

A Middle Ground Philosophical Perspective for Forensic Accounting Research

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Citation:

AWOLOWO, Francis and ABIDOYE, Adenike (2025). A Middle Ground Philosophical Perspective for Forensic Accounting Research. Journal of Forensic Accounting Research, 1-20. [Article]

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A Middle Ground Philosophical Perspective for Forensic Accounting Research

Abstract

This paper explores the evolving philosophical perspectives in forensic accounting research, focusing on neo-empiricism as a middle ground between positivism's objectivity and critical theory's subjectivity. While traditional positivist approaches in accounting emphasise scientific rigour and measurable outcomes, they often overlook the subjective experiences that drive human behaviour, particularly in the context of organisational fraud. By adopting qualitative methods, neo-empiricism allows researchers to explore the socio-behavioural dimensions of fraud while maintaining objectivity. This interpretive framework offers deeper insights into the motivations behind fraudulent actions, enriching the understanding of organisational dynamics. The paper argues that adopting a more diversified approach to research can provide a more comprehensive understanding of fraud and improve practical interventions. By examining the interplay between theory and practice, this paper advocates for integrating neo-empiricism into forensic accounting research to bridge the gap between traditional scientific methods and the complexities of human behaviour in organisational settings.

I. INTRODUCTION

The social sciences encompass various disciplines, including sociology, psychology, education, economics, management, and organisational studies. Different philosophical approaches have long influenced these disciplines, evolving alongside societal changes. Since the mid-20th century, much of social science research has adopted a structure-driven, scientific approach that mirrors methodologies from the natural sciences (Arseneault et al., 2021). This shift has often been accompanied by a belief in objectivity as the cornerstone for determining truth and legitimacy in social science research (Weatherbee, 2015). This scientific orientation has also significantly impacted management and organisational practices research, shaping knowledge development in these fields (Gill, Johnson, & Clark, 2010; Johnson & Duberley, 2000; Symon, Cassell, & Johnson, 2018).

Over time, management and organisational studies research has diversified its philosophical underpinnings, moving beyond the rigid, positivist paradigms that initially dominated (Gill et al., 2010; Symon et al., 2018; Lawrence, 1999). The interconnectedness of various subfields within management and organisational studies allows for exploring socio-economic and socio-behavioural issues from multiple theoretical perspectives. This diversity is critical because it provides the flexibility to effectively apply research findings to real-world organisational challenges (Johnson & Duberley, 2000). From this vantage point, we, as accounting and finance professionals, have gained valuable insight into the complex socio-economic dynamics shaping organisational practices and their wider societal impact (Williams, Jenkins, & Ingraham, 2006; Locke & Lowe, 2008; Power, 2003).

Our experience suggests that expanding the scope of knowledge in organisational research allows practitioners such as corporate leaders, regulators, and accountants to apply academic research in practical settings more effectively. By embracing a broader array of theoretical orientations, professionals can address their multifaceted challenges more effectively.

Although accounting has existed for centuries, its development in the modern era has been heavily influenced by a scientific approach, particularly in auditing and forensic accounting (Matthews, 1999; McAuley et al., 2014; DiGabriele & Huber, 2015). This scientific orientation has strongly emphasised objectivity, measurable outcomes, and structural analysis, which has shaped the discipline's research methodologies. One of the key ethical standards within the profession is "objectivity," which underscores the commitment to unbiased and impartial decision-making (IESBA, 2018; AICPA, 2014). This commitment to objectivity reflects a broader tendency to apply the same principles of structure and order found in the natural sciences to accounting practices.

Organisational fraud represents a significant and evolving socio-economic dilemma. As fraud grows in complexity and scale, particularly in the corporate world, its impact on society continues to escalate. This global issue requires a flexible research approach that acknowledges the dynamic nature of social and organisational systems. Unlike natural sciences, which often rely on rigid, objective methodologies, research into social phenomena like organisational fraud must account for the complex and ever-changing social, technological, and economic contexts in which these issues arise. Auditing, for instance, is central to holding organisations accountable to stakeholders, including shareholders and the general public (U.S. Securities and Exchange Commission, 2021; Stanford Law School, 2024). This tripartite relationship of organisation, auditors, and stakeholders has been widely analysed using agency theory (Jensen & Meckling, 1976).

Given the complexity of organisational fraud, research must extend beyond traditional frameworks to capture its socio-behavioural dimensions. The ACFE's 2024 Report to the Nations underscores this urgency: organisations lose an estimated 5% of annual revenue to fraud, with documented losses exceeding US \$3.1 billion. While asset misappropriation is most common (89% of cases), financial statement fraud, though less frequent, inflicts the greatest harm, with a median loss of US \$766,000 per case (ACFE, 2024). The AICPA's Business Fraud Risk Framework reinforces this complexity, showing that schemes span every organisational layer, from boards and management to employees, vendors, and external parties, and include embezzlement, kickbacks, billing fraud, cybercrime, and financial statement manipulation (AICPA, 2020). These findings demonstrate that fraud is not an isolated accounting issue but a multifaceted socio-economic phenomenon requiring research approaches, such as neo-empiricism, that combine empirical rigour with sensitivity to human behaviour.

Grounded theory is especially valuable in this regard, as it enables theory to emerge inductively from data rather than being imposed a priori. Strauss and Corbin (1998) define it as a systematic

procedure for linking data analysis to theory development, while Kesseba et al. (2018) emphasise its capacity to build understanding directly from participants' lived experiences. In doing so, grounded theory addresses the subjective dimensions of fraud while preserving methodological rigour. Neo-empiricism builds upon this foundation by offering the broader philosophical justification for why inductive, qualitative inquiry, including grounded theory, can still yield objective and reliable knowledge. Thus, the two should be seen as complementary: grounded theory provides the methodological pathway, while neo-empiricism provides the epistemological rationale for moving beyond traditional frameworks to study the socio-behavioural realities of fraud (Phil et al., 2006; Kamil, 2011; Kesseba et al., 2018).

This paper reviews existing literature in accounting, auditing, forensic accounting, and organisational fraud, focusing on how these issues are traditionally presented within the dominant theoretical frameworks. It also explores emerging alternatives to these dominant perspectives. In particular, the paper examines how neo-empiricism, a framework that combines qualitative methods with empirical evidence, can offer a middle ground between the objectivity of positivist methodologies and the subjectivity of critical theory. By offering a more nuanced understanding of organisational fraud, neo-empiricism challenges traditional approaches' limitations while recognising the importance of diverse perspectives in explaining this complex phenomenon.

