreign private issuers (FPIs) for their home firm e.g., “U.S. clients are good because the fees are higher and the reporting work is easier, the partner does not have to sign the audit report - just the report back to the primary team” (09-Singapore*).

Specific to consultation and advisory work, secondees report assisting clients with acquisitions (e.g., a Dutch secondee assisted a U.S. client acquiring a Dutch firm (21-Netherlands*)), cross-listing services (e.g., assist U.S. companies listing on Japanese exchanges (25-Japan*)), special purpose acquisition companies (SPACs) and initial public offering (IPO) assessments, among other “exotic transactions” (19-Switzerland): “There was a group of about 30-40 expats... mostly the U.S., but from all over the world. We worked on IPOs, debt offerings, IFRS-US GAAP conversions, and SOX readiness...” (08-U.K.).

Specific to audit work, both U.S. and non-U.S. secondees report being utilized on local client engagements. U.S. secondees report being utilized for local statutory audits (also “stat” audits), with some exposure to local subsidiaries of home country issuers (i.e., component audits) and FPIs. U.S. secondees assigned to statutory audits felt “pigeonholed” e.g., “I had so much more to offer. Me acting like a senior at the wage they were paying me was not good use of their money. The [host firm] could have gone and

found two [local] people and done twice as much work as I was doing for the same price” (12-U.K.). In addition, these secondees felt as though they were assigned to the host firm’s “leftover” audit clients: “I felt like I was got the bottom of the barrel jobs - the jobs that no one else wanted... jobs that had a lot of issues or were more difficult” (14-U.K.). In contrast, nearly all non-U.S. secondees expected to perform local U.S. client work, as gaining experience with SEC and PCAOB standards was the primary business case for their secondment: “I was already working on U.S. based clients with components in the Netherlands, so this seemed interesting for me to spend [time] here in gaining experience with U.S. standards, U.S. audits to add the quality in those Dutch audits” (21-Netherlands*).

In addition to serving on the local engagement teams, U.S secondees also self-report that a client specific experience was the primary business case for their secondment. For example, one partner was recruited specifically to service two of his firm’s “crown jewel” clients for which he had experience both in the national office and as the U.S. engagement partner. Similarly, a different senior manager recalls:

“The global engagement partner at the time was very interested in moving people around the global [client]. S/he loved to be able to tell the Board [of Directors], ‘Hey, we’re investing in you guys, we’re moving this person from New York to Texas where your significant operations are. We’re moving this person from [the U.S.] to Japan. This person adds a lot of value. They know your company. And we’ve invested a lot of time and money into moving this person over so that we can be more globally connected.” (18-Japan)

Finally, several U.S. secondees from larger firms report serving a significant number of clients by being a part of their firm’s regional quality network. For most, this involved sitting in their firm’s “country desk” role i.e., permanent rotational secondment positions in high priority jurisdictions. These locations are spread across the world in locations that allow the “county desk” to sufficiently cover a region’s client base. For example, secondees report that the “U.S. desk” serves as a liaison between local component and U.S. group auditors in planning, review, and completion of the audit, ultimately providing comfort that work performed in a specific region meets the U.S. firm’s quality expectations. Roles such as the “country desk” are tied to quality control, directly affecting audit quality at the engagement team, office, and firm levels.

Audit Quality

Secondees reflect on five interconnected ways their roles and their firm's investment in secondments are perceived to benefit audit quality at the engagement, office, and firm levels. Specifically, secondees perceive that sending personnel abroad benefits audit quality by: (1) satisfying supervision and review standards; (2) reducing the physical distance created by geography; (3) transferring knowledge to international teams; (4) developing the auditor's "global mindset"; and (5) fostering relationships across member firms. Notably, the perceptions about audit quality are one-sided at times, relating only to the experience of U.S. secondees, particularly for audit quality benefits realized in the near-term.

The first way secondees perceive their role to benefit to audit quality is as a direct mechanism to satisfy PCAOB standards. Specifically, U.S. secondees deployed on U.S. engagements aboard, FPIs, or those serving in the "U.S. desk" role act as a mechanism to fulfill the PCAOB's expectations around supervision and review (e.g., PCAOB 2017):

"My role was to work with the component audit teams to ensure quality and consistency for U.S. GAAS and U.S. GAAP audits. The way I would describe it to partners in the U.S. is that they need to get comfortable with the work that is being performed by the component auditors... What we were able to do as expats was be 'boots on the ground', working alongside the [component audit] teams, making sure things like sampling sizes were the right size, sampling units were appropriate and significant risks were addressed. Sufficient testing is being completed." (10-U.K.)

Secondees suggest their supervision and review responsibilities help bridge differences in the auditing profession across jurisdictions, ultimately ensuring audit quality on a broad range of engagements. For example, at least one partner served in an expanded "Asia desk" role:

"Whenever there's a transaction in the region within FPI, whether it's going public or once they are public, just sustaining the audit, we have a layer of quality control. It's effectively a group of partners - there's four, five, six of us in Asia. Between us, we need to review and sign off on key audit work papers, audit strategy, work papers, audit planning work papers on a conclusion work papers, technical memos, etc. I'm a second independent review partner to FPIs and I have three IPOs in my portfolio" (27-Singapore).

