

THE DETERMINANTS OF AUDIT CLIENTS' WILLINGNESS TO COOPERATE
WITH THEIR FINANCIAL AUDITOR.

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ABSTRACT

The objective of this research is to determine what motivates clients to cooperate and to remain at arm's length (independent) with their financial auditors. It was found that clients prefer a more relational approach (RA) than a transactional approach (TA) with their financial auditors (Fontaine and Pilote, 2011). More precisely, the audit client wants to cooperate with the auditor yet also wants to remain distant (at arms' length). What is not known is what determines (causes) the client's preference to cooperate and to remain at arm's length. Investigating the determinants of the audit client's willingness to cooperate is the center of on-going debates by audit academics and professionals. The problem is that an overly cooperative relationship has been considered a threat to auditor independence. We seek to determine what influenced the clients' preference to be both cooperative and at arm's length with their auditor. To achieve the objective of this research, we will rely on a new theoretical framework that is a modified version of a Relationship Marketing model, known as the Commitment-Trust model (Morgan and Hunt, 1994). The contribution of this study should extend beyond the accounting domain since the financial statement audit has important value to society. The financial audit has been referred to as a social phenomenon that exists because certain groups cannot obtain information or reassurance for themselves (Flint, 1988).

Key Words: Client-Auditor, Buyer-Seller, Relationship Marketing, Relational Approach, Transactional Approach, Arm's Length, Cooperation, Commitment, Trust

INTRODUCTION

The purpose of this research is to determine what causes clients (buyers) to cooperate with their financial auditors¹ (sellers) and what influences the client to remain at arm's length from the auditor.

In a previous research project, we determined that the audit client preferred more of a relational approach (RA) than a transactional approach (TA) with their auditor (Fontaine and Pilote, 2011). We were able to measure the client's preferred RA and TA by borrowing a multi-item measurement model from the Relationship Marketing literature (Kaufmann and Dant, 1992). We then used Confirmatory Factor Analysis to justify the summation of the individual items to arrive at a single mean score, allowing us to determine the client's level of relationalism (either more TA or more RA). Surprisingly, we also found that clients want to remain at arm's length with their auditors (the arm's length variable is part of the transactional approach,). The reason for which this finding was surprising is that in the Relationship Marketing literature, the arm's length variable is found in the definition of a transactional approach (Gronroos, 1991; Sheth and Parvatiyar, 2000). However, we found that clients preferred a relational approach (versus a transactional approach) in addition to an arm's length relationship.. More precisely, an arm's length relationship does not need to be transactional.

In this research, we extend the above mentioned study, and we use the survey data collected from Canadian corporations to determine the individual variables that influences the client's preference for a cooperative and arm's length relationship.

Client cooperation is important since the auditor needs the client to provide corporate information necessary for the auditor to conduct the audit service. Clients are privy to more specific information about their corporations than are the auditors (referred to as information asymmetry in favor of the client); and this information asymmetry has

¹ Throughout the text we will use the term *auditor* to signify *financial auditor*.

been considered an important problem to solve in auditor-client relationships (Ruyter and Wetzels, 1999).

However, in addition to client cooperation, the relationship between the auditor and the client needs to be conducted at arm's length, due to the necessity of auditor independence (IFAC, 2006). To the best of our knowledge, no buyer-seller relationship requires both cooperation and the maintenance of an arm's length distance. Therefore, based on the theoretical and empirical models of Morgan and Hunt (1994) and Kaufmann and Dant (1992), this study attempts to determine the factors that influence the client's preference to cooperate while remaining at arm's length.

This study is different from other buyer-seller relationships presented in the Marketing literature. The main component that differentiates our study from other buyer-seller relationships is the presence of a third party user as a key influencer of the client-auditor relationship (which we will be discussed in the following section). In addition, very few empirical studies that use Marketing to examine client-auditor relationships are available in the literature (Ruyter and Wetzels, 1999), even though the use of Marketing could help better understand this relationship (Beattie, 2001).

Our paper is organized as follows. We present a brief literature review followed by our hypotheses, justified by theoretical and empirical research. We then present the results, a discussion, the limitations, and future research opportunities.