Neo-empiricism allows researchers to collect and analyse empirical data using qualitative methods, providing a deeper understanding of socio-behavioural phenomena. This interpretive framework offers a more flexible and contextually relevant approach to studying organisational fraud, often influenced by various factors, from individual behaviours to broader societal shifts. While acknowledging the validity of positivist approaches, we argue that neo-empiricism provides valuable insights into fraud's less quantifiable yet equally important dimensions.

The key terms central to this paper, organisational fraud, neo-empiricism, and positivist allegiance, are defined to ensure clarity in the discussion. Organisational fraud is the deliberate manipulation of financial data or other organisational activities for personal or corporate gain (ACFE, 2024). Neo-empiricism is introduced as a perspective that uses qualitative methods to gather empirical evidence and produce insights into socio-behavioural issues (Gill et al., 2010). In contrast, positivist allegiance refers to the commitment to methodologies derived from the natural sciences, which prioritise objectivity, measurement, and causality (Gill et al., 2010).

By examining these three perspectives, we aim to highlight the need for a diversified approach to researching organisational fraud. Acknowledging the value of different theoretical frameworks enables researchers to understand the multifaceted nature of fraud better and, ultimately, develop more effective solutions for addressing this pervasive socio-economic issue.

While much of the debate in accounting research has focused on the tension between positivism and interpretive traditions, it is equally important to recognise the role of critical theory, which situates fraud within wider structures of power, inequality, and ideology. Although developed in greater detail later in the paper, critical theory is introduced here to emphasise the full philosophical spectrum against which neo-empiricism is positioned as a middle ground.

Subsequent sections examine mainstream and emerging theoretical orientations in accounting, auditing, and forensic accounting. By analysing their contributions and limitations, this paper explores how diversified perspectives can enhance research quality and practical applications, ultimately enriching the field's relevance to real-world challenges.

II. MAINSTREAM AND EMERGING TRUTH IN ACCOUNTING, AUDITING, AND FORENSIC ACCOUNTING RESEARCH

Hamilton and Smith (2021) clearly demonstrated the reality of financial statement fraud and how senior management deliberately conceals fraudulent activities. Their study employed experiments to objectively assess this issue, with terms such as ‘evidence’, ‘predict’, ‘examine’, and ‘test’ signalling a positivist approach common in scientific and measurable research in accounting (Power, 2003). Their findings led to recommendations for fraud detection techniques and sensitivity training for auditors. However, their use of words like ‘insights’ and ‘understand’ suggests an interpretive stance, implying that a qualitative approach might have been more appropriate for understanding the socio-behavioural aspects of fraud, such as the mindset of organisational leaders.

Similarly, Kramer et al. (2017) studied stakeholder opinions regarding forensic accounting education using the same positivist approach. While consistent in their theoretical stance, this approach did not offer alternative perspectives or deeper insights into participants’ experiences, limiting the scope of knowledge derived from their research.

Lee and Welker (2019) conducted an experiment to predict how auditors detect falsehoods in client interviews. Their findings emphasised the need for auditors to be trained in interview techniques and detecting deception. However, their scientific approach limited the exploration of the more subjective aspects of these indicators, such as how auditors interpret unease, hesitation, or willingness to provide information. A more interpretive approach could have provided a richer understanding of these social dynamics (Johnson et al., 2006).

Dechow et al. (2011) tested the financial statements of US firms with enforcement actions by the SEC for manipulating financial reports to improve earnings. Their findings showed that financial fraud is more likely when companies face declining performance that threatens their

stock price. The authors' objectivist stance, though not explicitly stated, is evident through their detached tone and focus on the capital market implications of the issue, suggesting a neoliberal orientation. This underlying perspective framed their research in a way that assumed their view of the world and how knowledge is established would be shared by their readers.

Bonner et al. (1998) investigated the relationship between the type of financial statement fraud and legal actions taken against auditors of companies facing SEC enforcement. Their multivariate analysis found that auditors are often presumed negligent and face legal consequences when fraud is undetected, particularly when it involves misreported entries. The authors approached fraud as a social dilemma, but their objectivist perspective, though not explicitly stated, aligns with the dominant positivist philosophy in accounting and auditing research.

Christensen et al. (2016) surveyed auditors and investors in the US to determine common attributes of audit quality. Their findings revealed different expectations between auditors and investors on what constitutes high-quality audits. While the study employed a quantitative approach, the use of terms like 'understanding' and 'insights' in its analysis suggests a more qualitative perspective, which contradicts the scientific nature implied by the study's title. This highlights a potential misrepresentation of their theoretical position, where the study may have benefited from a more interpretive approach to explore deeper meanings from participants' perspectives (Johnson et al., 2006).

In summary, while many studies on fraud, auditing, and financial statements adopt a positivist approach, the occasional use of qualitative terms and a focus on understanding the subjective experiences of social actors point to the potential benefits of incorporating interpretive perspectives. These diverse approaches could enrich our understanding of organisational fraud

and its underlying behaviours, offering more comprehensive insights into this complex socio-economic issue.

The articles reviewed in Table I reveal that studies in accounting, auditing, and forensic accounting are often conducted with an implicit philosophical orientation, commonly seen as a ‘self-introduced’ stance by the authors. This dominant approach, as described by Power (2003, p. 380) as a blend of “the experimental psychology tradition and analytical economics,” portrays issues such as financial accountability, professional responsibility, and fraud as genuine social phenomena. In this framework, truth is seen as something that is discovered through rational, structured processes, with researchers remaining detached from the subjects of investigation (Johnson & Duberley, 2000).

[Insert Table I Here]

A notable trend is the regional prevalence of the positivist philosophy, as all the articles reviewed were conducted in the USA. This suggests that the USA continues to uphold the traditional view of truth as scientifically derived in accounting and its professional branches (Williams et al., 2006; Locke & Lowe, 2008). However, alternative philosophical perspectives in accounting research have started to gain attention (Lukka & Vinnari, 2014; Modell, 2010; Johnson et al., 2006; Laughlin, 1995).

