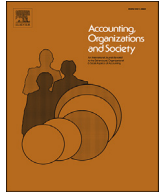




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Commentary

Testing auditor-client interactions without letting auditors and clients fully interact: Comments on Bennett and Hatfield (2018)

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ABSTRACT

Bennett and Hatfield (2018) conduct a role-playing experiment that provides important evidence on how face-to-face communication enhances the professional skepticism of auditors' inquiries, relative to written (email) communication. However, their study captures only part of the richness of auditor-client communication, with findings that could possibly interact with the effects of computer-mediated communication on the propensity for auditors to undertake an inquiry (e.g., Bennett & Hatfield, 2013) or on how client personnel choose to respond (e.g., Saiewitz & Kida, 2018). Experiments of this nature are limited by the fact that participants play only one role, with the other role fixed by design. This commentary challenges future researchers to push the frontier beyond these settings by considering the potential for truly interactive studies that examine how auditor and client personnel respond to each other.

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1. Introduction

Technology has profoundly transformed communication, as anyone who has weaved through a crowd of college students texting as they walk can attest. Indeed, I wonder sometimes if my students realize that they can also use their smart phones for phone calls. Nearly 20 years ago, Bazerman, Curham, Moore, and Valley (2000) reviewed research on computer-mediated alternatives to face-to-face negotiation. Like Bennett and Hatfield (2018), Bazerman, Curham, Moore, and Valley (2000, pp. 294–295) observe that face-to-face interaction maximizes “social presence,” whereas “email lacks social context.” A participant at the 2017 *Accounting, Organizations and Society* Conference observed that even email is now viewed as an old-fashioned form of communication among those who are mesmerized by texting, tweeting, and sundry other forms of social media. Nevertheless, in contrast to any form of written communication, only the very old-fashioned medium of direct conversation can capture the nonverbal cues, gestures, and inflexions that add context and meaning to our words (DePaulo & Friedman, 1998). At the AOS Conference, I tried to illustrate the point by turning my back to the audience and remaining silent while participants read through my opening slides. The awkwardness was acute, and I do not believe I would have made it

past slide two if not for the nonverbal cue of supportive laughter the audience kindly provided. There is a reason why, despite technological advances that make virtual meetings trivially easy to convene, we still spend the time and money to meet face-to-face.

If face-to-face conversation is important enough to justify a physical conference to disseminate and discuss research, one would think that face-to-face interaction would be especially important in an audit environment for which success or failure depends on the effectiveness of interactions between audit and client personnel (Guénin-Paracini, Malsch, & Tremblay, 2015). Yet, as Bennett and Hatfield's (2018) survey evidence indicates, staff auditors clearly prefer to communicate electronically. If auditors act on this preference, the loss in social presence can lead to a commensurate loss in the depth of auditor questioning that professional skepticism demands, as the authors' results suggest.

Although Bennett and Hatfield's (2018) findings provide important insights on the limitations of computer-mediated communication in an audit setting, the *ceteris paribus* nature of their experiment limits the extent to which their study can address something as rich and complex as human communication. For starters, communication can only be effective if it takes place, a point addressed in prior research by Bennett and Hatfield (2013) that examines the auditor's choice of whether or not to even conduct a follow-up client inquiry. In contrast to Bennett and Hatfield (2013), all auditor participants in the current study engage in a follow-up inquiry, with only the medium of

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communication differing. Beyond the basic question of whether the auditor even follows up, any communication necessitates (at least) two parties. While Bennett and Hatfield's (2018) experiment does indeed involve multiple parties, one of them is a confederate (the client), whose responses are scripted.¹ Accordingly, the authors cannot address the effects of communication medium on client responses, a consideration addressed in a different experiment by Saiewitz and Kida (2018) that I discuss later in this commentary.

These observations should not be taken as criticisms, as the authors are simply following the *sine qua non* of experimentation to vary one thing at a time, while controlling for other factors that could complicate causal inferences. Experiments are well-suited to test theories, not to simulate reality. Yet, auditor-client communication is unlikely to be fully understood one step at a time. That is, while one might hope to complete the puzzle by assembling the various pieces of whether the auditor will inquire (Bennett & Hatfield, 2013), what the auditor will ask (Bennett & Hatfield, 2018), and how the client will respond (Saiewitz & Kida, 2018), these different pieces could plausibly interact. Accordingly, individual *ceteris paribus* experiments could hide some of the richness of auditor-client interactions that turn multiple dials at the same time.

In a sense, Bennett and Hatfield (2018) capture the middle phase of auditor-client communication by investigating what the auditor asks. Before this phase occurs, however, the auditor must first decide to undertake the inquiry. And after the auditor asks his/her questions, client personnel must decide how to respond. All three of these phases (i.e., whether to ask, what to ask, and how to respond) could be influenced by face-to-face vs. computer-mediated communication, as I explain in the sections that follow.² I then comment on the potential for further insights from more interactive experiments in which participants with different incentives undertake different roles, as in the style of experimentation typically referred to as “experimental economics.” Subject to the cooperation of audit firms, field studies can also play an important role (Guénin-Paracini et al., 2015; Malsch & Salterio, 2016).