LITERATURE REVIEW

The auditor-client relationship is different from most of the buyer-seller relationships documented in the marketing literature, primarily due to the requirement of the auditors to remain at arm's length from their client (Beattie, *et al.* 2001; CICA, 2006; Kleinman *et al.* 2000). In addition to an arm's length relationship, the auditor-client relationship needs to be cooperative, since the auditor and client need to interact, and the auditor relies on client provided information.

The reason the auditor needs to remain at arm's length from the client is the presence of third-party users. Even though the client pays the auditor for the audit service, it is the third-party user who actually is the intended client (such as the banker, the investor, or other interested parties) (CICA, 2006). There are other two-party relationships that include a third-party, such as doctors and patients (where the patient is the user of the service, paid for by the government or an insurance company). However, to the best of our knowledge, there is no documented buyer-seller relationship, where the buyer of the service is not the intended user of the same service. The fact that the intended user of the audit service is a third-party user is the reason for which the auditor and the client need to be at arm's length.

The arm's length variable is important because in the auditor's code of ethics, the auditor is required to remain at arm's length from the client to avoid *familiarity threat* (IFAC, 2006). Familiarity threat occurs when the auditor has difficulty in conducting the audit using professional skepticism (Arens, 2007).

Professional skepticism, according to audit regulators (CICA, 2006) requires the auditor to not be blind to evidence that could be altered or incorrect (Arens, 2007). This requires the auditor to always have a questioning mind. Therefore, the auditor is not to be overly trusting of the information provided by the client (Rennie *et al.* 2010). This could put potential strain on the working relationship between the auditor and the client.

The problem is that while assuring professional skepticism and conducting the audit with a critical eye, the auditor needs a trusting, collaborative working relationship, because the auditor needs the help of clients that possess specific corporate information (Rennie *et al.* 2010). Without the cooperative help of clients, the transaction cost of the audit could be increased, given the auditor's need to spend increased effort to obtain client information.

The clients' willingness to cooperate with their auditors could be dependent on their perception of the value of the auditor service. In their Relationship Marketing model, Pels *et al.* (2000) propose that the client's preference for a relational or transactional approach with their seller is dependent on the client's perception of the seller's service offering. If the client perceives the service as generic and routine there will be a transactional preference. However, if clients perceive the seller's service as unique and value-added, there will be a relational preference. Therefore, to be able to hypothesize the client's willingness to cooperate with their auditor, it would be important to better understand how the client perceives the audit service.

Based on the Goldman and Barlev (1974) Power model, even though the auditor will provide some unique advice, the majority of the audit service is considered routine with little value added service. As a result, the auditor operates in a buyer's market, where the client can easily replace their service provider (auditor), which is the main source of power for the client (Goldman and Barlev, 1974).

In contrast to Goldman and Barlev (1974) Power model, Beattie *et al.* (2000) present the concept of an added-value audit in which the findings of an audit are communicated to the client, which adds value to the client's corporation. Because of this added value, the client could be willing to cooperate during the audit process. This added-value audit would not be perceived as routine by the client and therefore some of the unbalanced power would be shifted into the hands of the auditor.

An added-value audit has been shown to reduce the risk for clients and increase their strategic advantages in the marketplace (Eilifsen *et al.* 2001). This is even more evident when the client offers a diverse and complex portfolio of products and/or services, and when the auditor does not have a good understanding of the client's complex and diverse business offerings.

Therefore, even though the traditional audit service is mostly a routine service with infrequent situations of complexity (Goldman and Barlev, 1974), during and after the audit service, the auditor can provide invaluable business advice which could help the client (Beattie *et al.* 2000; Eilifsen *et al.* 2001). This additional information is considered the added-value audit. By providing a value-added audit, auditors are able to shift the asymmetry of power from the client to themselves, balancing the relationship. In extreme cases, the balance of power could shift from auditor to client; however, generally there should be a balance of power among the auditor and the client.

This balanced power, where the auditor needs client information to conduct the audit and where the client wants valuable information from the auditor (information that could help their business), should increase the level of auditor-client cooperation. Both parties should be motivated to increase their level of cooperation towards each other to assure access to one another's information. Based on Game Theory, the concept of "added-value" has been used to determine the amount of power that one party brings to the table in a card game (Brandenburg and Nalebuff, 1996). These authors claim that you cannot get more from a relationship than the added-value that you bring to the table. Researchers in Relationship Marketing claim that interdependent, cooperative relationships lower transaction costs and improve the quality of the service delivered at a lower cost (Heide & John, 1992; Sheth and Parvatiyar, 2000; Williamson, 1985).

