**Competence trust, goodwill trust and negotiation power in auditor-client relationships**

**Introduction**

Scholars have emphasized that financial statements are not merely altered in order to adopt all adjustments proposed by the auditor, but rather are the result of negotiations between the auditor and the client firm’s management (client) (e.g., Antle and Nalebuff 1991; Wright and Wright 1997). These negotiations are characterized by information asymmetries between the auditor and the client, which may lead to suboptimal negotiation outcomes and thus to suboptimal audits. The key to reduce these information asymmetries is to share information (e.g. Thompson 1991; Butler 1999). However, auditors and clients often hesitate to do so. This is because clients might refrain from timely and completely sharing all relevant information due to concerns that in the audit negotiations the information provided could be used against their interests (Rennie et al. 2010; Gibbins et al. 2010), and the auditor might refrain from providing advice and might merely ensure that the financial statements technically comply with the relevant accounting standards if he is unsure about how the client may use the information provided (Bammens and Collewaert 2014). Similarly, auditors have been found to reward clients who show a proactive information sharing behavior in the audit with rather taking the role of an advisor than a policeman, thus they reciprocate their clients’ information sharing behavior (McCracken et al. 2008).

Trust is regarded as a vital element to decrease behavioural uncertainties and stimulate exchange relationships (e.g. Lewicki and Stevenson 1997; Tomlinson et al. 2009), such as auditor-client relationships (e.g. Aschauer et al. 2017; Richard 2006). Clients who perceive their auditor as trustworthy will be more likely to provide the information required by the auditor in order to gain an accurate picture of the firm, and auditors who perceive their client as trustworthy will be more willing to share information required to solve accounting issues. In turn, the increase in information exchange between the auditor and the client can also affect the likelihood that the auditor or the client stand up to the accounting treatment favoured by the interaction partner in an auditor-client negotiation.

In spite of the important role that trust may play in the outcome of auditor-client negotiations, to the best of our knowledge only Kerler and Brandon (2010) have investigated this relationship so far. Their findings suggest that the auditor’s trust in the client’s intentions to accurately prepare the financial statements and provide relevant information to the auditor is positively related to goal commitment, which is, in turn, positively related to their acceptance of the client-preferred treatment. We extend this research by investigating the direct impact of the auditor’s trust in the client and the client’s trust in the auditor on the negotiation outcome. In particular, we explore the impact of the auditor’s trust in the client’s ability (competence trust, i.e. the perception of a high level of knowledge of the business and the industry as well as of accounting and auditing standards) and intention (goodwill trust, i.e. the perception of a strong sense of justice and of an inclination to keep promises and to be fair) (Mayer et al. 1995; Nooteboom 1996; Ring and Van De Ven 1992) to draw up high-quality financial statements on the probability to stand up to the client’s preferred treatment. To avoid confusion, it is important to point out that goodwill trust is not linked to the auditing concept of goodwill. Further, we investigate the direct impact of the client’s competence trust and goodwill trust in the auditor on the probability to stand up and not follow the auditor’s preferred treatment. Competence trust and goodwill trust are the two dimensions of identification-based trust (Nooteboom, 1996), which is the strongest form of interpersonal trust and thus an effective way to investigate the relationship between trust and the likelihood to stand up to the interaction partner’s preferred position (negotiation power). We thereby address a call for research on the impact of competence trust and goodwill trust in auditor-client relationships (Kerler and Killough 2009; Rennie et al. 2010).

To investigate the relationship between identification-based trust and auditor-client negotiation outcomes, we conducted two experiments, one with auditors and one with chief financial officers (CFOs). Similar to the case used by Bamber and Iyer (2007) the overall task in the two experiments was to indicate the likelihood that the auditor or CFO stands up to the interaction partner’s preferred position in a disagreement on the materiality of unrecorded liabilities. Auditors received one of four experimental cases, which were created by manipulations of the auditor’s competence trust (high or low) and goodwill trust (high or low) in the client. Similarly, CFOs received one of four experimental cases, which included manipulations of the CFO’s competence trust (high or low) and goodwill trust (high or low) in the auditor.

The results from hierarchical OLS regression based on data collected from 149 auditors and 116 CFOs indicate that high competence trust makes both auditors and CFOs less likely to stand up to the interaction partner’s preferred position in auditor-client negotiations, whereas goodwill trust does not show a systematic impact. Thus, auditors who trust their client’s ability to draw up the financial statements and to provide them with information relevant for the audit (competence trust) are less likely to stand up to the client’s preferred position. In contrast, trust in their clients’ willingness to do so (goodwill trust) does not impact on auditors’ likelihood to stand up to the client’s preferred position. Equally, clients who trust their auditor’s ability to carry out the audit in an objective and constructive way are less likely to stand up to the auditor’s preferred position and are more likely to alter the financial statements as required. Clients’ trust in the auditor’s goodwill does, however, not affect the likelihood to stand up to the auditor’s preferred position.

With these findings, we contribute to research and practice in several ways. We add to the literature on auditor-client negotiations by exploring the role of two distinct forms of trust on the outcome of these negotiations. Previous literature highlighted the importance of the context in auditor-client negotiations, with one contextual feature being the social relationship between the auditor and the client. While earlier studies proxied the quality of the relationship by the length of the relationship or the pressure applied by the client (Bamber and Iyer 2007; Hatfield et al. 2011), we introduce competence trust and goodwill trust as key to overcoming the negotiation dilemma. Further, our finding that competence trust reduces both the auditor’s and the CFO’s probability to stand up to the interaction partner’s position, highlights the importance of personal interaction between the auditor and the client in order to enable both to obtain a realistic picture of the interaction partner’s competences. In contrast, goodwill trust affects neither the auditor’s nor the CFO’s decision to stand up to the interaction partner’s preferred position. Thus, the discussion on the threat for auditor’s objectivity arising from close social ties between auditor and client seems to have overrated the goodwill component and overlooked the aspect of perceived competence (Aschauer et al. 2017). As trust may entail both positive and negative effects (Kong et al. 2014), our findings are highly relevant for regulators, because they inform about the crucial importance of competence trust for the auditing negotiation outcome.

**Theoretical background and development of hypotheses**

**Auditing as negotiation – a dilemma**

Financial statements are widely viewed as the outcome of negotiations between auditors and their clients (e.g., Antle and Nalebuff 1991; Cipriano et al. 2017; Trotman et al. 2005). In general, negotiations describe social processes in which two or more parties with non-identical preferences jointly make decisions that affect the welfare of the parties involved (Murnighan and Bazerman 1990). At least at the beginning of a negotiation, information is not equally distributed between the parties. As a consequence, negotiators often face a dilemma, as these information asymmetries can only be reduced by sharing information (e.g. Thompson 1991). However, cooperative, information-sharing behaviors may on the one hand increase the negotiators’ welfare and possibly also the welfare of the interaction partner but may on the other hand also increase the risk of being taken advantage of by the interaction partner (Murnighan et al. 1999). Negotiation dilemmas are therefore characterised by two distinctive features: First, they involve both opportunities and risks for the negotiators, and second, the negotiation outcome is also contingent on the behaviour of the interaction partner (Kong et al. 2014).

