Role of Auditor Experience in Reporting (Non) Discrimination - A Cluster Analysis Approach

Balaji Soundararajan
Lori Rothenberg
Wilson College of Textiles, NC State University

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Introduction

Audits as a tool have been developed to serve multiple needs and they are looked upon to provide mechanisms for verification, reporting and enforcement of codes, laws, and statutes (Power, 1997; Bartley, 2005; Short et al., 2016). Numerous studies such as Lindholm et al (2016) studied the effect of code of conduct audits on chemical safety in garment factories. Similarly, Yu (2008) studied impacts of corporate codes of conduct on labor standards. In this study, we examine how (Non)Discrimination issues are reported in the social compliance audits (SCAs) of a major apparel corporation. Using cluster analysis, we first examine the different types of peer groups of auditors in an organization. We then examine the frequencies withing the groups on how they have reported Non (Discrimination) issues. By comparing the results between the two classes of variables, we seek to determine the effect of auditor bias while reporting (Non)Discrimination issues. Our paper addresses the following research questions:

1) What different peer groups exist within an auditing organization?
2) How does bias among peer groups affects the reporting of (Non)Discrimination issues in SCAs?

Data Description & Analysis

The raw dataset was subject to pretreatment in order to remove potential confounders. The treated data set comprised of 14412 Assessments or SCAs by 79 auditors in 4320 factories across 54 countries. Our dataset for analysis consisted of 11 variables *(Nassessments, Nfactories, Nbrands, Ncountry, Nviolation, Dassessment, Dfactories, Dbrands, Dcountry, Dviolation, first_assessment_date)* for each auditor in the organization. JMP Pro 15 software was used for analysis. We use two K-means clustering models to understand the various peer groups present in the auditing organization. In the first model, the clusters of auditors across all violations reported were examined. In the second model, the auditors were clustered based on their auditing experience related to (Non) Discrimination issue only. Cubic Clustering Criterion (CCC) were used to determine the optimal number of clusters.

Nassessments, Nfactories, Nbrands, Ncountry, Nviolation and first_assessment_date was used as variables for model 1. While *Dassessment, Dfactories, Dbrands, Dcountry, Dviolation, first_assessment_date* was used as variables for model 2. Due to brevity, we discuss only the results of model 2. On examining the results, we observed the auditors were placed into 4 homogenous clusters. We called them New Auditors, Mid-career auditors, Specialized regional auditors, and Global auditors. The cluster means and attributes are shown in the tables below:

Cluster Number	Cluster Name	*(Non) Discrimination Violations per assessment*	*(Non) Discrimination Violations per factory*	*(Non) Discrimination Violations per brand*	*(Non) Discrimination Violations per country*
1	New Auditors	0.2278	0.2479	0.6767	1.6667
2	Mid – career auditors	0.0568	0.0712	0.3227	0.7717
3	Specialized Regional auditors	0.0287	0.0382	0.2574	1.4719
4	Global auditors	0.0196	0.0313	0.1688	0.2653

Table 8: (Non) Discrimination violation rates reported by auditors.

Results

Among the peer groups, New Auditors identify more (Non) Discrimination Violations per Assessment, Violations per Factory, Violations per Brand and Violations per Country than others. Mid-career auditors identify the second highest (Non) Discrimination Violations per Assessment, Violations per Factory and Violations per Brand. Specialized Regional Auditors perform the third highest in all (Non) Discrimination violation identification categories, but due to the smaller number of countries they have traveled, they perform better in identifying the number of Violations per Country. Global auditors have the least (Non) Discrimination violation reporting rates in all categories.

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