For jurisdictions where local regulation prohibits electronic exchange of work files outside of the country, often requiring in person or within country review (e.g., National Security Act of the People's Republic of China), secondees also play a critical role in meeting supervision and review standards:

"There's a restriction on firms and the audit profession in China. [Firms] are restricted in getting their work papers across the border, especially to the U.S.; the PCAOB had difficulties accessing those work papers as well. The arrangement that our firm made [via secondments] was intentionally to have 'eyes

on the on the ground' within the China border. So, we are physically [able to] look at the workpapers. We can go out to the to the field with the local team... and we [can] review remotely [via screen sharing during COVID]." (11-China)

Indeed, this secondees' primarily responsibility was to review the work of 30 to 40 component audits performed in China and produce a review memo to release to each U.S. team, explaining review procedures, observations, and any identified concerns.

In addition to facilitating supervision and review the quotes above are also suggestive of the second way secondees recount that their role as benefitting audit quality, that is, by reducing the physical distance created by geography (e.g., "boots" and "eyes" "on the ground"). In particular, given that many U.S. secondees went abroad to work on engagements tied to the U.S. firm, nearly all respondents perceived that it was "easier" to simply have a U.S. resource physically located abroad:

"From a client service standpoint, [it] was nice to have a U.S. individual [on site] full time, to work with those teams. Historically what would happen is that U.S. teams would have to send a team [abroad] for two or three days to do this or that. By having me sitting in the U.K., I was able to make it to the Netherlands on a moment's notice... [teams are] able to be a bit more nimble in approach ... given that auditing isn't always linear." (10-U.K.)

Notably, secondees on tour during the COVID-19 pandemic also note the critical importance of presence considering fluctuating global travel restrictions. Several U.S. secondees abroad even report donning a "celebrity-like" status while working at their host firm. Their expertise in SEC reporting and PCAOB standards was unique and made them highly visible among the member firm office, home firm, global firm, and clients alike as the local "go to" individual:

"For example, the [Firm's] U.S. chairman would visit [my client] once a quarter so he could see everything that I was doing and the impact that I made... I was [also] his 'bagman' (historically you'd carry their bags); I would pick him up at the airport, sit in the car with him, and debrief him on what he needed to know so that when he went into meetings the client thought that [Chairman] was focused on them. [Client CEO] felt that [Chairman] really knew and cared about [Client] because of what he knew. And it was really because I debriefed him for hours from the airport into the [City]... [Related to directly to clients] I would have the CEO's of Fortune 50 companies calling me on my cell phone over the weekend just to chat about advice and pick my brain." (16-Japan)

Although notably, not all secondees experienced such stardom (e.g., "I think [the host firm] even forgot I was here on secondment" (23-Germany*). While initially the reduction of physical distance appears to be an audit quality benefit derived only from U.S. secondees, across U.S. and non-U.S. respondents our data

suggests that being physically present and in the same time zone facilitates secondees' ability to be an effective and efficient knowledge transfer agent.

The third perceived benefit of secondments to audit quality is knowledge transfer. Some respondents describe knowledge transfer as a formal part of their role (e.g., developing, deploying, and delivering audit quality and/or technical training abroad), but most note that knowledge transfer was far more integrated into their role(s). Specifically, U.S. secondees recount transferring knowledge across every stage of the audit in educating (assisting) host country engagement teams about (with) U.S. standards, audit approach, and technology initiatives. Further, U.S. secondees recall “bridging the gap” between interoffice instructions and component audit teams and preparing international teams for PCAOB inspections.

Educating international firms about U.S. standards is an important aspect of U.S. secondments because the U.S. regulator is nether top of mind for international clients, nor for many international auditors, e.g., “who’s the PCAOB when you go overseas? No one on those [international] audit committees know anything about the PCAOB. They [say] ‘Who? What? I don’t care’” (01-Austria).

“Seventy-five percent of the firm doesn’t care [about the PCAOB] because 75 percent of the firm is doing Swiss statutory audits. There’s definitely a sentiment of ‘the international group’ and ‘the not international group’. There’s a stigma associated with a PCAOB audit.... [There is] a lot of extra work that has to be done... Local folks have to document in English, and they have to do the PCAOB ‘top up’ if they want to be part of the international community.” (19-Switzerland)

In this sense, secondees appear to be targeting improvements in knowledge and application of U.S. standards, to mitigate reputational risk and avoid potential public audit quality failures at the issuer level (e.g., restatements, missed debt covenants, or delisting, see PCAOB 2014; 2017; 2018). Although compliance with PCAOB standards feels distant in the context of many international member firms, it is required: “The PCAOB *is* the Chilean regulator... they need to comply because the ability to be part of the global network is what they are relying on – *all* of the member firms have to ‘play ball’. They can’t expect to reap the benefits if they aren’t willing to play in the game” (05-Brazil/Chile; *emphasis added*).