Even though audit theory has shown that the client possesses power because the audit service is routine (Goldman and Barlev, 1974), other research has looked beyond the traditional audit. The new value-added audit which provides valuable information to the auditor, balances the power asymmetry and promotes a more collaborative relationship. We base our auditor-client model on the value-added audit, promoting client cooperation. However, we also maintain that the client should respect the auditor's code of ethics and encourage the auditor to conduct the audit while remaining at arm's length. As previously mentioned, this is what differentiates our buyer-seller model from other models documented in the marketing literature.

Relationships between buyers and sellers in the marketing literature are typically positioned as either relational (RA) or transactional (TA) (Gronroos 2000). Relationships that are TA are typically conducted at arm's length and independent and are categorized as

Transactional relationships (Sheth and Parvatiyar, 2000). These transactional relationships are also defined as competitive and conflictual. The opposing relationship axiom is one defined as cooperative and interdependent (Gronroos, 2000; Sheth and Parvatiyar). To the best of our knowledge, a relationship that requires cooperation and needs to remain at arm's length has not yet been modeled in the Relational Marketing literature. Therefore, it would be important to add to the Marketing literature a model that determines the factors that influence cooperation between a buyer and a seller, while respecting the need to maintain distance and remain at arm's length.

HYPOTHESES (THEORETICAL FRAMEWORK)

The following are the individual items (variables) that make up our hypotheses (see to Figure 1).

Power, Commitment, and Trust

The use of Power by one of the parties in a relationship is shown to impair relationship success; whereas, restraining power has been shown to enhance relationship success (Dwyer *et al.* 1987; Morgan and Hunt, 1994).

In the audit-client relationship, understanding the use or restraint of power is important since it is theorized that the client possesses more power than the auditor, justified by Resource Dependency theory (Goldman and Barlev, 1974). This is especially important when the corporate structure of clients is complex and when the client portfolio is vast and differentiated. In this case, the client would want to have access to valuable auditor information, reducing the client's transaction cost of obtaining value-added information (which auditors possess once they conduct the audit). Therefore, the client should be willing to restrain their power in order to receive value-added information, which will in turn redistribute power back into the hands of the auditor.

In Morgan and Hunt's (1994) Commitment-Trust model, it was argued that the use of Power was exercised in 'sick' relationships and that restrained power leads to long-term

commitment and trust. Similarly, it was proposed that in the relationship between retailers and vendors, when there was the presence of power and influence (asymmetrical dependence) by one party, the relationship was less stable and more likely to break up over time (Ganesan, 1994). In addition, when the relationship between auditors and their clients in the Netherlands was studied, it was shown that there was a positive relationship between interdependence (the sharing of power) and relationship commitment (Ruyter and Wetzels, 1999).

Therefore, in line with the reasoning presented above, we hypothesize that the more audit clients restrain their use of power, the more they will be willing to be trustworthy and commit to a long-term relationship, to reduce the risks and cost of Non-Information.

H1: There is a positive relationship between power restraint and commitment.

H2: There is a positive relationship between power restraint and trust.

Flexibility and Commitment

When circumstances change, while two parties are interacting, the demonstration of flexibility has been shown to help strengthen the relationship (Kaufmann and Dant, 1992). Gronroos (2000) argues that flexibility shown by the supplier of a service adds to the service quality perceived by the customer. Flexibility has been shown to increase commitment. For example, the Ritz Carleton has a flexible database system that maintains personal client data, allowing the Ritz to provide personalized services to the client such as favorite newspapers and meals without asking (Sheth and Parvatiyar, 2000). In the auditor-client relationship, both agents (the auditor and the client) should be motivated to demonstrate flexibility to reduce power asymmetry: the client demands a more personalized service and the auditor demands more information about the client's organizational context. Therefore, we hypothesize that client flexibility will lead to client commitment.

H3: There is a positive relationship between flexibility and commitment

Expectations beyond audit and Commitment

The added-value audit is presented by Beattie *et al.* (2000) who argue that clients rely on advice from their auditors that extend beyond the audit service. This additional advice is provided by the auditor without extra charge. When advice is offered by a supplier that goes beyond the paid service, commitment towards a long-term relationship is enhanced (Gronroos, 1997). The company specific information in the hands of the client will be shared with the auditor willingly, rebalancing the power asymmetry and reducing the distance between the knowledge (information) needed by the auditor to conduct the audit and the knowledge (information) controlled by the client. Therefore, we hypothesize that a preference for service that extends beyond the audit service will lead to a preference for a more committed relationship.