Emerging Trends: Alternatives To Mainstream Knowledge

In line with the diversification of theoretical orientations in management and organisational research (Laughlin, 2007), the prevalence of positivism in accounting has faced increasing critique (Power, 2003; Awolowo, 2019). The accounting profession, encompassing auditing, forensic accounting, and other branches, interacts with various internal and external stakeholders, including banks, investors, clients, and regulatory authorities. This broad scope

makes the role of accountants inherently connected to a diverse range of actors and requires an approach that goes beyond mere objectivity.

Forensic accountants, for example, investigate suspected fraud within organisations, while auditors independently assess financial activities. Both roles carry a responsibility to “look beyond the numbers” and assess the reliability of financial data (Pentland, 1993), which involves a degree of subjectivity in how information is constructed, obtained, and interpreted (Mueller et al., 2015). Thus, to ensure that research is relevant and actionable in practice, there is a need to move beyond the prevailing positivist paradigm and incorporate alternative perspectives (Power, 2003; Johnson et al., 2006).

Ramamoorti (2008) approached fraud from a psychological and socio-behavioural perspective, advocating for a deeper understanding of the dynamics driving fraud, particularly within executive circles. He argued that human behaviour, influenced by power dynamics and societal class structures, plays a key role in financial statement fraud. By adopting an interpretive stance, Ramamoorti (2008) shifted away from rigid causality models, emphasising the need to understand the motivations behind fraudulent actions rather than merely attributing them to causes. This perspective provides a broader and more nuanced approach to understanding fraud in forensic accounting research.

Awolowo (2019) explored how a paradigm shift to forensic accounting can reduce financial statement fraud using a qualitative approach rooted in neo-empiricism. He advocated for a tripartite approach to address the malaise of financial statement fraud. Forensic accounting skillsets are expedient in auditors' education to equip them in detecting fraud; the materiality concept in Accounting Standards appears to prevent early detection of abnormal transactions; and mandating auditors' responsibility to detect material fraud in the Standards will bridge the misalignment of expectations between auditors and the public.

Soltani (2014) further critiqued corporate fraud by analysing six major fraud cases and examining institutional factors such as ethics, regulations, and organisational structures. He explored the motivations and justifications of the key actors involved, emphasising the power and control dynamics within organisations. Soltani's (2014) interpretive study offered valuable insights into the complex, often hidden factors that drive corporate fraud, providing a richer understanding than would have been achievable through a positivist lens. His work called for reforms in ethical accountability and regulatory compliance, focusing on the broader societal implications of corporate fraud.

Cohen et al. (2017) analysed the role of the media in shaping public perceptions of fraud scandals. They argued that media coverage, influenced by institutional and political biases, is crucial in highlighting auditor failures. Through a reflexive interpretation of media coverage, they shed light on the expectation gap in auditing, offering a subjective understanding of how public perceptions are formed. This interpretive approach provides a deeper exploration of the social actions behind public discourse on fraud, something a strictly scientific approach could not achieve.

Holm & Zaman (2012) criticised the UK Financial Reporting Council's (FRC) 2006 consultation on audit quality, arguing that it overlooked core issues like technical competence and ethical practices. They adopted a critical theory perspective, utilising terms such as "legitimation" and "crisis" to critique institutional responses to audit quality. Their study exposed the underlying forces that shape audit practices, highlighting how audit firms and regulatory bodies prioritise their institutional interests over genuine reform.

Carrington and Catasús (2007) explored the challenges auditors face through the lens of comfort theory, suggesting that auditors find assurance in their work through an ongoing process of addressing issues and making judgment calls. They adopted a pragmatic-critical

realist perspective, emphasising that auditors' knowledge is shaped by their interactions with the auditing process, which is inherently subjective and fluid.

These studies illustrate the growing importance of alternative theoretical perspectives in accounting research. Table II summarises additional studies with non-mainstream theoretical orientations.

[Insert Table II Here]

The shift towards non-mainstream theoretical perspectives in accounting, auditing, and forensic accounting reflects an ontological commitment to a realist view of the world. While most studies discussed here do not explicitly state their philosophical stance, the choice of words and rhetorical strategies reveal a strong influence of critical theory and interpretivism, particularly in addressing the socio-behavioural aspects of fraud and auditing.

Interestingly, these alternative perspectives are more prevalent in research outside the USA. This supports the argument by Locke and Lowe (2008) that international journals tend to accommodate a wider range of theoretical perspectives in accounting research compared to USA-based journals. This broader approach enables a more comprehensive understanding of socio-economic and behavioural issues in accounting, auditing, and organisational fraud, potentially leading to more tailored interventions within the dynamic social contexts of organisations (Prasad & Prasad, 2002).

Therefore, moving beyond the positivist paradigm in accounting research opens up opportunities for a more holistic understanding of fraud and auditing practices. By integrating interpretive and critical perspectives, scholars can capture the complexity of human behaviour and institutional dynamics, providing valuable insights that have practical implications for industry actors.

III. WHAT, THEN IS TRUTH IN ACCOUNTING, AUDITING AND FORENSIC ACCOUNTING STUDIES?

Using Johnson and Duberley's (2000) ontology–epistemology matrix, Figure I illustrates how theoretical perspectives in accounting, auditing, forensic accounting, and organisational fraud research are distributed. The framework categorises studies based on their assumptions about reality (ontology) and knowledge (epistemology).

[Insert Figure I Here]

The distribution shows a strong preference for objectivist ontology, reflecting the field's traditional emphasis on factual accuracy, measurement, and structure. This orientation aligns with the discipline's reliance on empirical evidence and the scientific method to study fraud detection, auditing, and organisational behaviour. However, the matrix also reveals a shift in epistemology, with a growing mix of objectivist and subjectivist positions. While many studies still assume knowledge can be derived from observable phenomena, there is increasing recognition of the value of subjectivity in addressing complex social issues. This is particularly evident in research on organisational fraud, auditors' responsibilities, and ethics, where human experiences and organisational culture are central.

Studies in the objectivist ontology/subjectivist epistemology quadrant often employ critical theory as an alternative to positivism. Critical theory highlights social justice, power relations, and institutional critique, and gained traction following scandals such as Enron and WorldCom. Such work exposes systemic flaws in organisations and regulation, though critics caution that excessive emphasis on critique risks neglecting practical solutions to fraud detection and audit quality. Laughlin (1995) positioned critical theory as a “middle-range” perspective between

positivism's narrow empiricism and the radical stance of postmodern and interpretive approaches.