Assisting international firms with understanding and applying the U.S. audit approach is also an integral aspect of the role of U.S. secondees as it relates to knowledge transfer and audit quality. The collective experiences of secondees paint an enlightening picture of how vastly different audit approach and auditor

mindset can look between member firms: “In South America, it’s a little more free-form, sort of like a choose your own adventure approach [to auditing]” (17-Chile); “One day I was sitting down with the manager [to review the workpapers] and I said ‘[Why did] you stop performing procedures on these inventory selections here?’” And she said ‘Well, we ran out of budget. So, we just stopped [testing]’ (02-Austria). To highlight even deeper contrasts between member firms, we juxtapose perspectives from the U.K. and Japan. Secondees convey that auditors in the U.K. take an analytical approach to audit testing as the basis of their opinion while the Japanese are so deep in the “weeds” they don’t see the “forest”:

“Historically, we did analytical review on every section of the file and that was the basis of our work. If that didn’t work, then you would do some detailed substantive testing. So, a lot of [our approach] would be looking at the movements and then corroborating them rather than this detailed testing approach...I am familiar with controls work, but I feel like it died out a bit...We rarely use [internal controls testing] in the U.K.” (24-U.K.*)

“The [Japanese] work hard and they’re very detail oriented. But they’re not focusing on the right things sometimes. They’ll spend a ton of hours doing something over here that doesn’t make sense and they will work themselves into job exhaustion to get it done, when they should be allocating some of that time to an area where the time is better spent. Part my role is asking those questions ‘did we step back and think about whether or not we need to do that [procedure we performed last year]? stepping back and taking your critical thinking towards ‘what are we doing’? ‘Do we need to do that?’” (18-Japan)

Although global audit methodologies and global documentation systems are intended to standardize the audit approach across network firms, differences are common across member firms:

“The [host] firm is still a member firm. It operates under the same branding. But at the same time, it’s a different firm. They have different systems, different culture, cultural issues, different policies, different status in the market... Our firm is still a Big4 firm. But in the U.S., we’re [one of the] best. Over there [in Asia], that’s not the case; the firm is very much smaller than some of our competitors and it’s in a very heavy growth phase. So, it’s just in a different [phase of] maturity, which changes the culture. It’s interesting, to operate in that environment - same firm, but very different.” (18-Japan)

Such differences amongst member firms are also present where similarities are perceived to be more prevalent. For example, the perception is that “at the surface, the U.K. and U.S. are well aligned culturally” (13-U.K.). However, in the U.K. and in Europe “auditing is a commodity” (multiple interviews). In such jurisdictions, local staff are tasked with more clients, including smaller, less prepared, and less knowledgeable companies, because local governments require all entities meeting minimum thresholds to obtain an audit. “Everything above €12m in revenue, 50 employees or more, or €6m in assets; if you meet two out of three criteria, you need a statutory audit” (21-Netherlands*). In such cases, fees are typically

low, and budgets limited. The profession as a whole is perceived to be less prestigious in some of these environments (e.g., “top talent isn’t even considering the Big 4” (05-Brazil/Chile)), and audit salaries are often depressed (e.g., 25 to 30 percent of U.S. salaries (11-U.K.)). Under such conditions, a high demand for “commercial generalists” exists (i.e., those with a general audit focus/background (07-U.K.)). Some firms address this demand by hiring student levers, who are ultimately trained to adopt an audit approach (e.g., planned audit procedures, auditor “mindset”, and audit documentation) that meets *local* standards.¹⁶ It is from this baseline that secondees build bridges to promote audit quality on U.S. clients that is commensurate with U.S. regulator expectations:

“The standard is different. The job is different. You didn’t even have to go to college to become an accountant. There are different requirements and the job is thought of differently in the U.K. [Accounting] is more like being a lawyer in the U.S., it is a career in the U.S. You have to explain that to people in the U.K. The U.K. thinks the U.S. does too much (i.e., over audits). It’s different worlds – different thoughts. You (as an expat) are in this role, where you are explaining what has to be done, e.g., you can get sued for this - it’s not the same litigious environment. Interpreting for people. Telling the U.K. that the auditors in the U.S. aren’t just crazy wanting extensive testing and documentation. Telling the U.S. not everyone in the U.K. is stupid – what is required of them is less.” (07-U.K.)

Differences such as these highlight the importance of secondees in transferring the necessary knowledge to ensure the quality of U.S. audit work performed abroad.

For non-U.S. secondees, the intention of their time in the U.S. is often to transfer knowledge of PCAOB/SEC standards and U.S. approach back to the home office. However, secondments are not risk free to the home firm. Specifically, when a secondee chooses to localize (versus repatriate), the home firm does not reap the intended benefit of sending personnel abroad; namely, to enhance audit quality by gaining an “at home” firm resource with first-hand knowledge of the U.S. regulatory context and standards. While most localized secondees stated that their home office (partner) “was *not* happy” with the decision to

¹⁶ Student levers are young adults (i.e., 18-19 years old) who join the firm out of high school and complete college while working towards their chartered accountant or equivalent licensure. Our data suggest that student levers can progress up through manager but are not provided a path to partner. U.S. secondees express distaste that the apprenticeship model begins when individuals are younger and less mature, as compared to the U.S. where audit apprenticeships begin after college (Westermann, Bedard, and Earley 2015). One senior explains how difficult it was to manage engagement quality as a result: “you have people that you’re trying to explain depreciation and amortization or debits and credits to... it’s very hard as a senior when your [staff] have never taken an accounting class” (14-U.K.).

localize, they did not see it as a total loss if the secondee remained in the network, serving as a potential source of knowledge to be leveraged in the future e.g., “the partner is strategic and knows the relationship shouldn’t break. The world is small... he knows we will meet again one day, maybe as a client, who knows?” (09-Singapore*).