In the auditing context, the common negotiation goal of both auditor and client is to prevent a qualified audit opinion (Brown and Wright 2008; Gibbins et al. 2001), because a qualified audit opinion would increase the auditor’s risk not to be reappointed and not to obtain contracts for non-audit services from the client, and reduce the client’s ability to use financial statements to attract additional capital or other resources (Carrington 2010). In spite of this common goal, the auditor’s and the client’s individual goals may differ severely with the auditor playing safe to minimize his risk and the client trying to stretch accounting standards to pursue personal as well as company interests. Due to these differing individual goals, the client will not simply alter financial statements to reflect all proposed audit adjustments (Wright and Wright 1997), just as the auditor will not simply waive all detected misstatements, irrespective of their materiality. Rather, they will enter into negotiations.

For these negotiations, both the auditor and the client require timely, accurate, complete and relevant information from their counterpart − the auditor to gain an accurate picture of the firm’s situation and the client to solve any issues raised by the auditor that would prevent an unqualified audit opinion. However, due to the uncertainty about how the interaction partner would use the information provided both sides tend to hold back private information. The client will thus be reluctant to disclose sensitive data on the firm’s operations and the risks it is exposed to, as they fear that this data is misused in the audit negotiations by the auditor. This effect was observed in earlier studies in the auditing setting (Rennie et al. 2010; Gibbins et al. 2010). Likewise, the auditor will be reluctant to provide advice and feedback, as they do not want to put great effort in performing advisory tasks if they fear that the client uses the offered advice for self-serving instead of cooperative purposes. This effect was observed in contexts that are – similar to the auditor-client relationship – characterized by one interaction partner having a dual role of exerting control and providing advice, such as the relationship between bank loan managers and their clients (Moro et al. 2018), business angels and start-up entrepreneurs (Bammens and Collewaert 2014), and CEOs and top management teams (Carmeli et al. 2011). Just like auditing relationships, lending relationships are regulated by specific laws, whereas business angel relationships are regulated only by a private contract. The least regulated settings are intrafirm relationships. Nevertheless, the effect has been robust across all settings. Thus, it seems to be the interaction partner’s dual role of providing advice and exerting control highlighted by McCracken et al. (2008) that drives the observed effect. As a result, both client and auditor do not keep their interaction partner properly informed regarding their positions, arguments and strategies during the audit (Gibbins et al. 2005). The mutual perception of lacking information reinforces the auditor’s and the client’s uncertainty and further enhances the tendency to pursue a restrictive information policy. As a consequence, both auditor and client are trapped in a negotiation dilemma because they will be more likely to stand up to the interaction partner’s preferred position in situations of disagreement in the auditing relationship. However, an agreement is needed in order to prevent a qualified audit statement.

Previous research suggests that the auditor’s behavior in auditor-client negotiations depends on the context in which the audit is embedded. Gibbins et al. (2001) list the relevant levels of this context: external conditions and constraints, such as GAAP and GAAS (Ng and Tan 2003), the interpersonal context, such as the auditor-client relationship (Bamber and Iyer 2007; Braun 2001; Hatfield et al. 2001; McCracken et al. 2008) or the involvement of audit committees (Brennan and Kirwan 2015; Salleh and Stewart 2012), and the auditor’s and client’s capabilities, such as their accounting and negotiation expertise. By focusing on identification-based trust, we explicitly address the interpersonal level (goodwill trust) and the level of perceived capabilities (competence trust).

**Identification-based trust as key to the negotiation dilemma**

One possible way to overcome the negotiation dilemma described above, in which both parties have a high level of uncertainty and are therefore likely to stand up to the interaction partner’s preferred position, is interpersonal trust (Adler 2001). Interpersonal trust can, however, take different forms, ranging from pure economic exchange based on contractual bonds that can be enforced to pure social exchange based on social bonds and voluntary adherence to the principle of reciprocity (Adler 2001; Fink and Kessler 2010). The weakest form of interpersonal trust, calculus trust, is based on an on-going economic calculation of costs versus benefits (Lewicki and Bunker 1996; Williamson 1993). This form of interpersonal trust will, however, not justify the necessary step into a state of vulnerability to the contingent behavior of the other, which Möllering (2002) called “leap of faith”, that is necessary to solve the negotiation dilemma. Rather, the strongest form of interpersonal trust, identification-based trust, is needed to solve this dilemma. This form of interpersonal trust suggests identification with others’ ideas, desires and intentions as well as a strong reciprocal understanding in terms of values and standards of behavior (McAllister 1995; Lewicki and Bunker 1996). Regarding the auditor-client relationship identification with others’ ideas, desires and intentions thus implies that both parties respect the other’s ideas on how to do business and their desires regarding the outcome of the auditing process. Understanding in terms of values and standards of behavior refers to auditor and client having a similar understanding of the importance of accounting rules as well as similar values regarding behavior in business life and in particular auditing. With identification-based trust, actors make themselves dependent on their interaction partner’s future behavior. Mayer et al. (1995, 712) define identification-based trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor and control that other party”.

Identification-based trust is an effective measure to reduce perceived behavioral uncertainty and enhance exchange relations by curbing information asymmetry between the interaction partners. The underlying rationale is that actors who perceive their interaction partners as trustworthy expect them to act as promised and therefore perceive the interaction partners’ future behavior as less uncertain. With lower behavioral uncertainty, more information is communicated to the interaction partners, which in turn reduces information asymmetry perceived by the interaction partners and, as a consequence, behavioral uncertainty, motivating the interaction partners to also share more information (Colquitt et al. 2007; Dirks and Ferrin 2001). Thus, identification-based trust can help to overcome negotiation dilemmas because it compensates for behavioral uncertainty perceived by the trustor. Accordingly, previous research suggests that in negotiation processes identification-based trust is positively associated with the parties’ joint outcome and outcome satisfaction (Kong et al. 2014).

In the auditor-client setting, identification-based trust can provide a powerful key to the negotiation dilemma as well. Information is rather shared with trusted interaction partners (De Jong and Elfring 2010). Clients who perceive their auditor as more trustworthy would be less uncertain about how the auditor uses the information provided. Thus, they would help their auditors to gain an accurate picture of the firm by providing them with more timely, accurate, complete and relevant information. Also, auditors who perceive their clients as more trustworthy can be expected to be more motivated to offer advice on how to prepare high quality financial statements instead of ensuring that the financial statements merely comply with accounting standards (McCracken et al. 2008). This is because they expect clients to use the information provided for cooperative rather than self-serving purposes (Bammens and Collewaert 2014; Zheng 2012) and are therefore less uncertain about how their clients use the information provided.

However, earlier studies also find a “dark side” of identification-based trust, as it increases the risk of being manipulated (McEvily and Tortoriello 2003), exploited (Langfred 2004) or cheated (Shapiro 1987). Thus, identification-based trust has to be well-founded in order not to be naïve (Langfred 2004). According to Mayer et al. (1995) identification-based trust is based on three factors, namely ability, benevolence and integrity, and the level of trust depends on the strength of these three factors. Ability refers to the perception that the trustee has certain skills and competences relevant to performance. It is both task- and situation-specific. With regard to the auditor-client relationship ability describes the auditor’s perception that the client has the skills and competences required to manage the firm and draw up the financial statements, and the client’s perception that the auditor understands the nature of the client’s firm and is qualified to audit the firm. Benevolence refers to the extent to which a trustee is believed to voluntarily do good to the trusting party, and is relationship specific. In terms of the auditor-client relationship benevolence implies that neither auditor nor client expect the respective interaction partner to knowingly act against their interests or to pursue their own interests at all costs. Integrity is the trustor’s perception that the trustee adheres to a set of principles considered acceptable to the trustor. In an auditor-client relationship integrity thus implies that the auditor as well as the client believe that the interaction partner communicates openly and is even-handed in dealing with them.