This paper, however, situates neo-empiricism as a different kind of middle ground tailored to forensic accounting research. Unlike Laughlin's ontological and ideological positioning of critical theory, neo-empiricism represents an epistemological and methodological middle ground: it bridges positivism's empirical rigour with critical theory's socio-behavioural sensitivity, without adopting an emancipatory agenda. This orientation enables researchers to generate context-rich yet empirically credible insights into fraud, addressing both the institutional structures that enable misconduct and the lived experiences of auditors, managers, and regulators.

By integrating structural and practical concerns, neo-empiricism promotes balance between objectivity and subjectivity. It combines qualitative inquiry with empirical evidence, encourages reflexivity, and focuses on the perceptions and experiences of social actors. In doing so, it offers a pathway for research that is both theoretically nuanced and practically relevant, helping the field move toward richer understandings of organisational fraud and more effective responses to it.

IV. COMPARATIVE PERSPECTIVES AND THE RESEARCH GAP

To situate neo-empiricism within the broader philosophical landscape, it is important to compare the major paradigms that shape social science and accounting research. These include positivism, interpretivism, critical theory, and grounded theory, each of which embodies distinct assumptions about the nature of reality, knowledge, and appropriate methods of inquiry.

To complement this discussion, Figure II presents a continuum illustrating how Positivism, Neo-Empiricism, and Critical Theory align along the objectivity–subjectivity spectrum. This visual emphasises Neo-Empiricism’s bridging role between scientific rigour and interpretive understanding in forensic accounting research.

[Insert Figure II Here]

The comparative framework in Table III illustrates the strengths of existing approaches while also clarifying the limitations that persist in forensic accounting research. Positivism has long provided rigour and predictive capacity, but struggles to capture the complex social and behavioural dynamics underpinning fraud. Interpretivist and grounded theory approaches offer rich insights into meaning and context, yet they are often critiqued for limited generalisability and perceived lack of objectivity. Critical theory directs attention to structural and institutional power. However, its orientation towards critique and emancipation may distance findings from the practical needs of practitioners such as auditors, regulators, and investigators.

[Insert Table III]

The Research Gap

Taken together, these perspectives reveal an unresolved problem: the absence of a philosophical position that bridges the divide between scientific objectivity and socio-behavioural insight. Forensic accounting research requires both the legitimacy of empirical evidence and the contextual sensitivity to actors’ lived experiences, motivations, and interpretations. None of the existing paradigms, when applied in isolation, fully reconciles these requirements.

Neo-empiricism directly addresses this gap by combining qualitative methods with empirical observation to produce knowledge that is both contextually rich and practically relevant. It fills three interrelated voids:

1. Methodological balance – avoiding the rigidity of positivism while maintaining more systematic validity than purely interpretive approaches.
2. Practical relevance – producing findings that are academically robust and directly useful to practitioners dealing with the realities of fraud detection and prevention.
3. Epistemic inclusivity – legitimising subjective perspectives not as sources of bias, but as essential data that, when reflexively interpreted, deepen understanding of organisational wrongdoing.

By filling these gaps, neo-empiricism establishes itself as a genuine middle ground between objectivity and subjectivity, enabling forensic accounting research to generate more comprehensive, nuanced, and actionable insights into fraud and organisational misconduct.

Rebuttals to Critiques of Interpretive Frameworks

While interpretive, grounded, and critical approaches have enriched accounting and organisational research, they are not without critiques. A common criticism is that interpretive studies lack objectivity and generalisability, limiting their influence in a discipline that prioritises standardisation and replicability (Johnson & Duberley, 2000; Gill et al., 2010). Similarly, grounded theory is sometimes viewed as overly descriptive, generating localised theories that may not extend beyond their immediate contexts. Critical theory, for its part, has been critiqued for being too focused on ideological critique, sometimes at the expense of offering actionable, practice-oriented solutions (Laughlin, 2007).

However, these critiques often underestimate the strengths of interpretive traditions. First, the concern about limited objectivity overlooks the fact that all research, including positivist approaches, involves researcher assumptions and interpretive choices. Reflexivity, a hallmark of interpretive research, explicitly acknowledges these assumptions, thereby making the process more transparent rather than less objective (Alvesson & Deetz, 2000). Second, while

grounded theory may produce context-specific insights, it is precisely this context-rich detail that makes it valuable in exploring complex socio-behavioural phenomena, such as fraud, where universal laws are unlikely to capture the diversity of lived experiences. Finally, although critical theory prioritises critique, its focus on exposing power dynamics and institutional interests provides essential insights into why fraud persists despite technical reforms, insights that positivist research often misses.

In this light, critiques of interpretive frameworks should not be seen as disqualifications, but rather as reminders of their scope and purpose. What they lack in statistical generalisability, they make up for in depth, reflexivity, and explanatory richness. Neo-empiricism builds upon these strengths while responding to the critiques by integrating qualitative insight with empirical rigour. It preserves the contextual sensitivity of interpretive research while maintaining systematic validity, thereby offering a more balanced framework for forensic accounting scholarship.

V. NEO-EMPIRICISM

Neo-empiricism is an interpretive theoretical perspective that combines objectivity with qualitative research methods to provide deep, inductively derived insights into social phenomena. It holds that researchers can objectively collect qualitative empirical data through inductive logic while respecting the subjectivity of the studied social actors (Alvesson & Deetz, 2000). In essence, neo-empiricism allows for gathering meaningful, unbiased qualitative data that can lead to objective truths about the social world, thereby challenging the rigid framework of positivism and its reliance on deductive reasoning (Johnson & Duberley, 2000).

According to Johnson et al. (2006), neo-empiricists utilise qualitative data to develop “thick descriptions” that reveal actors' intersubjective meanings, enabling them to make sense of their worlds. By investigating how individuals interpret their social realities, neo-empiricism enables

a deeper understanding of behaviour and the implications of those interpretations for social action. This methodological approach contrasts with positivism, which often seeks to uncover universal laws and objective truths through controlled, hypothesis-driven research. Instead, neo-empiricists embrace the idea that understanding human behaviour requires an empathetic grasp of how people construct their reality, considering cultural, emotional, and cognitive factors.