In addition to transferring knowledge about standards and audit approach, several secondees from smaller firms suggest that the technology of member firms lags, at times significantly. In such cases, secondees found themselves in the unanticipated role of bridging technology gaps: “The technology was of a caliber that I couldn’t even fathom for [the U.K.]. I think of [City] as very advanced, international... [but] it was painful. For example, you couldn’t rotate pages in PDF or make text boxes - we’re talking [technology] literally from 15 years ago” (12-U.K.); “We went from the equivalent of an iPhone 10 back to a 2005 RAZR phone from a pure technology perspective” (13-U.K.).

Secondees also recall “bridging the gap” between interoffice instructions and component audit teams’ understanding of work procedures. The following lengthy quote illustrates one secondee’s view about the risk of language translation and the importance of his role in mitigating such risks to ensure audit quality:

“If you can imagine a 40, 50, 60 page set of instructions from a group [audit] team to a component team... especially in countries where English is not the primary business language. This job is hard enough as it is. Think of the language you studied in only high school, say, French. Can you imagine having to read through a set of French audit instructions and all of the complexities associated with performing an audit, let alone a global audit, [and] having to coordinate with people who only speak French? Wouldn’t it be great if you had somebody from France sitting next to you reading those instructions [and] providing guidance? ...

From an audit perspective, there is a lot of risk in doing these global audits. There’s a lot of things that get a get lost in translation or things that you don’t see going on in your components... To demonstrate that you have adequate oversight of a team who doesn’t speak English or speaks very poorly. Can you imagine being able to do your duties [correctly] under [foreign] auditing standards? Not having somebody there to help. There are certain locations where that might not be an issue. In a lot of countries their working language may be English, but in locations like Japan or China. That’s not the case... You wouldn’t believe some of the stuff that you catch, just reading through audit documentation or having discussions. The culture of ‘you have to ask a question five times ... in five different ways to get to the real answer’. So those types of things and having people there whose [job is] to pull stuff to completion and making sure that it’s done the right way.” (18-Japan)

Finally, several secondees recount transferring knowledge related to PCAOB inspections, helping their counterparts prepare for, undergo, and remediate PCAOB inspection (findings) (see Westermann, Cohen,

and Trompeter 2019): “I was directly helping member firms from Norway to South Africa prepare for their PCAOB inspections internationally, to execute those inspections. And then, most importantly, help remediate both the findings at the engagement level as well as the system [level] of audit quality control” (04-Germany). When probed why the U.S. firm would assist non-U.S. member firms (e.g., foreign issuers or component auditor engagement teams) with PCAOB inspections, one practice leader suggested two primary reasons. First, assisting member firms is regarded as “being a good corporate citizen, not because it there is a requirement, but because it’s helping [the member firm] with a need.” Second, assisting with PCAOB inspections is beneficial to the U.S. partner and engagement team at the issuer level: “If the PCAOB inspects one of my [component] engagement teams outside the U.S. and something went wrong that would impact me and my client here in the U.S.”¹⁷

The fourth way secondees perceive their roles to benefit audit quality is by building their global mindset. Across secondments of all ranks, durations, and locations, secondees express one of the most valuable aspects of secondment is the international immersion and resulting worldview that is gained: “You have to grow and adapt so much, figure out how to get things done, be more analytical, be more secure with yourself. Those are the intangibles that you get by working overseas” (01-Austria). A different secondnee reflects on how important it is “to understand where people are coming from”:

“I think the biggest thing of any secondnee, anywhere, is recognizing or having a level of emotional intelligence to recognize that ... when you’re in somebody else’s temple, don’t bring your own Bible. If you do, do that very gently and be curious and really be open. People that come in with an attitude of ‘I’m better because I come from [the U.S.]’ you will definitely not do well in [the U.K.] environment. You’ll absolutely be told, ‘those Americans are stupid’. That was literally a frequent phrase that would come around. To be able to be effective in your job, you need to understand where people are coming from. [Understanding people] is really an art.” (03-U.K.)