H4: There is a positive relationship between Expectations and Commitment

Communication and Trust

Open communication is shown to increase levels of Trust in buyer-seller marketing models (Morgan and Hunt, 1994) including the audit-client relationship (Rupter and Wetzels, 1999; Rennie *et al.* 2010), in particular because trust should reduce the efforts to obtain information in the case of unbalanced asymmetry. In a study of auditors and clients during situations of disagreement, it was found that open communication was positively associated with trust (Rennie *et al.* 2010).

Therefore, we hypothesize that the client's preference for increased communication will lead to a higher level of trust.

H5: There is a positive relationship between Communication and Trust.

Trust, Commitment, and Cooperation

Trust was theorized and empirically tested as a key antecedent to relationship commitment in two published studies that serve as the basis for our conceptual framework

(Morgan and Hunt, 1994; Ruypter and Wetzels, 1999). Trust in another party is defined as the expectation that the party will behave according to expectations and as a willingness to rely on another party (Gronroos, 2000).

In addition, Trust and Commitment are key mediating variables in the Commitment-Trust model (Morgan and Hunt, 1994). These two variables (Commitment and Trust) showed significant influence on a party's willingness to cooperate. In fact, it has been argued that Commitment is present in every successful relationship between business parties (Gronroos, 2000). Empirical evidence from Axelrod's (1984) repeated games shows that cooperation between parties rises with the presence of long-term commitment (Rokkan *et al.* 2003). This is because in repeated games defectors (non-cooperators) are punished in future games.

The desire for more information should result in the client cooperating in order to obtain added-value information. In turn, the auditor requires information from the client to perform the audit. Our model is a form of a cooperative convergent model where in the case of high asymmetry there will be cooperative behaviour by both the auditor and the client in order to reduce the cost of Non-Knowledge. The cost of Non-Knowledge for the auditor is further audit costs to obtain additional information in the absence of client cooperation. On the other hand, the cost of Non-Knowledge for the client is not receiving an added-value audit in exchange for the audit fees paid (the client will receive the standard audit service).

Therefore, we set the Commitment and Trust variables as key mediating variables (see Figure 1). We then hypothesize that higher Trust will lead to higher Commitment, and higher Trust and Commitment will lead to higher Cooperation.

H6: There is a positive relationship between Trust and Commitment

H7: There is a positive relationship between Commitment and Cooperation

H8: There is a positive relationship between Trust and Cooperation

Arm's Length (Shared norms), Commitment, and Trust

When two parties share common norms there is a greater chance for relationship success, particularly because there will be reduced uncertainty for both parties (Rokkan *et al.* 2003)

In the auditor-client relationship, an important norm that auditors must follow is to remain at arm's length from the client as discussed above. In addition, the auditor sends an independence letter to the client to assure the client adheres to this auditor obligation (CICA, 2006). It is not the obligation of the client to remain at arm's length from the auditor (but rather the auditor's obligation); however, if the client does adhere to this important auditor norm, it would result in the sharing of a norm. It has been shown that share norms, trust and commitment are interrelated (Morgan and Hunt, 1994; Rokkan *et al.*, 2003 Ruypter and Wetzels, 1999;). Therefore, we hypothesize that when a client prefer commitment and trust, they will also prefer to remain at arm's length, therefore:

H9: There is a positive relationship between Arm's Length (Shared Norms) and Trust

H10: There is a positive relationship between Arm's Length (Shared Norms) and Commitment

METHOD

We surveyed 1090 Financial Directors from Canadian private corporations with over 100 employees. We received 306 completed questionnaires which allowed us to measure relational preference variables. In our model, we measure four independent variables: Flexibility, Expectations beyond audit, Power, and Communication. In addition, we measure two mediating variables: Long-term commitment and Trust, with the dependent variables set as Cooperation and Arm's Length (see Figure 1).

The analysis to determine relationships among the individual variables is a simple correlation analysis. As neither correlation nor regression analysis provides evidence of causation, it is recommended to rely on a theoretical foundation for guidance on the cause and effect of correlated variables (Gujarati, 2003). Therefore, we rely on the well-cited Commitment-Trust model developed and empirically tested by Morgan and Hunt (1994) to guide the direction of our correlated variables.