While each of these three factors offers a unique perspective from which the trustor assesses the trustworthiness of the trustee, all three factors together provide the foundation for studying identification-based trust for another party (Mayer et al. 1995). All three factors develop in repeated interaction over time (Ferrin et al., 2008). However, as earlier research argues that it is difficult to distinguish empirically between benevolence and integrity (Nooteboom et al. 1997), we differentiate between competence trust (i.e. trust in the interaction partner’s ability to perform as promised) and goodwill trust (i.e. trust in the interaction partner’s willingness to perform as promised). In the auditor-client relationship competence trust gives the auditor and the client confidence that the interaction partner is able to accomplish the given task (Das and Teng 2001). However, even a very competent auditor or client may decide to act opportunistically and thereby threaten the auditor-client relationship. At the same time, goodwill trust suggests that the auditor and the client have good intentions to make the relationship work (Das and Teng 2001). Still, it does not suggest that they also have the abilities to accomplish that. Thus, it is necessary to consider both competence trust *and* goodwill trust when investigating the role of identification-based trust in auditor-client negotiations. Below, we will elaborate on how these two elements of identification-based trust impact the outcome of auditor-client negotiations.

**Competence trust**

In auditor-client relationships the assessment of the interaction partner’s competence is a critical part of the audit process. Previous research finds that auditors assess their clients’ competence in order to determine the level of audit risk (McKinley et al. 1996) and to decide whom to ask for explanations about unexpected audit findings (Hirst and Koonce 1996).

When determining the interaction partner’s competence both auditor and client need to consider the respective other’s knowledge of the client’s business and industry as well as the general knowledge of accounting and auditing standards (Gibbins et al. 2001). As far as the client’s business and industry is concerned information asymmetries between the auditor and the client typically favor the client, because the client likely knows more about its own firm and the environment it operates in than the auditor (Zimbelman and Waller 1999). At the same time, however, the auditor can usually rely on an extensive knowledge of accounting and auditing standards and compare the practices of various clients (Salterio 1996). Compared to the client, the auditor therefore generally has superior knowledge regarding accounting and auditing standards (Gibbins et al. 2001).

In auditor-client negotiations the auditor as well as the client have to believe that the interaction partner has a high level of knowledge of the client’s business and industry *and* of accounting and auditing standards in order to place competence trust in them. This is because the auditor is less likely to stand up to the client’s preferred position if they believe that the client is not only able to successfully run the firm, but also to prepare the financial statements in line with the relevant accounting standards and to deliver any information necessary for the audit. The likelihood that the auditor stands up to the client’s preferred treatment thus increases when the auditor holds lower levels of competence trust in the client. At the same time, the client is also less likely to stand up to the auditor’s preferred position and, thus, to not stand up to the client’s preferred treatment, if they believe that the auditor does not only have a good knowledge of the relevant accounting and auditing standards, but also understands the firm’s business and the industry it operates in. The likelihood that the client stands up to the auditor’s preferred treatment, i.e. that the client tries to convince the auditor of his/her position so that the auditor waives the detected misstatement, therefore increases when the client holds lower levels of competence trust in the auditor.

Based on these arguments, we propose the following hypotheses:

*H1a: The probability that the auditor stands up to the client’s preferred treatment increases when the auditor holds lower levels of competence trust in the client.*

*H1b: The probability that the client stands up to the auditor’s preferred treatment increases when the client holds lower levels of competence trust in the auditor.*

**Goodwill trust**

In addition to one interaction partner’s trust in the ability of the other interaction partner to perform (competence trust), trust in the interaction partner’s willingness to perform (goodwill trust) might also influence negotiation outcomes. Earlier research found that a high level of goodwill trust has a positive impact on information exchange, leading to more cooperative negotiation outcomes (Kimmel et al. 1980). In view of auditor-client relationships, however, the auditor’s goodwill trust in the client is often regarded as potential threat (Fearnley et al. 2005; Kerler and Killough 2009). The argument is that goodwill trust impairs the auditors’ judgment and therefore prevents an objective review of the client’s financial statements. The auditor’s goodwill trust in the client may thus also affect auditor-client negotiations by making the auditor less likely to stand up to the client-preferred position. However, only few studies explore the effects of goodwill trust on the auditors’ decisions.

In an experimental study, Kerler and Killough (2009) find a negative relationship between the auditors’ perceived risk of fraud and their goodwill trust in the client after an unsatisfying experience with the client, whereas they find no such relationship after a satisfying experience. Their results suggest that the level of auditors’ goodwill trust impacts their decisions, as auditors seem to become more skeptical of a client after the client shows untrustworthy behaviors, but seem to be unaffected as long as the client shows trustworthy behavior. Further, Kerler and Brandon (2010) investigate the relationship between an auditor’s goodwill trust in the client and his goal commitment, and how the auditor’s goal commitment impacts his acceptance of client-preferred methods. Their results suggest that auditors’ goodwill trust is positively associated with the commitment to the goal of supporting the client-preferred method, which is in turn positively associated with the auditors’ acceptance of the accounting treatment favored by the client. Thus, even though auditors’ trust in the client’s goodwill does not affect the perceived risk of fraud unless auditors have had an unsatisfying experience with the client before, it does, albeit indirectly, affect the probability that auditors stand up to the clients’ preferred treatment. We push this stream of research further and directly tackle this effect. Thus, based on these findings we hypothesize that the auditor’s goodwill trust in the client is negatively associated with the likelihood that the auditor stands up to the client’s preferred treatment, i.e. tries *not* to acquiesce to the client’s preferred treatment and *not* to waive detected misstatements.

*H2a: The* *probability that the auditor stands up to the client’s preferred treatment increases when the auditor holds lower levels of goodwill trust in the client.*

The outcome of auditor-client negotiations may, however, not only be influenced by the auditor’s trust in the client’s willingness to perform, but also by the client’s trust in the auditor’s willingness to perform. Gibbins et al. (2007) investigate the client’s perspective on auditor-client negotiations and find that the relationship with the auditor is the most important element of the interpersonal context. Moreover, Aschauer et al. (2017) find that also for the client, goodwill trust is an important element of their relationship with the auditor.

The importance of the interpersonal context and goodwill trust in the auditor-client relationship suggests that also the outcome of auditor-client negotiations may be affected by the level of goodwill trust the client places in the auditor. This is because if the client does not believe that the auditor has good intentions to accomplish his task, i.e. conduct a fair and constructive review of the client’s financial statements, the client will be reluctant to alter the financial statements as suggested by the auditor. Thus, the client will try harder to stand up to the auditor’s preferred treatment, i.e. to convince the auditor of their position so that the auditor waives the detected misstatement. Accordingly, we propose the following hypothesis:

*H2b: The probability that the client stands up to the auditor’s preferred treatment increases when the client holds lower levels of goodwill trust in the auditor.*

**Data and methodology**

**Data collection and participants**

This study is based on data collected from 149 auditors and 116 CFOs. Data on the auditors was collected following two approaches that were pursued in parallel. First, experimental cases were distributed to the attendees of a symposium organized by the Austrian Institute of Certified Public Accountants (Institut Österreichischer Wirtschaftsprüfer – IWP). The symposium enables Certified Public Accountants to receive an update on current developments in their field and to fulfil their continuing education requirements. 66 experimental cases were completed and returned during this event. Second, 100 experimental cases were sent to contact partners of three audit firms, one of them non-Big 4 and two Big 4 audit firms. The contact partners distributed the instruments internally and motivated their colleagues to participate in the experiment. This approach yielded 83 completed cases. The two groups combined result in a total of 149 complete cases. All responses received were complete and could thus be used in the analysis.

