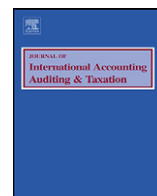




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Balance between auditing and marketing: An explorative study



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ABSTRACT

This study explores how auditors' attitudes toward marketing and their views on the importance of marketing affect how they balance their time spent on auditing and marketing activities. The purpose is to understand how changes in the business environment for auditors affect the relationship between the auditing profession and marketing. The study is based on a survey of 672 auditors in Sweden. Findings suggest that auditors with a positive attitude toward marketing spend significantly more time on marketing activities compared to those with a less positive attitude. Furthermore, auditors who view marketing activities as important spend significantly more time on marketing activities. The study controlled for the number of years as an auditor, age of the auditor, and firm affiliation. The results indicate that the theoretical distance between the auditing profession and marketing does not exist in practice to the same degree as in the past. These findings have implications for international auditing theory and practice in illuminating the relationship of marketing and auditing in a wider business context.

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1. Introduction

Research on auditing as a professional service and its relationship to marketing has emerged over the past decade, presumably as a response to changes in the business environment. Inquiry into the relationship usually has taken one of two directions. One stream of research has investigated changes in auditors' attitudes toward marketing (e.g., Clow, Stevens, McConkey, & Loudon, 2009; Ellingson, Hiltner, Elbert, & Gillett, 2002; Tang, Moser, & Austin, 2002), while the other stream has focused on auditors' marketing practices (e.g., Ellingson et al., 2002; Heischmidt, Elfrink, & Mays, 2002). Both streams show that increasing competition due to the large number of new auditing firms entering the market creates hypercompetition in the industry. Such competition changes attitudes toward and practices of marketing by auditors as well as consequently reshaping the practice of auditing itself (Heischmidt et al., 2002). In an industry that, prior to 1977, viewed marketing as unethical and advertising as violating its professional code of ethics (Clow et al., 2009; Heischmidt et al., 2002), the increase in competitive pressures makes auditors realize the importance of marketing. In turn, the profession recognizes the importance of pure business skills (Jönsson, 2005).

The aim of this study is to explore the attitudes of auditors toward marketing and to investigate their actual marketing practices. In doing so, this research attempts to contribute new insights to both theoretical and practical aspects of auditing. The study investigates the balance between auditing responsibilities and marketing actions. The theoretical contribution is an exploration of the relationship between the auditing profession and the marketing activities of professional services firms. As for practical implications, marketers in general and auditors in particular can gain practical knowledge of how to meet the changing environment of the profession in a balanced way through marketing activities.

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Changes in the audit business environment and the traditional view of marketing might initially indicate that the level of professionalism could be adversely affected by marketing activities. In addition to the more traditional tasks of auditors, marketing activities must be performed both to retain existing clients and to gain new clients. Also, based on the fact that auditing is a service, and marketing is an inherent function of service firms, there is a theoretical aspect of the issue as auditing is not traditionally related to marketing. The problem can be viewed as a double-edged sword: on the one side is the auditing profession with its traditional tasks and code of conduct and on the other is marketing activities that auditors and audit firm have become more aware of and inclined to adopt to retain a competitive edge. The perceived conflict between marketing and auditing and its influence on auditing as a profession remains an empirical question, which this paper will attempt to address.

The issue of including marketing activities in the profession is of immediate concern for auditors in Sweden. As of 2009, Sweden and Malta were the only two countries within the European Union with a statutory audit requirement. However, in November 2010, the statutory audit for all public companies was abolished in Sweden.¹ The abolition affected more than 250,000 public companies in Sweden, at least 70% of which have chosen to have audits. This situation serves as an opportunity for empirical investigation of the auditing profession in transition from an imposed to a marketed function. Auditors must now not only promote themselves and their firm but also promote why the (prospective) client needs an audit. Moreover, the transition in Swedish regulation of the statutory audit creates an opportunity to bridge the two streams of research outlined here and to explore both the attitudes of auditors toward marketing as well as the role of marketing as a part of auditing practice.