Neo-empiricism and positivism share some common ground, particularly in their commitment to the idea that sensory experiences of the world provide the foundation for scientific knowledge (Johnson & Duberley, 2000). Both perspectives emphasise empirical observation to access the truth about the social world. However, neo-empiricism rejects the positivist reliance on hypothetical-deductive methods, arguing that qualitative, inductively derived theories grounded in empirical realities are more appropriate for studying human behaviour (Johnson & Duberley, 2000).

One of the key distinctions of neo-empiricism is its recognition of the importance of subjectivity in understanding human actions. While positivist research often views subjectivity as an obstacle to objective analysis, neo-empiricists argue that access to actors' subjective experiences is essential to explaining their behaviour. Human actions are not simply driven by external forces but are shaped by individuals' interpretations of their environments, often informed by cultural and social contexts. In the context of forensic accounting, this perspective is particularly valuable, as understanding the motivations behind fraudulent actions requires insight into the subjective reasoning of the individuals involved.

The concept of *verstehen*, or empathic understanding of human behaviour, is central to neo-empiricism. *Verstehen* suggests that, unlike objects in the natural world, human actions cannot be understood solely through external observation. Instead, it requires an interpretation of the

meaning that individuals assign to their actions. Forensic accounting researchers, then, must access individuals' internal, culturally derived logic to understand why they engage in fraudulent behaviour. By focusing on actors' subjective perceptions, neo-empiricism allows researchers to explain behaviour from the actor's point of view while maintaining the objective standards of research (Johnson & Clark, 2006; Darabi & Clark, 2013; Awolowo, 2019).

This commitment to understanding the subjective realm of social actors is key in accounting and organisation fraud research. Neo-empiricism provides a framework for studying the subjective motivations behind fraud and understanding how individuals justify or rationalise their actions within organisational settings. Gill and Johnson (2010) emphasise that an individual's emotional and cognitive abilities significantly influence their behaviour. People act based on how they perceive and interpret situations, and understanding these perceptions is crucial for explaining their actions. Neo-empiricist research focuses on these interpretive processes to uncover the underlying cognitive and emotional drivers of behaviour.

Unlike positivism, which seeks a detached, objective account of the world, neo-empiricism maintains that qualitative methods can still be objective, as researchers can uncover truthful, grounded explanations of social phenomena. While the researchers remain separate from the social actors they study, they do not maintain a complete distance from the observed phenomena. Instead, neo-empiricists emphasise a subject-subject dualism, where the researcher, while distinct from the actors being studied, interacts with and interprets the actors' subjective experiences (Johnson & Duberley, 2000). This is a departure from the subject-object dualism in positivism, which treats researchers as separate from the research objects.

Neo-empiricists also argue that this subjective realm can be accessed and described objectively. The subjective experiences of individuals are not considered biases or obstacles to objectivity but are seen as essential to understanding the complexities of human behaviour. This epistemic

objectivity does not preclude a focus on human subjectivity; rather, it incorporates the subjective experiences of actors as part of a broader effort to understand social action. By describing these experiences in a grounded, inductive manner, neo-empiricists believe they can generate valid, reliable theories that correspond closely to the lived realities of the actors involved (Johnson & Clark, 2006).

This approach is particularly relevant for forensic accounting, where understanding the motivations behind fraud requires observing actions and interpreting the personal, cultural, and emotional factors that drive these actions. Neo-empiricism's commitment to grounded theory development allows forensic accounting researchers to explain fraud in a way that reflects both the observable facts and the subjective meanings actors attribute to their actions.

This perspective also aligns closely with behavioural frameworks, such as the Fraud Diamond (Wolfe & Hermanson, 2004), and psychological constructs, like Machiavellian personality traits (Kessler et al., 2010), which emphasise the individual's rationalisation, opportunity, capability, and personal disposition in committing fraud. These models reflect the subjective and socio-behavioural dimensions that Neo-Empiricism seeks to capture, positioning it as a suitable philosophical foundation for examining the human motivations and contextual factors underpinning fraudulent actions. By integrating these behavioural insights within an empirically grounded, interpretive framework, Neo-Empiricism enables a richer understanding of fraud as both a psychological and organisational phenomenon.

Furthermore, neo-empiricism emphasises that researchers must be reflexive in their approach, acknowledging their role in shaping the interpretation of data. Their perspectives influence the researcher's understanding of the actors' experiences, and this awareness helps ensure that the interpretations are objective and grounded in the actors' terms. This reflexivity also allows

researchers to remain open to new insights from the data rather than imposing preconceived theories on the studied phenomena.

Therefore, neo-empiricism offers a compelling alternative to positivism in forensic accounting research. Integrating qualitative methods with objective inductive reasoning provides a framework for understanding the subjective experiences that drive fraudulent behaviour while maintaining a commitment to objective, empirically grounded research. Neo-empiricism's focus on the intersubjective meanings that actors attribute to their actions offers valuable insights into the social dynamics of organisational fraud. It enables researchers to bridge the gap between theoretical abstraction and real-world application, ensuring that the findings are relevant and grounded in the lived experiences of the individuals involved (Awolowo, 2019; Awolowo et al, 2024). This approach can significantly enhance our understanding of fraud and its detection, offering a more comprehensive framework for forensic accounting research.

Strengths and Weaknesses of Neo-Empiricism

While neo-empiricism offers an important middle ground between positivism and interpretive traditions, it is not without critiques. Machery (2006) argues that neo-empiricism struggles to adequately explain abstract concepts, suggesting that the evidence linking sensory experiences to complex thought is insufficient to dismiss alternative theories that view concepts as independent of sensory input. Similarly, Machery (2007) provides a methodological critique of concept empiricism, questioning its ability to account for higher-order reasoning beyond perceptual grounding.

These critiques are particularly relevant for forensic accounting research, where many of the central issues, such as fraudulent intent, ethical judgment, and organisational trust, are inherently abstract. If neo-empiricism relies too heavily on sensory-based or experience-based

data, it may risk underestimating the role of conceptual, normative, and institutional factors in shaping fraudulent behaviour.

At the same time, the strengths of neo-empiricism remain significant. Its emphasis on empirical grounding, reflexivity, and inductive analysis allows researchers to capture socio-behavioural dimensions of fraud that positivist frameworks overlook. By situating subjective interpretations within empirically observed patterns, neo-empiricism offers both credibility and contextual richness.