The “art” of truly understanding others necessarily involves walking in their shoes, moving to, living in, and working in the same environment, which prior literature suggests will reduce ethnocentric tendencies (e.g., Cramton and Hinds 2005). Notably, secondees suggest that adopting a truly global perspective reaps,

¹⁷ In the case of an inspection finding identified on a component audit performed outside the U.S., the finding itself is reported on the international firm’s inspection report. However, the partner leading the group audit would likely need to discuss this finding with members of management and the board of directors, assessing its impact to the overall audit and audited financial statements.

sometimes substantial, benefits. For example, mirroring findings from Downey and Westermann (2021), one partner suggests that his ability to assess the quality of work as an engagement quality reviewer (EQR) is more “in tune” because of his prior international experience:

“I would delve right into the international reporting packages. I could find all the holes and where the problems were just by looking at the international packages, because I knew where the international auditors would try to, I wouldn’t say hide things, but they wouldn’t put a bright light on things they should... You can tell from the international package, by the way they answer questions to questionnaires, whether they’re really focused on the audit or just trying to check boxes...I tell the partners, even as EQR, I want to go with you on an international tour. It’s because I knew what to ask [for] and what to look at. [Secondment] changes the mindset of the person on the other side... Because what I found was the partners that came over to the Austrian firm and look the Austrians in the eye and challenged what they were doing and showed an interest in the detail, got way higher quality of work. And they also got insights ... nobody lies to you ...if you ask [them] face-to-face.” (02-Austria)

As previously indicated, secondees perceive that their role instills credibility and trust with clients, member firms and cross-border colleagues. Secondees also relay that having global experience makes conversations more fluid e.g., “it’s always easier to talk to someone who has ‘been there, done that’” (01-Austria); “I am the person who knows how it works in the [U.S.] office. You speak the same language by having been there.” (09-Singapore*). But for some, the adoption of a global mindset appears to have led to a more fundamental shift in identity e.g., “To be honest, I was pretty German in the beginning, but now [after two years of living in the U.S.], it’s all gone” (23-Germany*).

Finally, our collective data suggests that the single most important benefit – for the individual, for the firm, and ultimately for audit quality – are the personal/professional relationships fostered and the networks built during secondment. Secondees report that relationships create efficiency while abroad and upon repatriation e.g., “knowing who to escalate an issue with helps expedite and focus our audit questions or investigation of certain audit areas” (19-Switzerland); “having that network allowed me to basically get the engagement staffed in five minutes” (03-U.K.); “you look more efficient because you know exactly what [the other party really] wants” (21-Netherlands*). In addition to gaining efficiency, secondees perceive that their international colleagues are more forthright and attentive when working with “known” and/or “connected” individuals: “When an issue comes up now, I have so many colleagues overseas. I don’t go through the normal routes within the firm. I pick up the phone and I go, ‘I know this person’ and they do

things for me that they probably wouldn't do otherwise if they didn't know the person on the other end of the phone" (01-Austria). These relationships go even further and secondees serve to "connect" and "introduce" individuals, offices, and member firms around the world:

"The best thing that came out of my expat rotation was, not only did I get introduced to individuals across largely the U.K. and Western Europe, but also at the world, because I went to a variety of conferences and they say, 'hey, these are the expats and we all know them and they work with us.' But also, my domestic network [became] pretty impressive because I would be dealing with partners in Dallas, Chicago, Seattle, L.A., Washington, just by virtue of the international engagement. So, I really built up a strong network. And often when it came to subject matter experts, I would say, 'hey, I'm [name], we may or may not have met, but I'm one of the expats sitting in [the U.K.] and I'm supporting X, Y, Z partner...' So often that email would not go ignored. Let's say that." (10-U.K.)

By remaining within the global firm network, non-U.S. secondees who localize serve as a contact (e.g., "I want to be a valuable person to [my home firm] even if I didn't return" (20-Taiwan*)) and may use their new network to recruit U.S. secondees to go abroad to one's home office, effectively "filling" the resource "hole" left by their departure (06-U.K.*).

Based on the collective analysis above, it is apparent that the individual, engagement teams, home and host member firms differentially reap benefits from secondment. Most respondents perceive that their role as a secondee improves the quality of audits of U.S. issuers and their international subsidiaries. However, some non-U.S. secondees elect to localize instead of repatriate, in which case the intended long-term audit quality gains by the home firm are minimized. Although, two non-U.S. secondees spent a portion of their secondment focusing on home country clients (i.e., U.S. subsidiaries of locally listed companies), our data highlight the use of both U.S. and non-U.S. secondees as a strategy to exert control over U.S. audits to ensure sufficient quality, in the absence of (or in addition to) a system of global quality control. We suggest that this is likely due to the position of U.S. firms within the network, the number of global clients listed in the U.S., stringent auditing standards, and related reputation and liability concerns. Finally, while our data suggests that each party receives the most benefit while the secondee is on tour, that there can be additional benefits upon repatriation, should the secondee be leveraged for their international experience.

Repatriation

Nearly all secondees noted that the expectation of their home firm was that they would repatriate at the end of the secondment contract. Of the eighteen U.S. secondees we interview, six completed their contractual obligation on time, eight extended, three withdrew (i.e., returned home early) and one remains on tour at the time of this writing. Except for two individuals who transferred to a different jurisdiction (i.e., back-to-back secondments), all U.S. secondees repatriated back to the U.S. Of the nine non-U.S. secondees we interview, two remain on tour at the time of this writing and one repatriated after extending her contract. Six did not repatriate or only repatriated temporarily; instead, these individuals “localized”, deciding to transfer permanently to the U.S. host office.¹⁸ Our data suggests that repatriation experiences (e.g., client assignments) and the decision about when to repatriate (on-time, early, extend, not at all) differs for each secondee based on personal preference, professional goals, and available opportunities.