The measure we used in our survey to test the audit client's relationship preference was based on a multi-dimensional measurement instrument developed by Kaufmann and Dant (1992). These authors based their measurement model on the theoretical framework of Macneil (1980). The measurement instrument was subsequently operationalized by Fergusson *et al.* (2005), Fink *et al.* (2007), Paulin *et al.* (1997; 2000), and Rokkan *et al.*

(2003) in various industries. Since our measurement model of Kaufmann and Dant (1992) has a sound theoretical foundation (Macneil's 1980 Relational Exchange Theory) we confirm that are measurement items show strong nomological validity.

RESULTS

The results of the correlations of the independent, mediating and dependent variables are presented in Table 1. We hypothesized in H1 that there would be a positive relationship between Power Restraint (Powpref) and Commitment (Solpref4) and the results show a significant relationship between these two variables, $r = .164$ and $.167$, $p(\text{one-tailed}), < .05$. Therefore H1 is supported

We hypothesized in H2 that there would be a positive relationship between Power Restraint (Powpref) and Trust (Solpref2) and the results how a significant relationship between the two variables, $r = .267$ and $.203$, $p(\text{one-tailed}), < .05$. Therefore H2 is supported.

We hypothesized in H3 that there would be a positive relationship between Flexibility (Solpref6) and Commitment (Solpref4) and the results how a significant relationship between the two variables, $r = .326$, $p(\text{one-tailed}), < .05$. Therefore H3 is supported.

We hypothesized in H4 that there would be a positive relationship between Communication (Solpref1) and Commitment (Solpref4) and the results how a significant relationship between the two variables, $r = .210$, $p(\text{one-tailed}), < .01$. Therefore H4 is supported.

We hypothesized in H5 that there would be a positive relationship between Power Restraint (Powpref) and Trust (Solpref2) and the results how a significant relationship between the two variables, $r = .267$ and $.203$, $p(\text{one-tailed}), < .05$. Therefore H5 is supported.

We hypothesized in H6 that there would be a positive relationship between Trust (Solpref2) and Commitment (Solpref4) and the results how a significant relationship between the two variables, $r = .257$, $p(\text{one-tailed}), < .01$. Therefore H6 is supported.

We hypothesized in H7 that there would be a positive relationship between Commitment (Solpref4) and Cooperation (Solpref6) and the results show a significant relationship between the two variables, $r = .239$, $p(\text{one-tailed}) < .05$. Therefore H7 is supported.

We hypothesized in H8 that there would be a positive relationship between Trust (Solpref2) and Cooperation (Solpref6) and the results show a significant relationship between the two variables, $r = .327$, $p(\text{one-tailed}) < .01$. Therefore H8 is supported.

We hypothesized in H9 that there would be a positive relationship between Arm's Length (Solpref3) and Trust (Solpref2) and the results show a significant relationship between the two variables, $r = -.306^2$, $p(\text{one-tailed}) < .05$. Therefore H9 is supported.

We hypothesized in H10 that there would be a positive relationship between Arm's Length (Solpref3) and Commitment (Solpref4) and the results show a significant relationship between the two variables, $r = -.008^3$, $p(\text{one-tailed}) < .05$. Therefore H10 is not supported.

DISCUSSION AND MANAGEMENT IMPLICATIONS

In this study we extended the research of Fontaine and Pilote (2011) to analyze individual items that made up an overall summated score referred to as relationalism. In this previous study the hypothesis that clients would prefer more of a relational approach (RA) than a transactional approach (TA) with their auditors was supported. In this present study, the individual items that made up the summated scale such as flexibility, power, expectations, communication, commitment, and trust were tested to determine their

² The Solpref3 variable is a reverse item; therefore a negative correlation actually represents a positive relationship.

³ The Solpref3 variable is a reverse item; therefore a positive correlation actually represents a negative relationship.

influence on the client's preference to cooperate and remain at arm's length (mediated by commitment and trust).

The results of our study show that, similar to Morgan and Hunt (1994), power erodes relationship success. When clients restrain their Power they are more willing to be committed and trustworthy (See Hypotheses 1 and 2). These results are contrary to the model proposed by Goldman and Barlev (1974), where it is proposed that even though the auditor does provide helpful advice to the client on occasion, normally the audit service provided is routine. Because of this routine service, the auditor is in a buyer's market and can be easily replaced by the client. As a result, power is asymmetric in the hands of the client.