One way to mitigate the critiques raised by Machery is to pair neo-empiricism with grounded theory. Whereas neo-empiricism provides the epistemological rationale for using qualitative inquiry as a valid empirical science, grounded theory supplies the methodological flexibility to generate abstract theoretical categories directly from data (Strauss & Corbin, 1998; Kesseba et al., 2018; Awolowo, 2019). This synergy ensures that the study of forensic accounting phenomena does not remain limited to concrete, observable experiences but also extends to abstract organisational concepts such as professional scepticism, collusion, or rationalisation of fraud.

Thus, while acknowledging neo-empiricism's limitations in addressing abstraction, incorporating grounded theory as a methodological partner strengthens its application in forensic accounting research, enabling scholars to capture both observable behaviours and the higher-order concepts that underpin fraudulent activity.

Applying Neo-Empiricism in Forensic Accounting Research

The practical value of neo-empiricism is evident in studies that integrate empirical observation with qualitative inquiry to capture the behavioural dimensions of fraud. For example, Awolowo (2019) adopted a neo-empiricist stance to explore financial statement fraud, using qualitative

interviews with practitioners while grounding insights in empirical evidence drawn from case records and accounting standards. This approach generated thick descriptions of how auditors interpret abnormal transactions and revealed tensions between professional standards and lived practice. By combining qualitative interpretation with empirical grounding, the study offered both context-sensitive understanding and actionable recommendations for reforming audit standards.

Building on such work, a formal framework for neo-empiricist research in forensic accounting would involve the following stages:

1. Framing the research question – Identify a socio-behavioural problem (e.g., auditors' judgement in fraud detection) that cannot be fully understood through quantitative metrics alone.
2. Data collection – Gather both qualitative and empirical materials. This may include semi-structured interviews with auditors, regulators, and fraud examiners, alongside documentary evidence such as audit reports, regulatory enforcement actions, or case law.
3. Reflexive analysis – Use inductive coding to generate categories that reflect actors' subjective interpretations, while simultaneously triangulating these insights with empirical evidence (e.g., fraud outcomes, enforcement statistics).
4. Theory building – Develop grounded explanations of how fraud is perceived, rationalised, or detected in practice. This aligns with the neo-empiricist aim of producing theories that are empirically informed yet sensitive to meaning and context.
5. Practical validation – Engage practitioners (auditors, regulators, forensic accountants) in validating findings to ensure they are not only theoretically robust but also practically relevant for fraud detection and prevention.

This framework demonstrates how neo-empiricism can be operationalised in forensic accounting research. It responds to the limitations of positivist studies, which overlook subjective dimensions, while also addressing critiques of interpretivism by ensuring that findings remain empirically grounded and practically actionable.

Redesigning Existing Studies through Neo-Empiricism

To illustrate the distinct contribution of neo-empiricism, it is helpful to consider how existing research conducted under other paradigms could be reframed. For example, Dechow et al. (2011) adopted a positivist approach to examine USA firms subject to SEC enforcement actions for financial statement fraud. Their statistical analysis identified correlations between declining performance and the likelihood of fraudulent reporting. While rigorous, this design treated fraud as an objective outcome measurable through accounting data, without engaging the subjective motivations of organisational actors.

A neo-empiricist redesign of this study would retain the empirical foundation (e.g., enforcement records, financial performance data) but supplement it with qualitative interviews with auditors, regulators, and company insiders involved in these cases. Such an approach would allow researchers to triangulate objective data with subjective accounts of how managers rationalised fraud, how auditors interpreted red flags, and how regulators perceived enforcement gaps. The result would be a richer, more actionable understanding of both the structural and behavioural drivers of fraud.

Designing a Neo-Empiricist Study on Fraud

In addition, we propose an illustrative research question that demonstrates how neo-empiricism can be applied to new forensic accounting research:

Research Question: How do auditors and forensic accountants interpret and respond to “grey zone” transactions that may signal early stages of financial statement fraud?

Neo-Empiricist Research Design:

1. Empirical grounding – Collect a dataset of enforcement cases where auditors were criticised for failing to detect fraud, alongside the financial statements and audit working papers associated with those cases.
2. Qualitative inquiry – Conduct semi-structured interviews with auditors, forensic accountants, and regulators to capture how they subjectively interpret ambiguous transactions, professional scepticism, and organisational pressures.
3. Triangulation and reflexive analysis – Compare interview data with enforcement records to identify where subjective interpretations aligned or diverged from empirical outcomes. Use reflexive coding to generate themes that explain how professional judgement interacts with empirical red flags.
4. Theory development – Build an inductively grounded framework explaining how fraud signals are recognised, rationalised, or overlooked in practice.
5. Practical validation – Share findings with practitioners in workshops to ensure conclusions are credible and applicable to audit practice and fraud detection training.

This design illustrates the strengths of neo-empiricism: it combines empirical rigour with interpretive insight, yielding knowledge that is both scientifically legitimate and sensitive to the lived realities of professionals engaged in fraud detection.

VI. NEO-EMPIRICISM AND GROUNDED THEORY: SIMILARITIES AND DIFFERENCES

To avoid conceptual ambiguity, it is important to distinguish between neo-empiricism and grounded theory while also recognising their points of connection.

Grounded theory is a qualitative methodology first developed by Glaser and Strauss and later refined by Strauss and Corbin (1998). It is premised on the idea that theory should emerge inductively from data rather than being imposed a priori. As Kesseba et al. (2018) note, the grounded theorist “begins with an area of study and allows the theory to emerge from the data, thus building an understanding of data analysis and theory in a manner that is consistent with Strauss and Corbin’s (1998) grounded theory methodology.” Similarly, Phil et al. (2006) observe that grounded theory provides a systematic framework for developing explanatory models of behaviour from empirical data.

Neo-empiricism shares important similarities with grounded theory. Both emphasise the use of qualitative, empirical data to build explanations that are closely tied to the lived realities of actors. Both approaches reject the rigid hypothetico-deductive models of positivism, instead favouring inductive theorisation that reflects the complexities of human behaviour. In this sense, neo-empiricism’s commitment to “thick description” and inductive reasoning often makes grounded theory one of its primary methodological tools.