CFOs were selected for the experiment in a multi-step sampling process. First, we extracted a list of all public and private limited companies with more than 50 employees and registered offices in Austria from the electronic database Aurelia Neo. Based on this list of approximately 5,700 companies, the CFOs of 350 companies were randomly selected and contacted by telephone, informed about the project and asked if they were willing to participate in the experiment. 301 CFOs agreed to participate and were sent the link to the electronic version of the experimental case. This approach yielded 116 responses. All responses were complete and could thus be used in the analysis.

**Experimental case and operationalization**

We utilize a 2x2 between subjects experimental design to test our hypotheses (see Appendix). In order to test both the auditors’ and the CFOs’ likelihood to stand up to the interaction partner’s preferred treatment we develop two experimental cases that describe the same auditor-client disagreement in an auditing negotiation but differ with regard to the level of goodwill trust and competence trust put in the interaction partner. The experimental cases, which build on the vignette approach (Fink et al. 2012), are adapted from Bamber and Iyer (2007) and can be completed in approximately 10 minutes. We had to make minor amendments, as Bamber and Iyer (2007) used the vignette in an English-language questionnaire sent out to auditors only to collect data for a survey and not a German-language experimental study with auditors and clients in an experiment with randomized test groups. However, we kept the vignette underlying the case very close to the original. We translated (and back-translated) the case into German to reduce the barrier for the sampled practitioners to participate in the study as much as possible.

In the vignette, all participants received the same information regarding a dispute between a fictive auditor and a fictive CFO on the materiality of unrecorded liabilities. In the fictive situation, the CFO strongly disagrees with the auditor’s conclusion that the amount is material and therefore has to be recorded in the financial statements. In the case setting, neither GAAS nor the auditor’s internal audit guidelines offer a clear solution. Compared to the vignette used by Bamber and Iyer (2007) we provide some more details regarding the setting in which the case situation is embedded in order to better isolate the effect of the manipulation in the experiment. The auditors were asked to think of their relationship with not only their biggest, but their biggest and most important client to reduce the risk of misinterpretation. Further, participants are informed that in the case setting the CFO has strong incentives to report high operating profits, since the company has suffered losses in previous years and the CFO’s compensation is performance-related. This additional piece of information on the motivation of the CFO better establishes the level of risk inherent in the case setting according to the audit risk model (American Institute of Certified Public Accountants, 1983). The additional information that the auditor has audited the firm for the last four years and has never rendered any non-audit services specifies the level of dependence between the two parties in the audit. Finally, we turned the question capturing the dependent variable into a positive tune in order to reduce the threat of social desirability bias.

In the following section, we introduce the two stimuli into the case setting: First, the variation between high/low goodwill trust in the interaction partner. Second, the variation between high/low competence trust in the interaction partner. The participants of the experiment were randomly assigned to one of the four treatment groups resulting from the possible combinations of the two stimuli. In line with Mayer et al. (1995) we conceptualize identification-based trust as a multi-dimensional phenomenon. Nooteboom summarizes the vivid discussion on the various forms of trust (e.g. Tinsley, 1996) into two broad, but clearly distinguished dimensions: “Trust may concern a partner’s *ability* to perform according to agreements (competence trust), or his *intention* to do so (goodwill trust)” (1996: 990, emphases in the original source). While both are dimensions of identification-based trust, there is a crucial difference between the ability (competence) and the willingness (goodwill) to perform as promised that has also been identified in previous empirical studies (e.g. Moro and Fink, 2013).

The high competence trust manipulation was formulated as “The CFO is very competent and successful in his job. He has a detailed knowledge of accounting standards” for the auditor perspective and “The auditor is very competent. He has a detailed knowledge of the industry and the firm’s business.” for the CFO perspective. The low competence trust manipulation was formulated as “The CFO is not very competent and moderately successful in his job. He does not have a detailed knowledge of accounting standards.” for the auditor perspective and “The auditor is not very competent. He does not have a detailed knowledge of the industry and the firm’s business.” for the CFO perspective. Analogously, the high goodwill trust manipulation was formulated as “The CFO has a strong sense of justice. He keeps his promises and always tries to be fair.” for the auditor perspective and “The auditor has a strong sense of justice. He keeps his promises and always tries to be fair” for the CFO perspective. The low goodwill trust manipulation was formulated as “The CFO does not have a strong sense of justice. He does not always keep his promises and does not always try to be fair” for the auditor perspective and “The auditor does not have a strong sense of justice. He does not always keep his promises and does not always try to be fair” for the CFO perspective. It is important to note that these manipulations are not intended to capture facts about the interaction partners, but perceptions. Thus, our operationalization does not ask too much of the interviewees regarding the required knowledge of their interaction partner. Competence trust and goodwill trust were both operationalized as dummy variables with the value 1 assigned to the high trust manipulations (reference group). The distribution across cells indicates that the preconditions for operationalizing the independent variable as dummy variables are met in both samples (Table 1).

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Insert table 1 about here

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After carefully reading the case vignette the participating auditors indicated the likelihood that they would stand up to the client-preferred treatment and require the liabilities to be recorded on a scale from 0 (very low likelihood) to 100 (very high likelihood). This scale is in line with the scale used by Bamber and Iyer (2007). The participating CFOs indicate the probability that they would stand up to the auditor-preferred treatment and not record the liabilities also on a scale from 0 (very low likelihood) to 100 (very high likelihood). The mark thus reflects the probability that the participating auditor or CFO stands up to the interaction partner’s preferred treatment.

In order to control for potential confounds we also collected demographic data. We include the auditor’s and the client’s gender as control variable, since earlier research suggests that gender affects negotiation outcomes (Mazei et al. 2014). In addition, previous studies find that negotiation outcomes are affected by the power of the negotiators (e.g. Kim et al. 2005). As size of the audit firm and size of the client are common proxies for power (Gibbins et al. 2001), we include a dummy variable whether the audit firm is a Big 4 (yes=1, no=0) as well as a variable for the number of employees (in full-time equivalents) working for the client. Finally, negotiation outcomes are also influenced by the negotiation experience of the parties involved (e.g. Montgomery and Benedict 1989; Neale and Northcraft 1986; Thompson 1990). Regarding auditor-client negotiations, the auditor’s experience was found to impact negotiation planning judgements (Trotman et al. 2009) as well as the negotiated outcome (Brown and Johnstone 2009). We therefore also include the auditor’s tenure (in years) as control variable. However, as the outcome of auditor-client negotiations is not only affected by the auditor’s experience, but also by the client’s experience, we also include the client’s age (in years) as proxy for their experience.