In contrast to the Goldman and Barlev (1974) model, we propose that even though the audit service is routine and non value added, the client would desire from the auditor helpful advice, referred to as the new value-added audit (Beattie *et al.* 2000; Eilifsen *et al.* 2000). It is proposed in the Relationship Marketing literature that added-value information by a service supplier is a by-product of a service and an important part of a relational approach (Gronroos, 1991; Raval and Gronroos, 1996).

Further evidence from our results indicates the client's preference for an added-value service from their auditor. The client's expectation beyond the audit is related to the client's willingness to commit to the relationship (see Hypothesis 4). In addition, the client's preference for more open communication is related to the client's preference for a trusting a relationship (see Hypothesis 5).

Additional results show that Flexibility and Trust is related to more relationship commitment (see Hypothesis H3 and H4). In addition long-term commitment and trust both lead to more cooperation (see Hypotheses H7 and H8). Therefore client cooperation is the ultimate outcome of a successful relationship: a relationship where there is flexibility, restrained power, and information, expectations beyond the audit, commitment, and trust.

The client's willingness to remain at Arm's Length is related to Trust (see Hypothesis 9) but is not related to relationship Commitment (see Hypothesis 10). To the best of our knowledge, this is the first study that shows that the buyer-seller relationship

can be conducted at arm's length and still be relational (trust is an important relational approach variable, Morgan and Hunt, 1994; Sheth and Parvatiyar, 2000).

From these results, we conclude that commitment is a necessary antecedent for cooperation (as others have found Morgan and Hunt, 1994; Ruyter and Wetzels, 1999), but commitment is not enough to encourage client's to willingly remain at arm's length. Trust is the key mediating variable that influences both the client's willingness to cooperate and remain at arm's length.

As the client-auditor relationship becomes more and more complex due to increased regulations such as the implementation of international standards and the increased audit complexity (Nixon, 2005) in an ecology perspective of relationships, we expect to see even higher levels of the willingness to cooperate by both auditors and clients. The relationship should become more and more interdependent, where reciprocity will be expected in areas such as cooperation.

Finally, our results that show that commitment is a central construct is consistent with other client-auditor relationships (Ruyter and Wetzels, 1999) and in the relationship marketing literature (Dwer et al 1987; Morgan and Hunt 1994 (Figure 1). However, commitment (with the absence of trust) is not enough to assure a successful auditor-client relationship.

This study has practical implications for marketing managers of financial services. It is important that service providers look beyond the service that is paid for by the client, which could be referred to as a value-added service. This added-value service, enhanced by increased communication and flexibility goes beyond the prescribed service and is not billable. This added-value service, as demonstrated by our model (see Figure 1) should result in client cooperation. Client cooperation could result in better business for the supplier. For example, if clients are more cooperative they could be willing to accept price increases and be less willing to leave the supplier in the case of less than satisfactory service quality. Therefore, the suppliers of financial service should invest in their clients and provide valuable information such as information sessions, training and webinars to keep clients up to date on industry data. The suppliers of financial services should also communicate frequently with clients to assure the clients are aware of the specific norms of the supplier, which, if shared, have been shown to increase trust (see Figure 1). The

auditors ability to increase client's trust will be important in order to help the auditor conduct their audit at arm's length.

LIMITATIONS

Our study has certain limitations. Our model that represents the relationships of the study's variables shows directions that are mostly based on theoretical models. We attempted to justify the relationships with correlation analysis; however, correlation analysis only tells us if there is a relationship and not which variable is the cause and which variable is the effect.

We acknowledged the support of our hypotheses based on the correlations that were shown to be statistically significant. The correlation coefficients, however, do not show strong relationships and were significant based on the size of our sample.

We limited the number of our variables based on past theoretical models; however, other variables could have been studied which could influence a client's willingness to cooperate with their auditor.

FUTURE RESEARCH

In this study we asked clients about their relationship preferences. It would be interesting to extend the study to match the auditors preferences to see if there are similarities or differences.