However, important differences remain. Grounded theory is strictly a methodology, a systematic set of procedures for data collection, coding, and theory development. Neo-empiricism, by contrast, is a philosophical orientation: it underpins how researchers conceive of truth, objectivity, and subjectivity in the social sciences. While grounded theory focuses on how to generate theory from data, neo-empiricism provides the broader epistemological

justification for why inductive, qualitative methods can still yield objective and valid knowledge. In practice, this means that neo-empiricist research may use grounded theory as a preferred method, but it is not limited to it; it may also incorporate case study analysis, interpretive interviews, or triangulated mixed methods.

Therefore, grounded theory can be seen as a methodological partner to neo-empiricism. Where grounded theory provides the 'how' of theory generation, neo-empiricism provides the 'why' of the philosophical rationale for blending qualitative interpretation with empirical rigour in the study of complex socio-behavioural phenomena, such as fraud.

How Neo-Empiricism Develops Grounded Theory

While grounded theory provides a systematic methodology for inductively generating theory from data (Strauss & Corbin, 1998), neo-empiricism offers the epistemological foundation that legitimises this process as a form of scientific knowledge. In practice, the development of grounded theory under a neo-empiricist orientation involves several steps.

1. Empirical immersion – Researchers begin with rich, qualitative data such as interviews, case studies, or archival documents. Neo-empiricism emphasises that these data are not merely subjective accounts but legitimate empirical evidence that reflect lived realities.
2. Inductive coding and categorisation – Consistent with grounded theory methodology, researchers code data line-by-line, grouping similar concepts into categories. The neo-empiricist stance affirms that these categories, though derived from subjective narratives, can be systematically analysed to reveal recurring patterns that reflect social behaviour.
3. Constant comparison and theoretical sampling – Researchers iteratively compare data across cases, refining categories and sampling further data where gaps emerge. Neo-

empiricism supports this process by insisting that validity comes not from detachment but from reflexivity: researchers acknowledge their interpretive role while still aiming for objectivity through careful comparison.

4. Theory building – Categories are elevated into theoretical constructs that explain behaviour in context. For example, in forensic accounting research, patterns in how auditors interpret “grey zone” transactions could be theorised into a model of professional judgement under fraud risk.
5. Empirical grounding and validation – Neo-empiricism strengthens grounded theory by requiring that emergent theories remain closely tied to observable data, and by encouraging triangulation with documentary evidence or enforcement records. This ensures that inductively developed theories are not only contextually rich but also empirically credible.

Through these steps, neo-empiricism operationalises grounded theory as more than a methodological tool: it situates the generation of theory within a philosophical framework that values subjectivity without sacrificing objectivity. In this way, grounded theories developed under neo-empiricism are both explanatory of socio-behavioural realities and practically relevant for addressing complex issues such as organisational fraud.

VII. CONCLUSION

This paper highlights the importance of incorporating diverse theoretical perspectives in forensic accounting research, particularly advocating for neo-empiricism as a middle ground between positivism and critical theory. While the positivist approach has long dominated accounting and auditing research by emphasising objectivity and measurable outcomes, it falls short in addressing the subjective dimensions of human behaviour that are central to understanding organisational fraud. Interpretive and critical frameworks address these gaps but

are frequently critiqued for limited objectivity, generalisability, or excessive emphasis on critique. Neo-empiricism responds by integrating the strengths of these traditions with empirical rigour, ensuring findings remain both contextually rich and practically actionable.

A key contribution of this paper is to clarify how neo-empiricism relates to grounded theory. Grounded theory is a well-established qualitative methodology that generates theory inductively from data (Strauss & Corbin, 1998; Kesseba et al., 2018). Neo-empiricism often employs grounded theory as a methodological tool. However, it is more than a method: it is a philosophical orientation that justifies why inductive, qualitative inquiry can still yield objective and reliable knowledge. Put differently, grounded theory provides the how of theory generation, while neo-empiricism provides the why. This distinction reinforces neo-empiricism's value as a framework that can accommodate multiple qualitative methods, including, but not limited to, grounded theory, while maintaining philosophical coherence.

By grounding this argument in empirical evidence, such as the ACFE's (2024) findings that organisations lose 5% of revenues to fraud, and the AICPA's (2020) demonstration of fraud's pervasive complexity across organisational levels, the paper underscores the urgency of adopting frameworks capable of addressing both scale and socio-behavioural depth. Moreover, through discussion of enforcement mechanisms such as SEC Accounting and Auditing Enforcement Releases and Stanford's Securities Class Action database, the practical stakes of auditing accountability are made explicit.

In addition, this paper provides a concrete framework for how neo-empiricism can be operationalised in forensic accounting research. By combining empirical grounding with qualitative inquiry, reflexive analysis, inductive theory development, and practitioner validation, researchers can generate insights that are both academically robust and directly

relevant to practice. Examples of redesigning positivist studies through a neo-empiricist lens, and proposing new fraud-related research questions, further illustrate its applicability.

Neo-empiricism represents more than a compromise between objectivity and subjectivity; it is a comprehensive philosophical stance that bridges theory and practice, responds to critiques of interpretive approaches, and integrates methodologies such as grounded theory into a broader epistemological framework. By embracing neo-empiricism, forensic accounting research can move towards a more holistic, nuanced, and actionable understanding of fraud, one that reflects observable realities, acknowledges human motivations, and ultimately contributes to both scholarly advancement and societal accountability.

Future research could further examine the methodological potential of the hybrid positions represented in Quadrants 2 and 4 of Figure 1. These quadrants, which blend objectivist and subjectivist assumptions, may provide valuable frameworks for understanding complex socio-behavioural phenomena in forensic accounting. Exploring how methodologies situated within these mixed paradigms operate in practice could enrich the literature, offering deeper insights into how empirical rigour and interpretive understanding can be balanced in addressing challenges such as fraud detection, auditor judgment, and organisational ethics.