In order to ensure that participants pay attention when reading and filling out the survey instrument we carefully designed it with a clear focus to keep it as short as possible (Krosnick 1999; Galesic and Bosnjak 2009). To test the validity of the manipulation, we ran an intensive pre-test (Hauser et al. 2018) where we first had members of the sample (potential participants of the study) fill in the survey instrument and then had them report their thoughts when reading the case vignette, scales and instructions as well as their considerations when taking their decision. Their thoughts and considerations were in line with the intended reaction to the manipulation and thus no major changes were necessary.

**Results and test of hypotheses**

The descriptive statistics are reported in Tables 2 and 3.

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Insert tables 2 and 3 about here

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The correlations between the independent variables show the expected signs and are low in both samples, with the highest being .294 in the auditor sample and .340 in the client sample.

We performed hierarchical linear OLS regression analyses to test our four hypotheses. Table 4 summarizes the findings of the test of hypotheses. As the auditors and clients are not matched dyads, we run separate regressions for the auditor perspective (A) and the client perspective (C). In each regression, the likelihood to stand up to the interaction partner’s position is the dependent variable. We first enter the control variables in the equation (A1 and C1), add the independent variables competence trust and goodwill trust in a second step (A2 and C2) and finally add the interaction term of competence trust and goodwill trust in the third step. However, the third step is not significant in either of the models and, thus, is not reported in detail.

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Insert table 4 about here

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In the first step, we regressed the control variables against the likelihood to stand up to the interaction partner’s position. In the auditor sample, the model is significant at the five-percent level (p=.000) and explains nearly 19 percent of the variance in the dependent variable (adj.R²=.187) in this step. The only significant predictor is auditor tenure (p=.000), which shows a positive relationship with the auditor’s likelihood to stand up to the client’s negotiation position (ß=.459). In the client sample, the first step of the model is not significant at the ten-percent level.

In the second step, we test the direct effects formulated in hypotheses H1a/b and H2a/b. For that we insert the independent variables into the equation. In the auditor sample, the model is still significant (p=.000) and explains over 21 percent of the variance in the dependent variable (adj.R²=.213). The explained variance increases significantly (∆R²=.026). Auditor tenure as a control variable still shows a significant relationship (ß=.466, p=.000). We expected that auditors are less likely to stand up to the client’s preferred treatment during the audit the more competence trust they have in their clients (H1a). Competence trust is a significant predictor and negatively related to the likelihood that the auditor stands up to the client-preferred treatment (ß=-.155, p=.034). This finding hence supports hypothesis H1a. We further expected that auditors are less likely to stand up to their client’s preferred treatment the more goodwill trust they have in their clients (H2a). However, goodwill trust is not a significant predictor at the ten-percent level. This finding does not support hypothesis H2a.

In the client sample, the model is significant at the ten-percent level (p=.061) in the second step and explains around five-percent of the variance in the dependent variable (adj.R²=.049). The explained variance increases significantly (∆R²=.049). Still, no control variable shows a significant relationship at the ten-percent level. We expected that clients are less likely to stand up to their auditors’ preferred treatment in the auditing process the more competence trust they have in their auditor (H1b). Competence trust is a significant predictor at the five-percent level and is negatively related to the likelihood that the client stands up to the auditor-preferred treatment (ß=-.279, p=.003). This finding supports hypothesis H1b. We further expected that clients are less likely to stand up to their auditors’ preferred treatment in the auditing process the more goodwill trust they have in their auditors (H2b). However, goodwill trust is not a significant predictor at the ten-percent level. This finding does not support hypothesis H2b.

We also tested for possible interaction between the independent variables, but the interaction terms were no significant predictor neither from the auditor perspective nor from the client perspective.

**Discussion and conclusion**

In this experimental study, we investigate the role of identification-based trust in the outcome of auditor-client negotiations. In particular, we look at the impact of the two elements of identification-based trust, competence trust and goodwill trust, on the probability that an auditor or client stands up to the interaction partner’s preferred treatment in auditor-client negotiations.

Our findings indicate that the auditor or the client are more likely to stand up to their interaction partner’s preferred treatment when they have lower levels of competence trust in their interaction partner. In other words, if the auditor is confident that the client has the ability to manage the firm, draw up the financial statements and deliver any information necessary for the audit, they are less likely to stand up to the client’s preferred treatment. In turn, if the client is confident that the auditor has the ability to understand the firm’s business as well as the industry it operates in and knows the relevant accounting and auditing standards, they are less likely to stand up to the auditor’s preferred treatment. Thus, perceived competence of the interaction partner seems to make both the auditor and the client less willing to stand up to the interaction partner’s position. This does not imply, however, that they would completely refrain from entering negotiations over accounting issues. Rather, the auditor and the client are more prepared to give up their position when they discuss the detected misstatement, because they believe that the interaction partner knows what they are talking about. Because of this belief, they might also expect these negotiations to be more difficult and the chances to succeed to be low, which might further increase their willingness to readily give in to the interaction partner’s position.

In contrast, we do not find a significant relationship between the goodwill trust that auditors or clients put in their interaction partner and their likelihood to stand up to their interaction partner’s preferred treatment. Thus, even if the auditor believes that the client has good intentions to perform as promised, i.e. to manage the firm, prepare the financial statements and deliver any information required by the auditor, they are not less likely to stand up to the client’s preferred treatment. Surprisingly, this finding is not in line with the findings of Kerler and Brandon (2010), who suggest a positive influence of goodwill trust on the auditor’s goal commitment, which, in turn, positively affects the acceptability of the client’s preferred method. Similarly, even if the client believes that the auditor has good intentions to conduct a fair and constructive review of the financial statements, they are still reluctant to accept the misstatements detected by the auditor and alter the financial statements accordingly. These findings suggest that goodwill trust is not used as means of reducing uncertainty in the auditor-client relationship in the best way possible. Even though goodwill trust has been shown to increase information exchange (Kimmel et al. 1980) and reduce opportunism (De Ruyter and Wetzels 1999), neither auditor nor client seem to translate the additional information gained regarding the interaction partner’s willingness to perform as promised or their decreased opportunistic behaviour into a lower level of questioning the interaction partner’s preferred treatment.

As far as auditors are concerned, one possible explanation for this unexpected finding might be that professional scepticism prevents that trust in the client’s mere willingness to perform impacts their audit decisions. It is likely that the imbalance an auditor feels between the formal requirement to be sceptical of the information provided by the client and the goodwill trust they have in the client is compensated by being even more sceptical (Aschauer et al. 2017; Quadackers 2009). Rennie et al. (2010), for example, find that auditors employ several strategies to compensate for the auditor’s interpersonal trust placed in the client and ensure the auditor’s professional scepticism, in particular through audit procedures and the auditor’s attitude and mindset. In an auditor-client negotiation, such compensation behaviour might lead to a situation in which the auditor’s increased scepticism still makes them stand up to the client’s preferred treatment even if the auditor believes that they can rely on the client’s benevolence and integrity.

Similarly, our findings suggest that the auditor’s perceived willingness to audit financial statements in a fair and constructive way does not influence the client’s likelihood to stand up to the auditor’s preferred treatment. A likely explanation for this finding might be that clients – just like auditors – compensate the goodwill trust they have in the auditor by being even more sceptical of the information the auditor provides. Even though clients are not required to maintain professional scepticism, they still face liability issues as well as a possible reputational damage that excessive levels of goodwill trust vis-à-vis auditors might entail. Thus, as long as clients do not have substantial evidence that the interaction partner’s position is more viable than their own, they will stick to their opinion. According to our findings, however, perceiving the interaction partner as benevolent and of integrity does not provide such a substantial evidence base.