Given the internationalization of auditing (e.g., [Humphrey, 2001](#)), such that the Big Four audit firms are operating cooperatively on local, national, and global levels, it could be assumed that the Swedish Big Four 4 audit firms are influenced and affected by that setting. We suggest, therefore, that the results of this study are valid across jurisdictions. While the study uses Swedish data, we contend that investigation of the marketing and auditing relationship has a wider international appeal. First, the paper illuminates the process of change within the auditing profession triggered by regulatory changes (abolition of the statutory audit in Sweden), thus presenting an interesting empirical case of contextual influences on the auditing profession. Second, the paper shows how specific business practices (i.e., marketing) intertwine with the traditional tasks of an auditor, thus presenting the possibility of change within the practice of auditing. Overall, this study addresses both theoretical and empirical problems of the relation between marketing and auditing that could be of interest internationally.

2. Literature review

Auditing is commonly regarded as a profession – along with medicine, law, and engineering, among others. Traditionally, the role of the auditor was to ensure the quality of accounting information ([Öhman, 2005](#); [Power, 1999](#)). This role implied an analytical and critical review of the measurements and communications of accounting for correctness ([Mautz & Sharaf, 1997](#)). A number of studies have investigated how customer relationships, customer acquisition, maintenance of the customer relationship, and customer retention constitute parts of the audit function ([Behn, Carcello, Hermanson, & Hermanson, 1997](#); [Cameran, Moizer, & Pettinicchio, 2010](#); [Öhman, Häckner, & Sörbom, 2012](#)). Recent studies also have shown that auditors are committed to the client and want to add value through the auditing service ([Broberg, in press](#); [Herda & Lavelle, 2013](#)). However, what used to be a relatively passive marketing function of the profession is evolving into an active participation of auditors in customer acquisition and retention ([Hackenbrack & Hogan, 2005](#); [Hodges & Young, 2009](#)) by means of marketing and advertising rather than by referrals and networks – all in order to differentiate services from those of competitors.

Some might believe that the profession and its professional services have been rather resistant to change, due to the governing principles at the core of the profession as well as professional organizations that serve as gatekeepers at the entry into the profession. Recent research has shown otherwise. Specifically, several studies have shown that the business environment for professional services is changing ([Hodges & Young, 2009](#); [Kotler & Connor, 1977](#); [Mautz & Sharaf, 1997](#); [Reid, 2008](#)). Not only does the environment force professional services firms to consider a market orientation ([Reid, 2008](#)) in order to gain competitive advantage ([Hodges & Young, 2009](#)), but also it requires a continuing modification of the relationships to these clients and other stakeholders ([Mautz & Sharaf, 1997](#)). While [Kotler and Connor \(1977\)](#) observe that, in order to adapt to the market-oriented environment and its ever-changing nature, professional services firms have to be able to manage codes of ethics, changing expectations of clients, and increasing competition and attitudinal barriers such as commercial disrespect and association of marketing with selling. These firms have had a hard time adopting such principles – in particular, their view of marketing (as “selling”) and its role within the profession ([Reid, 2008](#)). The association of marketing with selling is explained by the idea that the use of salespeople is not suitable in professional services firms as buyers want to meet and get acquainted with the professionals actually providing the services ([Hodges & Young, 2009](#)).

This study focuses on auditors as providers of professional services. While such services traditionally have been associated with certain tasks, responsibilities, and professional conduct, they have been rather unassociated with marketing tasks. To study how auditors balance their inherent auditing responsibilities and conduct with the imposed marketing tasks, it is important to know what tasks are included in the auditing profession and what characterizes the marketing of professional

¹ Beginning on November 1, 2012, only companies exceeding two of the following three requirements must still be audited: total assets 1.5 MSEK (approx. \$215K), net sales 3 MSEK (approx. \$430K), and 3 employees (on average).

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