“During my on boarding seminar training described phases to expect of secondment: (1) High (2) Low (3) Stabilize (4) Really Low. Repatriation is the worst because you are withdrawing from this drug of being able to travel and having autonomy.” (23-Singapore)

For those that choose to repatriate, this partner captures the sentiment of several U.S. secondees who suggest that, in the span of a day (i.e., a flight home), a secondee can go from being a high-profile autonomous expert to being invisible: “Overseas I was the expert... Coming back to the U.S., and I am just another cog in the wheel... You have to prove yourself again...I’m starting from zero in terms of earning people’s trust and confidence in my abilities. It took a long time to repair” (05-Brazil/Chile); “I was very important in Japan. I was a problem solver. I come back to the U.S. and I’m nothing special. I’m an average partner...it’s hard. I didn’t have anybody clamoring for me, wanting me. [Instead] when I got back [there was] nothing... Not even a welcome back e-mail” (16-Japan).

Adding to the pain of withdrawal, several secondees suggest that aside from being promoted, their experience was simply not valued e.g., “the market values the experience more than the decision makers

¹⁸ Prior literature on expatriates documents a high failure rate (defined as early withdrawal) in MNCs (Kraimer et al. 2015). Based on our data, we cannot extrapolate how common it is for secondees in the public accounting context to complete on time, extend, localize, or withdrawal from their secondment assignment. For example, six out of nine non-U.S. secondee interviewees localized, which would suggest high localization rates. Yet, we know that not having a CPA license is prohibitive to permanently relocating to the U.S. (i.e., as firms will not promote personnel in the U.S. without it) and therefore we infer that many non-U.S. secondees do ultimately repatriate to their home country.

[at the firm] do” (05-Brazil/Chile);” “I’d rather take a receptionist job on a client going public and get the IPO money” (01-Austria)) nor was it fully leveraged upon repatriation; both sentiments that resonate with prior I-O literature on repatriation (Alder 1981; Gomez-Mejía and Balkin 1987; Tung 1998; Stroh et. al 1998; Suutari and Brewester 2003). Instead of thoughtfully mapping these new skillsets to clients, more experienced individuals noted that it was often internal politics that dictated their fate:

“[When I repatriated,] the partners in [home office] didn’t say, ‘Oh, here are my best clients. [Partner] is coming back...’ I got lucky that one of the partners was moving into a different role and gave me a nice international client. Everything else I had was garbage. It took me five years to get a decent client base. So, if the [firm] came to the [local office] partners and said we need to help [Partner]. [Then, the local partner] needs to cough up a couple of clients. You would go to your lowest realization, most painful client and say, ‘Yeah, I can give this one up.’” (02-Austria)

“I didn’t have a single client waiting for me when I got back. Not a single one. It was heartbreaking... Building back out my book of business was painful at best because it was mainly ... the worst staffed jobs, the rush jobs, the messy ones, the very, very challenging ones.” (12-U.K.)

However, consistent with Downey and Westermann (2021), although the firm failed to leverage these secondees in a meaningful way, individuals themselves *do* leverage their newfound understanding (e.g., utilizing more work from the statutory audit, performing more detailed reviews of component audit work, preparing more detailed documentation) in part because repatriated secondees “care more... I can’t unknow what I now know about how teams work...” (09-Singapore*). Notably, not all secondees experienced the perils of bureaucracy. For example, one manager recalls that a specific client role predicated on her international experience was precisely the reason for her return: “The large global ‘top tier client’ I was on [in the U.K.] was moving to [home office city]. The firm didn’t have anyone in the U.S. with legacy experience [related to the acquiring entity], so the firm started to ‘woo me’ to come back” (07-U.K.).

In contrast to those who repatriate back to their home office (firm), a number of non-U.S. secondees we interview elected to localize. Due to a persistent resource shortage in public accounting (Nouri and Parker 2020), it is unsurprising that the U.S. firm hires high performing international secondees as permanent transfers. However, it is likely that the U.S. firm does not want to be viewed as poaching resources and therefore encourages the secondee to have that “difficult conversation” with their home office partner. Thus, in contrast to initial secondment negotiations that take place “behind closed doors” without

secondee involvement, localization discussions are directly between the home firm and the secondee e.g., “the decision must come directly from *you*” (20-Taiwan*; *original emphasis*). In one case where the secondee decided to localize, the secondee’s home firm invoked a claw-back provision which required her to pay back a portion of the cost back to her local firm (i.e., the secondee is obligated to pay back roughly 100, 50, or 25 percent respectively if they leave the firm within six months, a year, or eighteen months of repatriating). However, the penalty was not a big enough deterrent to keep her at home because “the U.S. firm gave me a large enough signing bonus to cover the cost” (09-Singapore*).