While the findings apply to clients irrespective of their age, gender and the size of firm they represent, auditors – independent from the level of competence trust and goodwill trust they have in their clients – are more likely to stand up to their interaction partners’ preferred treatment the more experienced they are in their job. This finding supports earlier studies on the relationship between auditor experience and audit decisions. Kaplan et al. (2008), for example, suggest that more experienced auditors are better able to identify and deflect persuasion attempts of the client. Interestingly, our findings indicate that the size of the audit firm and the gender of the auditor are irrelevant for the negotiation outcome.

Overall, our findings suggest that identification-based trust is not fully leveraged to decrease behavioural uncertainties in auditor-client negotiations. Even though auditors and clients who believe that their interaction partner has the abilities to accomplish the given task are less likely to insist on their preferred treatment in case of detected misstatements, the interaction partner’s perceived willingness to perform as promised does not affect how auditors and clients behave in case of disagreements over accounting issues, possibly because of liability concerns. As a consequence, neither auditor nor client can reap the full benefits of the identification-based trust relationship. The fear to appear unprofessional might prevent auditors and clients from leveraging goodwill trust to overcome information asymmetries in auditor-client relationships. This is somewhat surprising since economic actors in similar settings such as bank lending (Howorth and Moro 2006; Moro and Fink 2013) and complex alliances (Das and Teng 1998; Krishnan et al. 2006) heavily draw on goodwill trust to jointly reduce behavioural uncertainty routed in information asymmetry and, thus, enhance the outcome of negotiations.

With this research, we contribute to research and practice in several ways. First, we add to the literature on auditor-client negotiations by investigating the role of identification-based trust in auditor-client negotiations both from the auditor’s and the client’s perspective. Our study thus enhances the understanding of the impact of contextual factors in auditor-client negotiations, as called for by Gibbins et al. (2001), as well as the role of identification-based trust in auditor-client relationships more general, as called for by Kerler and Killough (2009) and Rennie et al. (2010). Second, our findings put the so-called “trust-threat” into perspective by differentiating between competence trust and goodwill trust. While a trust relationship between auditor and client in general is often assumed to jeopardize the auditor’s objectivity (e.g., Fearnley et al. 2005), the results of our experimental study suggest that competence trust rather than goodwill trust affects the auditor’s decision to stand up to the clients’ preferred treatment. The finding that goodwill trust does not compromise the auditor’s critical mind is in line with recent findings by Aschauer et al. (2017). Interestingly, our findings suggest that the same is true for clients.

For auditing practice, by showing that competence trust decreases the probability that auditors and clients stand up to the interaction partner’s position, we highlight the importance for auditors and clients to engage in intensive expert discussions about the preparation of the financial statements and the audit, because the other’s competence can only be assessed through personal interactions. Signals of formal competence, such as academic titles, are, however, not enough in order to build competence trust. Rather, it is necessary for both auditors and clients to not only signal competence, but also to use it. Over repeated interactions, auditors and clients obtain a more realistic picture of the interaction partner’s competences. This knowledge will, however, be lost in case of mandatory auditor rotation, increasing the threat that unjustified competence trust biases the decisions taken in audits.

Moreover, our findings emphasize the need for lifelong learning. On the one hand, continuous training requirements for both auditors and clients ensure that their competences are always up to date. On the other hand, by attending training programmes auditors and clients are better able to self-assess their competences, as they can compare them to those of their peers. As a consequence, they will also find it easier to evaluate the competences of their counterpart during an audit. While continuous learning is compulsory for auditors (e.g. International Standard on Quality Controls 1 - ISQC 1, 2009), CFOs might need extra incentives for engaging in such efforts.

This study provides several potential avenues for future research. The limitations of this study provide some obvious starting points in this regard. For example, follow-up experiments implementing alternative manipulations for competence trust and goodwill trust would help to assess the robustness of our findings against method bias and alternative concepts of trust. Future studies could focus on alternative accounting issues that are more specific than materiality. This might help to assess the reach of our findings regarding different dimensions of auditing negotiations. There are good reasons to expect different effects of accounting issues that do versus do not push those involved towards legal liabilities. Valid questions might arise regarding the symmetry of auditors’ and clients’ motivations in our experimental setting where bonuses might motivate clients to engage in earnings management. Future studies should test scenarios without motivations that are outside the auditor-client relationship. For example, it would be interesting to investigate which signals auditors and clients have to convey to be regarded as competent, and how these signals can be assessed. Such research would need to take a qualitative approach, ideally in the form of participant observation. In addition, it would be interesting to compare the directly measured competence of the auditor and the client, the auditor’s and the client’s self-assessment his or her competences, their perception of the interaction partner’s competence and their idea of how competent their interaction partner rates them. Such research would reveal reasons for and consequences of differences between the interaction partners’ perceptions as well as between these perceptions and actual competences. It would need to investigate into actual auditor-client dyads. A feasible sampling strategy can be found in Aschauer et al. (2017). Auditor tenure has been identified as a relevant factor. This highlights the need for further investigation into the role of auditor tenure in auditing negotiations. Even if neither auditor firm size nor client firm size as a proxies for power were significant predictors in this study, future studies should use a direct measure for power in negotiations. This study captures the likelihood and thus the intention of auditors and clients to stand up to the interaction partner’s preferred treatment. We call for empirical studies that not only address the intention level, but also the action level. Finally, future research should also examine the dynamics and interdependencies of mutual competence trust and mutual goodwill trust in auditor-client dyads to understand the evolution of and the interplay between the two dimensions of the identification-based trust relationship.

In interpreting the results presented in this paper, the limitations linked to the imposed topical and geographical focus of the study, the underlying data, and the method applied have to be kept in mind. Without replicating this study in other geographical contexts and with other methodological designs, we cannot claim generalizability to other areas. While the empirical approach employed allows for the identification of relevant predictors for the outcomes of auditing negotiations, its potential to explain the phenomenon observed is limited – a limitation that calls for qualitative follow-up research. Notwithstanding these limitations, our findings advance the understanding of the role of identification-based trust in auditor-client negotiations and provide rich insights for research, business practice and legislators.

**Appendix – Experimental case**

*Auditor perspective*

Please read the following short audit case and respond to the question at the end.

In the current year’s audit, a dispute has arisen between you and the management of one of your largest and most important clients over the materiality of certain unrecorded liabilities discovered by you during the audit. In your opinion, the amount is material. However, the client management strongly disagrees. The client’s CFO argues that the total amount of unrecorded liabilities is immaterial and, therefore, it is unnecessary to make adjusting entries in the financial statements. Professional and firm guidelines do not provide a definitive answer on the materiality of the amount involved.