2. Will the auditor even ask?

In an earlier, award-winning study,³ Bennett and Hatfield (2013) conducted a role-playing experiment similar in structure to Bennett and Hatfield (2018). For ease of notation, I refer in this section to the earlier and current studies as BH1 and BH2, respectively. The auditor's key decision in BH1 is whether to request additional documentation pertinent to an accounts receivable confirmation reply, for which the available documentation does not

¹ To be clear, save for the loss of richness from the inability to examine the effects of communication medium on both the sender and recipient of the communication, I have no problem with the use of a confederate in Bennett and Hatfield (2018). To the authors' credit, the confederate in their study introduces himself to participants in a truthful and forthcoming manner as someone who “agreed to help with the case study that you are doing today.” Thus, the experiment is conducted in a straightforward manner with no need for deception.

² I developed my comments from the earlier, Conference version of Bennett and Hatfield (2018). While the authors' post-Conference revision also addresses these points to some extent, my discussion provides additional detail.

³ Bennett and Hatfield (2013) received the 2015 American Accounting Association/Deloitte Foundation Wildman Medal to recognize the study published within five years of the award year that evidences the most significant contribution to the practice of public accountancy. See <http://aaahq.org/About/Directories/2017-2018-AAA-Committees-Task-Forces/Award-Committees/Deloitte-Wildman-Award-Committee/Award-Criteria>. In addition to its practical interest, Bennett and Hatfield's (2013) experiment is an excellent vehicle for classroom discussion, as I have found in a case exercise based on Bennett and Hatfield (2013) that I have used with success in my undergraduate auditing course.

fully corroborate the controller's (i.e., a confederate's) initial response. Indeed, the confirmation of interest in BH1 appears to be identical to “confirmation #1” in BH2. In BH1, the authors manipulate the nature of the confederate, who is either older than the participants, suggesting greater experience, or about the same age as the participants.⁴ The authors also manipulate whether participants must request a face-to-face or an electronic (email) inquiry to follow up.

When face-to-face inquiry is the only option, the auditor participants in BH1 are significantly less likely to follow up with the older controller than when email is available. Worse, a sizable proportion of participants in the face-to-face condition with an older controller document their audit conclusions in an ambiguous or false manner rather than undertake a face-to-face discussion, suggesting that face-to-face communication might not only impede inquiry, but could also lead to inappropriate audit conclusions. BH1 conclude that the “social mismatch” between more experienced client personnel and less experienced staff auditors can intimidate the latter, jeopardizing audit effectiveness. Computer-mediated communication “wins” in BH1 by mitigating this effect, prompting a significantly greater propensity to follow up on an incomplete confirmation inquiry even when the controller is older and more experienced (see BH1's Fig. 1, p. 45).

From the perspective in BH1, the conclusions in BH2 take the reader somewhat by surprise. Specifically, in contrast to the less intimidating nature of email communication in BH1, the authors find in BH2 that auditor participants ask more probing questions and exhibit greater professional skepticism when communicating face-to-face. Thus, while email communication appears to “win” in BH1, it loses in BH2, at least with respect to professional skepticism.

The key to reconciling the apparently conflicting conclusions reached in BH1 and BH2 lies in footnote 10 to BH2, in which the authors observe that, “to avoid a potentially intimidating situation for staff auditors meeting with the confederate (e.g., Bennett & Hatfield, 2013), the confederate was not significantly older than participants and maintained a pleasant demeanor.” In simple terms, BH2 controls away the factor that intimidates participants in BH1. As a result, 100 percent of the participants in BH2 choose to follow up with the controller (see footnote 11 to BH2), in contrast to only 35 percent of the BH1 participants who follow up in the face-to-face condition with an older controller.⁵

In sum, *given* that the auditor follows up with client personnel on a matter needing further investigation, we learn from BH2 that face-to-face inquiry is likely to generate richer content and greater professional skepticism than would occur with computer-mediated communication. However, the authors' earlier research in BH1 challenges the “given” in this sentence. That is, from BH1 we learn that the potentially richer social presence from a face-to-face inquiry is a moot point if the inquiry does not even take place. Combining both studies, it would appear that the tradeoff facing audit firms is whether to settle for the weaker but more predictable communication channel of computer-mediated inquiries, as opposed to enriching the communication by asking audit personnel

⁴ BH1 also manipulate whether the older controller adopts a cooperative tone or a more belligerent, condescending tone. The authors find that participants become intimidated by and hence are more reluctant to question the older controller than the younger controller, irrespective of the older controller's tone.

⁵ Even when BH1 participants interact face-to-face with a younger controller, 17 percent do not follow up (see BH1's Table 3, Panel A, p. 43). Given that some participants choose not to follow up in all experimental cells of BH1, it is unclear why all participants follow up on the same confirmation inquiry in BH2. As a conjecture, a possible reason for this difference could be that BH1 participants were graduate accounting students in an academic setting, as opposed to the staff-level audit professionals who participated in BH2 in a professional setting.

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