Aside from the contractual claw-back provision, one secondee suggests that otherwise the secondment is “pretty much risk-free”. “If this secondment thing goes horribly wrong, we either have two years of misery and have to put up with it in the [West Coast] sunshine or we can pack up and go home early ... If it goes up in flames, then I haven’t really lost all that much. And that is quite freeing at times” (20-Ireland*). Unfortunately for two secondees on tour together, they indeed felt their secondment had “gone up in flames” and reluctantly abandoned their tour:

“It was very clear within the first two to three weeks that ... the secondment was going to be a very, very challenging experience to get through ... we got there and there was no turning back. We gave it six months and ... it was not going well. We signed up for a two-year contract, but we did not sign up for this.” (13-U.K.)

“I felt like we had so much more to offer. We had so many views on project management and staffing efficiencies [etc.] that we felt we could impart some wisdom from having seen it on our side. But the firm in [the U.K.] at that time was unfortunately [saying] ... ‘we just need you guys to grind’. And that’s when we said ‘the grind isn’t worth it. We’re not growing.’ I’d rather go back and do a busy season in the States and grow and learn. So [the break-up] wasn’t fun. Our firm, obviously, wasn’t super happy either. But, they can’t really complain because the roles were not articulated in the way that they ended up being when we actually got there.” (12-U.K.)

The Future of Secondments

Our collective data suggests that secondments add substantial value to individuals, offices, and firms. So, while secondees overwhelmingly tout the benefits to audit quality that increased physical proximity affords, several secondees “have heard” that their firms are reassessing secondments due to cost, current technological capabilities, diplomatic tensions around the regulation of global business (e.g., reduced access to visas), and self-sufficiency of other member-firms:

“[Secondments] were in greater number going back to 2000, 2010, 2015 timeframe... they were generally large client driven. I think there are less [secondments now], quite frankly, [because of] cost. It’s very expensive... We’ve become so technology dependent [that] you could instant message the component partner on [any engagement]. ... Are we really getting the ‘bang for the buck’ of sending someone internationally for three years with their families, international schools, all the things that get paid for? When it’s just as quick to get it done now ... with technology to oversee the component almost real time, as opposed to sending someone like me over there to be this point person... [Also] we tend to structure our engagement team the way the client structures itself... If these big global clients aren’t on an ERP system globally, they’re trying to get there. So once [your client] gets to the ‘holy grail’ of one instance of SAP, you can audit from anywhere.” (04-Germany)

Our analysis supports this partner’s view – suggesting that long-term strategic secondment programs are indeed costly for participating firms, given that the home and/or host firms foot the bill for a substantial number of logistical and maintenance costs. Some secondees suggest that the financial obligation is so great that the cost is prohibitive for less sophisticated member firms, who likely need the assistance the most. In addition to the financial burden, the home firm relinquishes a high performing resource for a fixed period, or in some cases, permanently (i.e., secondees who choose to localize).

Given such costs, one seconded speculates there may be a post COVID-19 shift towards structuring secondments differently (“we are not going to do this whole year long or multi-year secondment with huge costs to the firm... [instead] we’re just going to put you on as a new local hire and give you some perks” (17-Chile)). But as one partner bluntly points out, “it is short sighted to focus on the cost of secondments. Doing poor quality audits and the cost of failing an inspection or the cost of having a restatement is far more than what it would be if you have somebody in this role” (27-Singapore). Consistent with emerging research on the effects of COVID-19 on auditing (e.g., Luo and Malsch 2021), one practice leader states frankly that secondments aren’t going anywhere because some things just can’t be done virtually:

“As it relates to where our secondments going in the future, I don’t see there being a dramatic change. Yes, we can do things virtual. Yes, you can have the connectivity, but it doesn’t replace the experience of someone physically moving, living and breathing in the country that they’re going to - whether it’s 18 months or three years. You can’t replace *that* with this virtual.”

V. Conclusion

This study examines longer-term international rotations within GNFs and how secondees are leveraged as a quality control mechanism, facilitating U.S. audit quality. While limited information on public accounting secondments is available, PwC (2017) and EY (2021) report heavily investing in international

rotations, deploying a non-trivial number of professionals across short-term position filling or longer-term developmental and strategic assignments. While we do not study short-term position filling tours, our collective data suggest that developmental and strategic secondments are a costly but worthwhile investment resulting in benefits for the individual, engagement team, member firm(s), and global entity. Secondments are deployed, in part, to meet PCAOB standards (e.g., outbound secondees from the U.S. help firms satisfy the PCAOB’s supervision and review standard, inbound secondees to the U.S. gain knowledge of U.S. specific requirements to take home). In addition, the secondee represents “boots on the ground” essentially reducing the physical distance created by geography and allowing the timely transfer of knowledge. Finally, secondments are an immersive experience that enable the secondee to truly develop a “global mindset” for which they nurture international relationships and networks.

From a theoretical perspective, our results are consistent with the use of secondments as an intentional strategy to facilitate organization development and control. As secondments are structured between member-firms, it is evident that secondees primarily benefit the audit quality of the involved member firms (i.e., operating as a firm level control and not as a global control mechanism). Specifically, we find that many U.S. secondees serve as a direct extension of the U.S. member firm; thus, are perceived to have a more immediate impact on U.S. audit quality while on tour. In contrast, we find that non-U.S. secondees are often treated as an experienced resource while on tour; and are intended to impact the audit quality of one’s home firm upon repatriation. However, most non-U.S. secondees we interview ultimately choose to localize, and therefore we infer that the home firm does not secure the intended benefit of their investment.