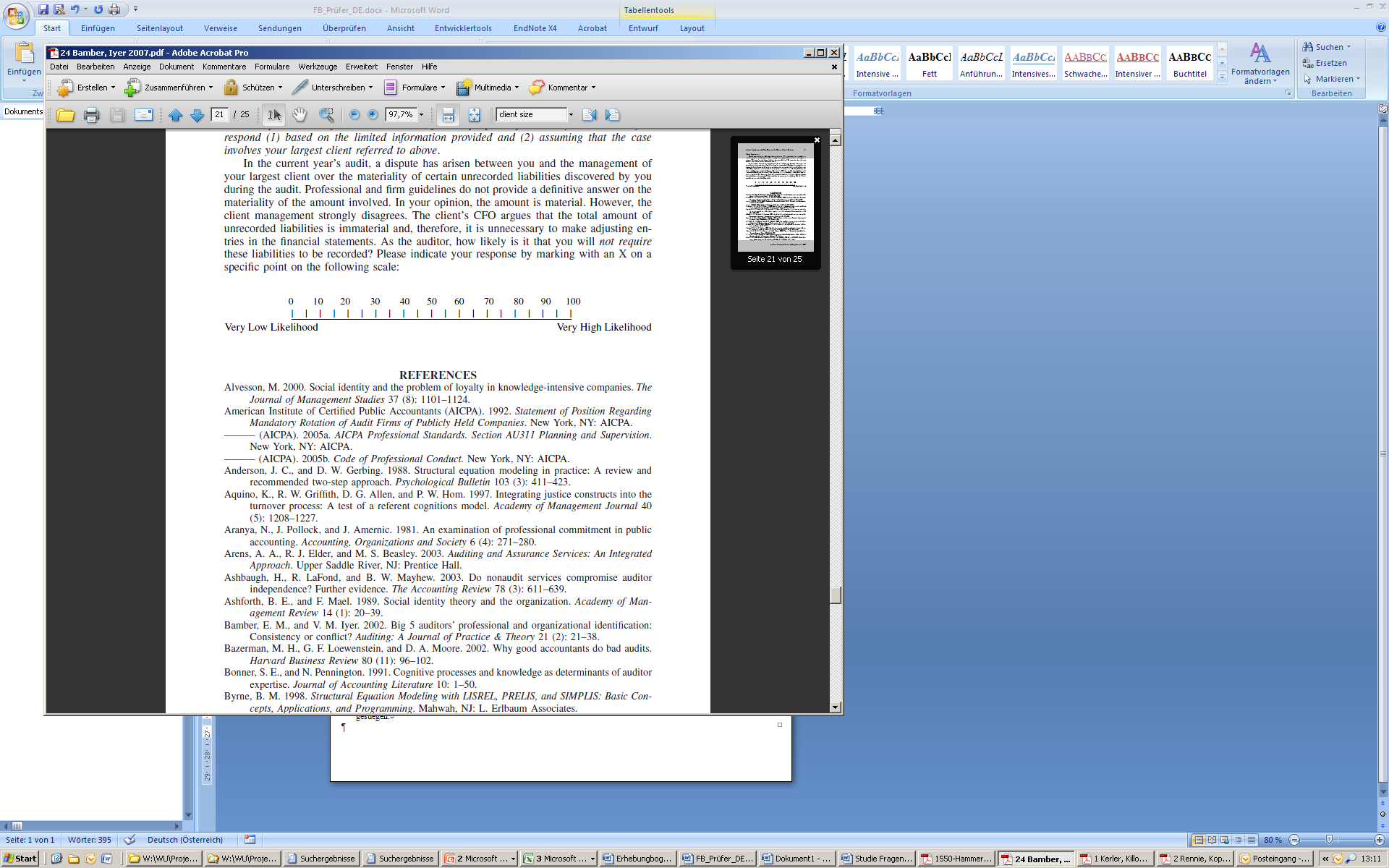
The client would like to report a high operating profit, as it is under pressure due to last year’s losses. In addition, the client’s CFO is interested in reporting a high operating profit as well, because his/her remuneration is profit-related.

You and the audit firm have audited the client for four years. Within this period neither you nor the audit firm have provided any non-audit services.

Regarding the client’s CFO, you have the following information and experience:

|  |  |  |
| --- | --- | --- |
|  | ***High goodwill trust manipulation*** | ***Low goodwill trust manipulation*** |
| ***High competence trust manipulation*** | *Scenario 1:*  The CFO is very competent and successful in his job. He has a detailed knowledge of accounting standards. Moreover, the CFO has a strong sense of justice. He keeps his promises and always tries to be fair. | *Scenario 2:*  The CFO is very competent and successful in his job. He has a detailed knowledge of accounting standards. Moreover, the CFO does not have a strong sense of justice. He does not always keep his promises and does not always try to be fair |
| ***Low competence trust manipulation*** | *Scenario 3:*  The CFO is not very competent and moderately successful in his job. He does not have a detailed knowledge of accounting standards. Moreover, the CFO has a strong sense of justice. He keeps his promises and always tries to be fair. | *Scenario 4:*  The CFO is not very competent and moderately successful in his job. He does not have a detailed knowledge of accounting standards. Moreover, the CFO does not have a strong sense of justice. He does not always keep his promises and does not always try to be fair |

As the auditor, how likely is it that you will stand up to the client’s CFO and require these liabilities to be recorded? Please indicate your response by marking with an X on a specific point on the following scale:

****

Very low likelihood Very high likelihood

*Client perspective*

Please read the following short audit case and respond to the question at the end.

In the current year’s audit, a dispute has arisen between you and the auditor over the materiality of certain unrecorded liabilities discovered during the audit. In the auditor’s opinion, the amount is material. However, you strongly disagree. In your opinion, the total amount of unrecorded liabilities is immaterial and, therefore, it is unnecessary to make adjusting entries in the financial statements. Professional and firm guidelines do not provide a definitive answer on the materiality of the amount involved.

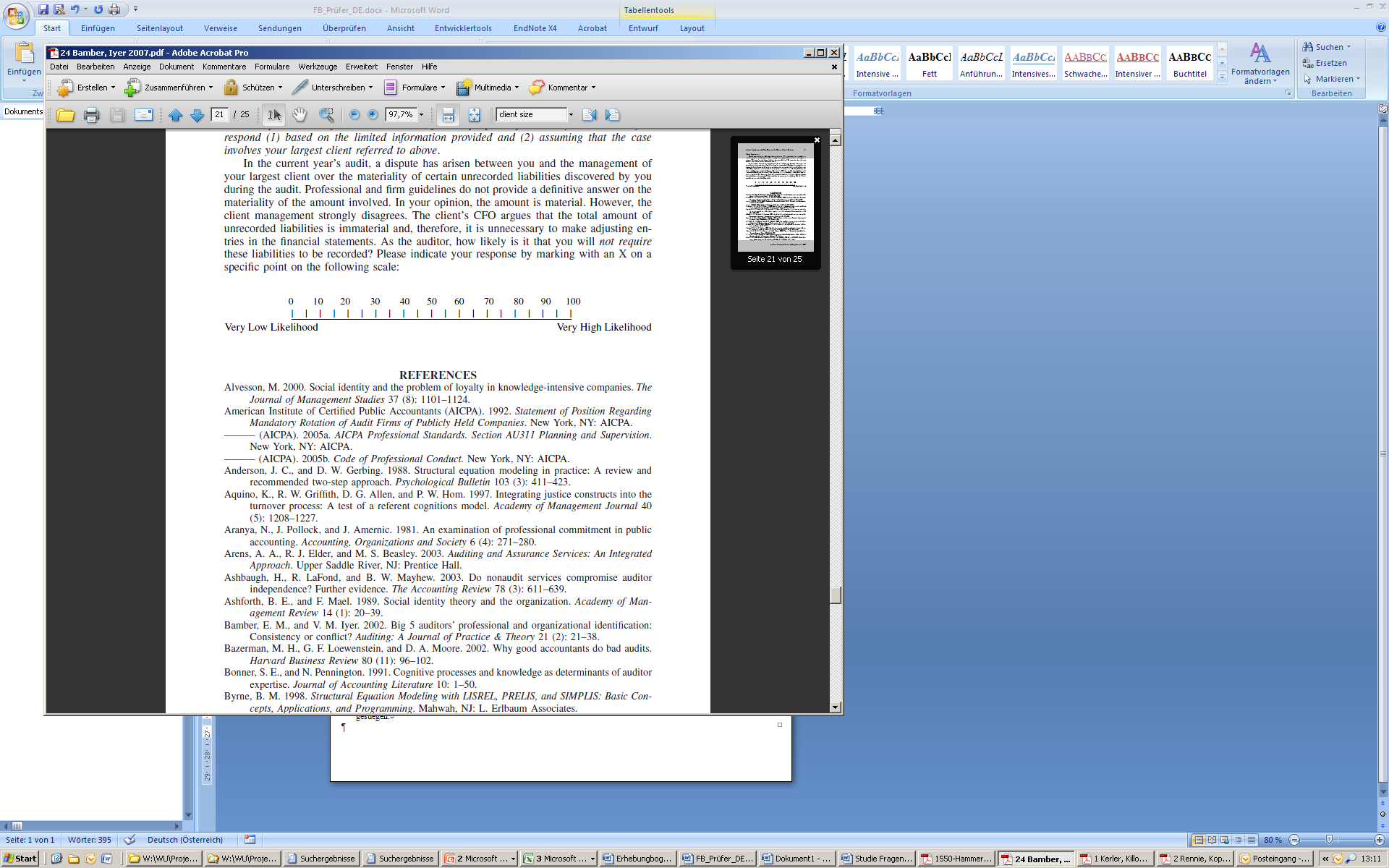
Your firm would like to report a high operating profit, as it is under pressure due to last year’s losses. In addition, you yourself are interested in reporting a high operating profit as well, because your remuneration is profit-related.