Our method of inquiry was a mail survey and it would be interesting to conduct a qualitative face to face study to determine what the important relationship variables are for clients and auditors. This study and our prior study have relied primarily on Relationship Marketing variables. Given that the client-auditor relationship is different than other buyer-seller relationships because of the third-party user, a qualitative inquire might determine different variables than are presented in the Relationship Marketing material.

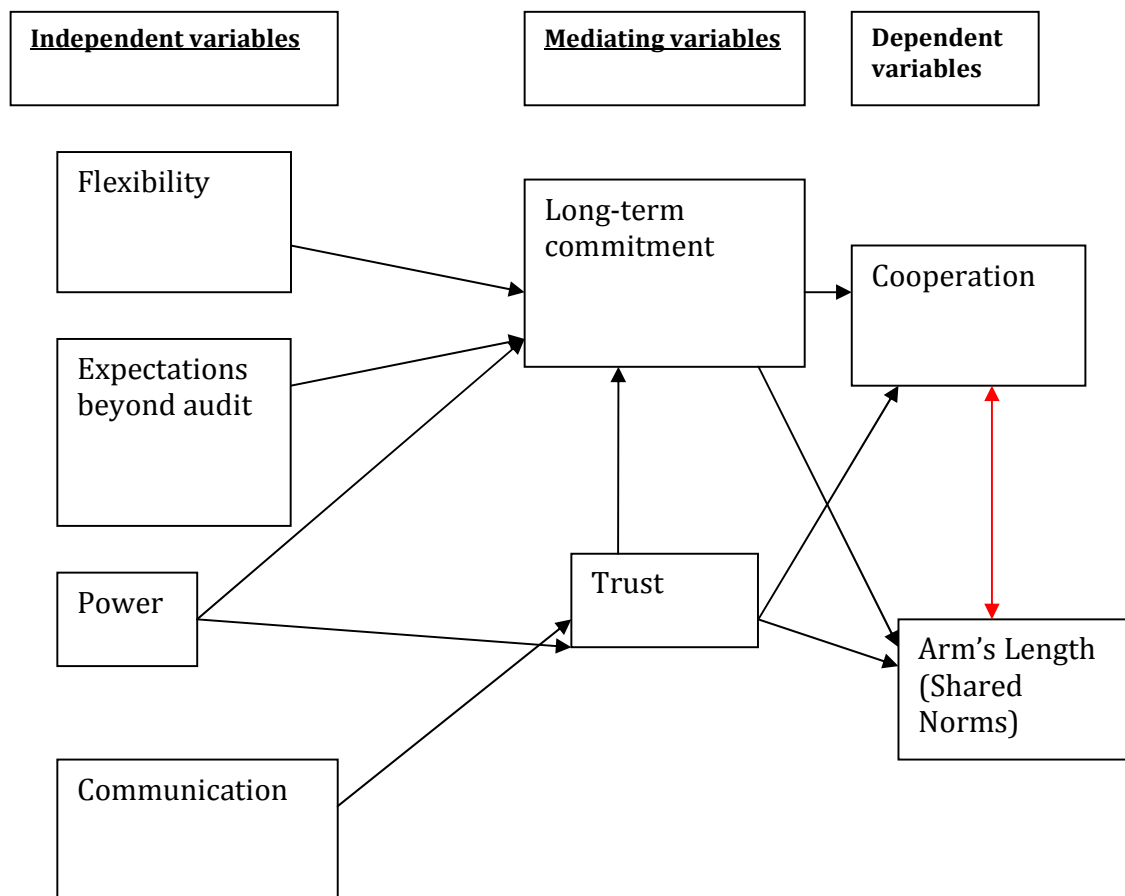
Table 1
Variable inter-correlations

Variable	Cooperation Solpref 6	Arm's Length ® Solpref 3	Trust Solpref2	Commitment Solpref4
Power Restraint (Powpref1 and 2)	.		..267** .203**	.164** .181**
Trust (Solpref2)	.327**	-.139*		.257**
Flexibility (Flepref 1)			.	.326**
Communication (solpref1)			.332**	.
Commitment (Solpref4)	.239**	.008	.257**	.210**
Expectations beyond audit (Rolpref1)			..	.255**
Arm's Length ® (Solpref3)	-.139*		-.306**	-.008

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed)®. The Solpref3 variable is a reverse item; therefore a negative correlation actually represents a positive relationship and a positive correlation actually represents a negative relationship.

Figure 1
Determinants of clients' preference to cooperate



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