Our work should be of value to standard setters, academics, and to practice. PCAOB inspections of firm quality controls highlight controls over work involving non-U.S. member firms as a key area of inspection focus and deficiencies (Aobdia 2020). This study provides initial evidence of how the practice of international rotations assists in bridging the gaps between GNF member firms to ensure compliance with U.S. standards, offering a potential solution to repeated regulatory attention and evidence of potential deleterious effects related to work performed across member firms. In addition, this study extends prior I-O and auditing literatures by evidencing how secondments operate as a control when enacted by members

(or units) within a global organization, as opposed to the global entity itself. Finally, we inform practice about ways in which secondees can be more fully leveraged while on tour and upon repatriation.

There are limitations in our work that present opportunities for future research. First, we have conducted interviews with only those individuals who remain within their firm network after the end of the secondment; however prior literature on multinational firms suggests that repatriation failure rates are high (Black et al. 1991). Future research may seek out “failed” secondments and examine how often and why secondments fail in the public accounting firm context. Second, we focus our analysis on longer-term developmental and strategic secondments where secondees are either outbound from or inbound to the U.S. Future research may explore the effects of position filling (i.e., “busy season swaps”) and/or internship tours on individual, engagement, and firm outcomes (e.g., recruitment and retention rates, audit quality). Future research may also investigate the secondment practices between non-U.S. member firms. Third, our research is secondee-centric in that we neglect to discuss the experience of other important stakeholders such as the secondee’s family or the sponsoring member firm (sponsoring partner). Audit quality concerns and improvements are in the eyes of the secondee and not from the home and host firms themselves (i.e., firm leadership). Future research may explore the perspectives of home and host firms about the costs and benefits to secondments. Finally, our research involves interviewees recollecting experiences from their past and is therefore subject to recall bias (e.g., salient experiences). Future research may take a case study approach, longitudinally following one or more individuals or expatriate cohorts during their tour.

Table 1: Respondent Demographics

Respondent ID	Gender	Firm Type	Rank	Months Abroad
01-Austria	M	Big 4	Senior	36
02-Austira	M	Big 4	Partner	48
03-U.K.	F	Big 4	Manager	24
04-Germany	M	Big 4	Partner	36
05-Brazil/Chile	M	Big 4	Manager	42, Permanent
06-U.K.*	M	Other GNF	Senior	Permanent
07-U.K.	F	Other GNF	Manager	43
08-U.K.	F	Big 4	Manager	24
09-Singapore*	F	Big 4	Senior	24, Permanent
10-U.K.	M	Other GNF	Sr. Manager	33
11-China	M	Other GNF	Manager	30
12-U.K.	F	AAN	Sr. Manager	13
13-U.K.	M	AAN	Sr. Manager	13
14-U.K.	M	Other GNF	Senior	12
15-Singapore*	M	Big 4	Senior	12
16-Japan	M	Big 4	Sr. Manager	84
17-Chile	M	Big 4	Sr. Manager	26
18-Japan	M	Big 4	Sr. Manager	20
19-Switzerland	M	Big 4	Manager	56
20-Taiwan*	F	Big 4	Senior	Permanent
21-Netherlands*	M	Other GNF	Manager	Permanent
22-U.K.	M	Other GNF	Manager	Permanent
23-Germany*	F	Other GNF	Senior	Permanent
24-U.K.*	F	Other GNF	Sr. Manager	19
25-Japan*	M	Other GNF	Sr. Manager	TBD
26-Ireland*	M	Other GNF	Director	TBD
27-Singapore	M	Big 4	Partner	TBD

Notes: This table presents descriptive statistics pertaining to the interview respondents included in this study. Although several interviewees completed more than one secondment, the interviewees are listed chronologically by their most recent secondment completion date. Respondents 01 and 02 completed their tour in the mid-1990s and respondent 03 completed his tour in the early 2010s. All remaining respondents completed their tour after 2015. Individuals with an asterisk denote an international secondee that is inbound to the U.S. from his/her home country. All other individuals are U.S. secondees serving tours abroad. Big 4 firm refers to the following global firms: Deloitte, EY, KPMG, and PwC; other GNF refers to a non-Big 4, globally networked firm; AAN refers to small firm associations, alliances and networks. Rank denotes the secondees' rank at the *beginning* of the tour as characterized by the *host* office (e.g., some secondees incurred rank adjustments upon arrival to their host firm). "Permanent" indicates that the secondee ultimately localized abroad and "TBD" indicates a secondee is on tour at the time of this writing.

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Appendix A: Interview Questions

1. Tell us about the recruitment and selection process you underwent.
2. Describe your (your family's) transition and adjustment from your home firm (country) to your host firm (country).
3. Describe your role(s) and responsibilities on secondment.
4. Describe your (your family's) repatriation experience. In what ways did you leverage your secondment experiences once you repatriated?
5. Looking back on your overall experience, how do you perceive audit quality is affected by secondments?