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Table I - Summary of Reviewed Literature with ‘Taken-for-Granted’ Positivist Theoretical Perspective

Author, Year	Research Title	Key Findings	Method
Alissa, Capkun, Jeanjean & Suca (2014)	An Empirical Investigation of the Impact of Audit and Auditor Characteristics on Auditor Performance	Experienced auditors perform better in complex audits.	Experiment
Arrington, Bailey, & Hopwood (1985)	An Attribution Analysis of Responsibility Assessment for Audit Performance	Auditors and small-business owners evaluate audits differently, confirming a role expectation misalignment.	Experiment
Beasley (1996)	An Empirical Analysis of the Relation Between the Board of Director Composition and Financial Statement Fraud	Companies with a history of fraud have fewer non-executive directors compared to fraud-free firms.	Statistical Analysis of secondary data
DeZoort & Harrison (2018)	Understanding Auditors’ Sense of Responsibility for Detecting Fraud	External auditors feel more responsibility for detecting financial reporting fraud than other fraud types.	Experiment
DiGabriele (2009)	Implications of Regulatory Prescriptions and Audit Standards on the Evolution of Forensic Accounting in the Audit Process	Audits should integrate forensic accounting skills to improve fraud detection.	Survey

Table II - Summary of Reviewed Literature with ‘Non-Mainstream’ Theoretical Perspectives

Author, Year	Research Title	Key Findings	Theoretical Orientation
Awolowo (2019)	Financial Statement Fraud: The Need for a Paradigm Shift to Forensic Accounting	Forensic accounting skills are essential for auditors to detect fraud, and standards should mandate auditors’ responsibility for fraud detection.	Neo-empiricism
Mueller, Carter & Whittle (2015)	Can Audit (Still) Be Trusted?	UK political and professional reforms can restore public trust in auditors.	Critical theory

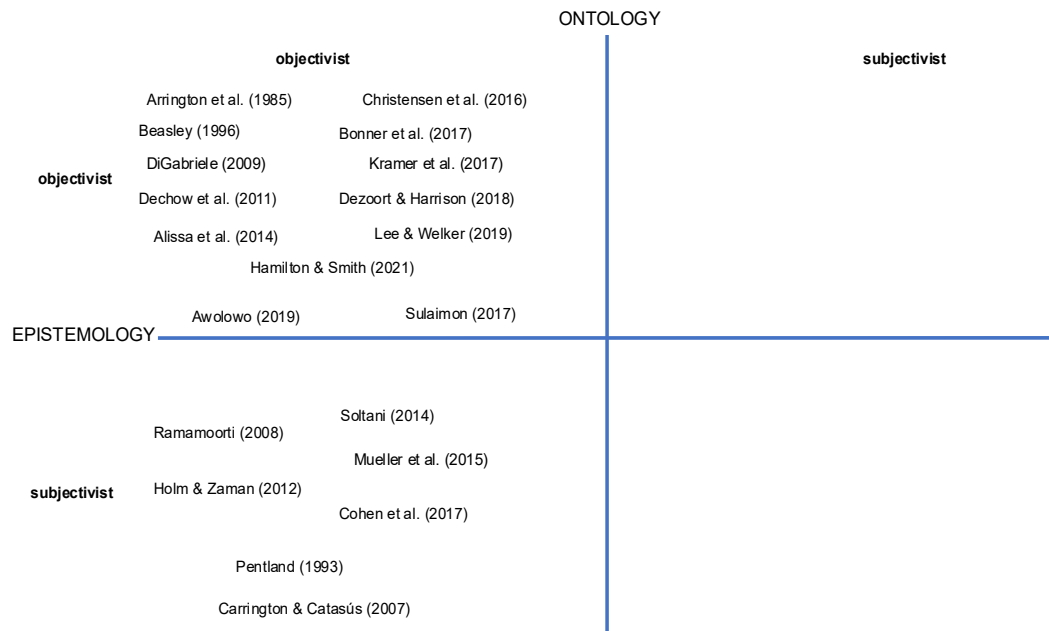
Pentland (1993)	Getting Comfortable with the Numbers: Auditing and the Micro-Production of Macro-Order	Auditing is both objective and intuitive, as auditors balance judgment and assurance in their assessments.	Social constructionist
Tableman (2017)	Oversight of Audit Quality in the UK: Insights into Audit Committee Conduct	Audit committees play a limited role in assessing audit quality, and their effectiveness depends on competence and relationships with auditors.	Neo-empiricism

Table III: Comparison of Major Research Philosophies in Social and Accounting Research

Philosophy	Core Principles	Values / Assumptions	Common Methods
Positivism	Reality is objective and measurable; phenomena can be studied independently of researcher	Value-neutrality, objectivity, causality, prediction	Experiments, surveys, statistical analysis, hypothesis testing
Interpretivism	Reality is socially constructed; meaning is created through human interaction	Subjectivity, context-dependence, empathy (verstehen)	Interviews, ethnography, case studies, thematic analysis
Critical Theory	Reality is shaped by power structures, ideology, and inequality; research should challenge the status quo	Emancipation, justice, exposing domination, reflexivity	Critical discourse analysis, participatory action research, institutional critique
Grounded Theory	Theory should emerge inductively from data rather than being imposed a priori	Pragmatism, openness to emergent insights, iterative analysis	Constant comparative method, coding, theoretical sampling
Neo-empiricism (middle ground)	Empirical evidence can be collected qualitatively while acknowledging subjectivity; combines objectivity with interpretive insight	Balance between objectivity and subjectivity, reflexivity, lived experience	In-depth interviews, qualitative case studies, inductive theorising grounded in data

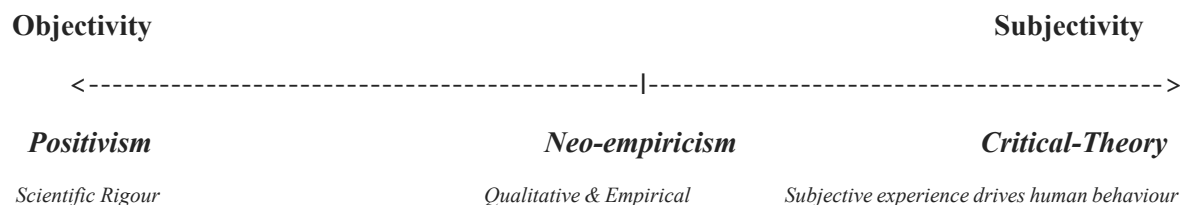
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Figure I: Theoretical Orientation Distribution Matrix (Adapted from Johnson & Duberley, 2000)



[Alt-Text]: The image shows a two-dimensional matrix. The vertical axis represents epistemology, ranging from objectivist to subjectivist. The horizontal axis represents ontology, ranging from objectivist to subjectivist.

Figure II: The Relative Positioning of Research Philosophies in Forensic Accounting



Source: Authors' own work

[Alt-Text] – The image shows an horizontal continuum showing the relative positioning of research philosophies in forensic accounting.