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## Commitment in auditor–client relationships: antecedents and consequences

Ko de Ruyter \*, Martin Wetzels

*Faculty of Economics and Business Administration, Maastricht University, P.O. Box 616, NL-6200 MD Maastricht, The Netherlands*

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### Abstract

It has been pointed out that the construct of commitment plays a central role in business relationships. This article draws on the relationship marketing literature in order to construct a framework that can be used to investigate what motivates clients to continue their relationship with an audit firm. The results from an empirical study provide evidence for existence of a number of antecedents and consequences of commitment in auditor–client relationships. It is shown that particularly affective commitment plays an important role in these relationships. © 1998 Elsevier Science Ltd. All rights reserved.

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Markets for audit services are increasingly characterised by intensified competition, saturation and deregulation. As a result, the number of public accounting firms which are adopting and cultivating a marketing orientation is rapidly expanding (Ahmed & Hopson, 1990). Attention is paid to developing positioning strategies (Ellis & Mosher, 1995), extending the services portfolio (Diamantopoulos et al., 1995) and providing “consumer-oriented financial statements” (Schmidt & Sanborn, 1995).

These developments have been paralleled by a paradigm shift in marketing theory and practice from a focus on discrete transactions to long-term relationships. The marketing literature now abounds with numerous articles emphasising the pay-off from buyer–seller relationships in terms of profitability, market share and customer satisfaction (e.g. Morgan & Hunt, 1994; Sheth & Parvatiyar, 1994; Mangos et al., 1995; Sheaves &

Barnes, 1996). In recent marketing theory, as well as in the broader context of all social sciences dealing with relationships, it has been recognised that commitment is a central element in establishing and maintaining long-term relationships (Scanzoni, 1979; Dwyer et al., 1987; Gundlach et al., 1995). Coote (1994, p. 6), for instance, states that “moving to relationship marketing does require commitment to building ongoing client exchanges”. Evidence on the application of the relationship marketing concept in the context of auditing has remained rare (Coote; Mangos et al.). Moreover, while audit firms are well aware of the importance of relationships with clients, in-depth information with regards to the essential ingredients of such a relationship is hardly available (Mangos).

The purpose of this article is to introduce the concept of relationship commitment to the accounting literature and to test several theoretical propositions with regards to the audit firm–client relationship empirically. It is structured as follows.

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\* Corresponding author. E-mail: k.deruyter@mw.unimaas.nl

First, we will focus on relational exchanges, the concept of commitment and its significance for the audit firm. Secondly, we will report on the results of a study that has examined empirically the antecedents and consequences of different types of commitment in auditor—client relationships. In conclusion, we will address the theoretical as well as the managerial implications of our findings.

### 1. Relational exchanges

Morgan and Hunt (1994) propose that relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges. They argue that in fact there are no buyers and sellers or providers and clients in relational exchanges but partners exchanging resources. Relationships between business partners do not just emerge or exist, they evolve through a process over time. This process can be characterised by five phases, as proposed by Scanzoni (1979) on the basis of research on personal, intimate relationships. Each phase represents a significant transition in how partners in a relationship perceive one another. It is conceivable that the development of a relationship may involve moving back and forth through the phases when parties are not ready for extending interdependence. Alternatively, in certain exchange processes two or more phases may be compressed into one, frog-leaping from the first phase to the third phase (Dwyer et al. 1987). The first phase in this relationship life-cycle is called *awareness* and refers to the recognition that some second partner is a feasible exchange partner. There is no interaction between the parties, they only try to position themselves in the best possible way to increase the attraction towards other companies. Since the removal of the ban of advertising from professional ethics codes, audit firms are increasingly attempting to create awareness with prospective customers (Diamantopoulos et al., 1995).

After awareness comes *exploration*, which is the search and trial (“getting to know each other”) phase in relational exchange. In this phase potential exchange partners first consider obligations, benefits and burdens and, the possibility of

exchange. Despite the fact that client relationship start-up costs are relatively high in the market for audit services (DeAngelo, 1981), the exploration phase still remains fragile because initial or switching investments do not automatically create interdependence. Therefore, the relationship could still easily be terminated as no major monetary and non-monetary investments have been made.

The third phase is called *expansion*, which refers to the continual increase in benefits obtained by exchange partners and their increasing interdependence. The main distinction between this phase and the previous phase of exploration is that now the partners trust each other to a greater extent and are satisfied with the relationship. In the auditor—client relationship one of the problems to be solved is that of information asymmetry (Dassen, 1995). In order to share, often confidential, information a certain degree of trust needs to be present.

If relationships develop then *commitment* is formed between the two business partners. Commitment refers to an implicit or explicit pledge of relational continuity between exchange partners. Now the exchange partners have achieved a level of satisfaction from the exchange process that virtually precludes other primary exchange partners who could provide similar benefits. Commitment is established on the basis of two important assumptions. The first is that partners provide relatively high levels of inputs to the association. The second assumption pertains to durability, i.e. the common belief of effectiveness of future exchange, also referred to as continuation.

The final phase of the relationship development process is *dissolution*. This phase begins with an intrapsychic stage in which one partner privately evaluates his or her dissatisfaction with the other party. Afterwards, the relationship enters an interactive phase, in which the parties negotiate their unbonding. Dissolution is then presented publicly.

It has been argued that the phase of commitment is the most desirable one in the development of an ongoing relationship between a buyer and a seller (Dwyer et al., 1987). Therefore, the concept of commitment should play a central role in the development of a model that introduces relational exchanges to the marketing of audit services.

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