The auditor and the audit firm have audited the client for four years. Within this period neither the auditor nor the audit firm have provided any non-audit services.

Regarding the auditor, you have the following information and experience:

|  |  |  |
| --- | --- | --- |
|  | ***High goodwill trust manipulation*** | ***Low goodwill trust manipulation*** |
| ***High competence trust manipulation*** | *Scenario 1:*  The auditor is very competent. He has a detailed knowledge of the industry and the firm’s business. The auditor has a strong sense of justice. He keeps his promises and always tries to be fair. | *Scenario 2:*  The auditor is very competent. He has a detailed knowledge of the industry and the firm’s business. The auditor does not have a strong sense of justice. He does not always keep his promises and does not always try to be fair. |
| ***Low competence trust manipulation*** | *Scenario 3:*  The auditor is not very competent. He does not have a detailed knowledge of the industry and the firm’s business. The auditor has a strong sense of justice. He keeps his promises and always tries to be fair. | *Scenario 4:*  The auditor is not very competent. He does not have a detailed knowledge of the industry and the firm’s business. The auditor does not have a strong sense of justice. He does not always keep his promises and does not always try to be fair. |

As the client’s CFO, how likely is it that you will stand up to the auditor and not record these liabilities? Please indicate your response by marking with an X on a specific point on the following scale:

****

Very low likelihood Very high likelihood

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Table 1 Distribution of variations and ANOVA

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variations** | | ***Auditor perspective*** | | | ***CFO perspective*** | | |
|  | | N | Mean | SD | N | Mean | SD |
| Low goodwill trust | Low competence trust | 34 | 71.662 | 21.806 | 21 | 73.333 | 23.944 |
| High competence trust | 41 | 65.220 | 25.313 | 31 | 60.968 | 19.554 |
| total | 75 | 68.140 | 23.850 | 52 | 65.962 | 22.075 |
| High goodwill trust | Low competence trust | 37 | 69.811 | 22.301 | 39 | 67.692 | 21.940 |
| High competence trust | 37 | 59.432 | 26.290 | 25 | 55.600 | 21.424 |
| total | 74 | 64.622 | 24.767 | 64 | 62.969 | 22.373 |
| Total | Low competence trust | 71 | 70.697 | 21.927 | 60 | 69.667 | 22.622 |
| High competence trust | 78 | 62.474 | 25.777 | 56 | 58.571 | 20.399 |
| *total* | *149* | *66.393* | *24.291* | *116* | *64.310* | *22.194* |

Table 2 Descriptive statistics – auditor perspective

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Mean** | **SD** | **Min** | **Max** | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** |
| (1) Likelihood to stand up (percent) | 66.393 | 24.2915 | 0 | 100 | 1 |  |  |  |  |  |
| (2) Big 4 (dummy) | .725 | .4913 |  |  | -.101 | 1 |  |  |  |  |
| (3) Male (dummy) | .624 | .486 |  |  | .076 | -.181 | 1 |  |  |  |
| (4) Tenure auditor (years) | 12.420 | 12.023 | 1 | 56 | .446 | -.165 | .294 | 1 |  |  |
| (5) Competence trust (dummy) | .524 | .5011 |  |  | -.170 | .150 | .092 | -.018 | 1 |  |
| (6) Goodwill trust (dummy) | .497 | .5017 |  |  | -.073 | -.017 | -.144 | .054 | -.047 | 1 |

Table 3 Descriptive statistics – client perspective

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Mean** | **SD** | **Min** | **Max** | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** |
| (1) Likelihood to stand up (percent) | 64.313 | 22.1938 | 10 | 100 | 1 |  |  |  |  |  |
| (2) Number of employees FTE | 4,265.25 | 10,039.7204 | 50 | 60,000 | .088 |  |  |  |  |  |
| (3) Male (dummy) | .77 | .424 |  |  | -.040 | .148 | 1 |  |  |  |
| (4) Age (years) | 44.095 | 10.0874 | 25 | 72 | -.067 | .046 | .340 | 1 |  |  |
| (5) Competence trust (dummy) | .483 | .5019 |  |  | -.251 | -.028 | .001 | -.081 | 1 |  |
| (6) Goodwill trust (dummy) | .552 | .4995 |  |  | -.067 | -.157 | -.004 | .007 | -.205 | 1 |

Table 4 Test of Hypotheses

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Auditor perspective | model A1 | | model A2 | | Client perspective | model C1 | | model C2 | |
|  | ß | p-value | ß | p-value |  | ß | p-value | ß | p-value |
| Big 4 (dummy) | -.037 | .626 | -.014 | .853 | Number of employees FTE | .096 | .314 | .070 | .457 |
| Male (dummy) | -.065 | .407 | -.065 | .411 | Male (dummy) | -.034 | .738 | -.022 | .825 |
| Tenure auditor (years) | .459 | .000 | .466 | .000 | Age (years) | -.060 | .546 | -.085 | .382 |
| Competence trust (dummy) |  |  | -.159 | .035 | Competence trust (dummy) |  |  | -.279 | .003 |
| Goodwill trust (dummy) |  |  | -.155 | .124 | Goodwill trust (dummy) |  |  | -.113 | .233 |
| adjusted R² | .187 | | .213 | |  | .000 | | .049 | |
| ANOVA | .000 | | .000 | |  | ,665 | | ,061 | |
| Sig. change in F | .000 | | .036 | |  | .665 | | .012 | |

*Dependent variable: Likelihood to stand up to the interaction partner’s preferred treatment*