Auditor Orientation, Strategies, and Tactics in Audit Negotiations

Presented By

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Statement of Sources

To the best of my knowledge and belief, the work presented in this thesis is original except as acknowledged in the text.

All sources used in the study have been cited and no attempt has been made to project the contribution of other researchers as my own. The thesis complies with the stipulations set out for the Degree of Master of Commerce (Honours) by Bond University.

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TABLE OF CONTENTS

ACKNOWLEDGMENTS VIII

THESIS ABSTRACT 1-9

1 PROBLEM IDENTIFICATION 1-11

1.1 AUDIT FINALISATION – PROBLEM RECONCILIATION 1-11

1.2 NEGOTIATION METHODS 1-13

1.3 ADDRESSING THE RESEARCH QUESTION 1-15

1.4 CONTRIBUTION OF THE RESEARCH 1-15

1.4.1 Contribution to theory 1-15

1.4.2 Contribution to research 1-16

1.4.3 Contribution to practice 1-17

1.4.4 Contribution to education 1-17

1.5 ORGANISATION OF THE THESIS 1-18

2 THEORY DEVELOPMENT 2-19

2.1 THE NEGOTIATION CONTEXT 2-19

2.2 OVERVIEW OF THEORETICAL MODEL 2-23

2.3 MODEL JUSTIFICATION 2-27

2.4 AUDITING NEGOTIATION RESEARCH 2-32

2.5 TACTICS 2-41

2.6 SUMMARY OF PROPOSITIONS 2-51

3 RESEARCH METHOD 3-53

3.1 INTRODUCTION 3-53

3.2 OVERVIEW OF THE RESEARCH DESIGN 3-53

3.3 RESEARCH INSTRUMENT 3-55

3.3.1 Negotiation Tactics 3-55

3.3.2 Instructions to Participants 3-59

3.3.3 Research Participants 3-60

3.4 METHODOLOGY 3-61

3.5 SUMMARY 3-63

4 ANALYSIS AND RESULTS 4-65

4.1 MULTIDIMENSIONAL SCALING 4-65

4.2 CLUSTER ANALYSIS 4-75

4.3 SUMMARY OF THE RESULTS 4-81

4.4 DISCUSSION AND IMPLICATIONS 4-82

5 CONCLUSIONS AND DISCUSSION 5-87

5.1 INTRODUCTION 5-87

5.2 SUMMARY OF THE RESEARCH DESIGN 5-88

5.3 DISCUSSION OF THE RESULTS AND CONCLUSIONS 5-89

5.3.1 Interpretation of the dimensions 5-90

5.3.2 Interpretation of the categories of tactics 5-91

5.4 LIMITATIONS 5-91

5.4.1 Threats of the Validity of the Statistical Conclusions 5-92

5.4.2 Threats to Internal Validity 5-92

5.4.3 Threats to Construct Validity 5-93

5.4.4 Threats to External Validity 5-94

5.5 IMPLICATIONS FOR FUTURE RESEARCH 5-95

5.6 SUMMARY 5-98

6 BIBLIOGRAPHY 100

7 APPENDICES 105

APPENDIX A STIMULUS TACTICS AND CORRESPONDING CATEGORY LABELS 105

APPENDIX B FINAL COORDINATES FOR FOUR-DIMENSIONAL SOLUTION 107

APPENDIX C DESCRIPTIVE STATISTICS, TACTICS 108

APPENDIX D HIERARCHICAL CLUSTER ANALYSIS – COMPLETE LINKAGE DENDROGRAM 109

APPENDIX E AGGLOMERATION SCHEDULE 110

APPENDIX F AUDITORS' TACTICS AND NEGOTIATION STYLES/STRATEGIES 111

APPENDIX G RESEARCH INSTRUMENT 114

TABLES

TABLE 2-1 COMPARISON OF ROCI-II (1983B) AND BLAKE AND MOUTON (1964) MODELS 2-33

TABLE 2-2 BEATTIE ET AL. (2004) STRATEGIES.....2-38

TABLE 2-3 SUMMARY OF LITERATURE ON NEGOTIATION STRATEGIES/STYLES.....2-40

TABLE 2-4 BAME-ALDRED AND KIDA (2007) TACTICS AND STRATEGIES.....2-44

TABLE 2-5 A COMPARISON OF CLASSIFICATIONS OF PROFESSIONAL MEDIATORS' JUDGMENTS STIMULUS TACTICS LIST 2-49

TABLE 3-1 DELETED AND ADDED TACTICS 3-56

TABLE 3-2 AUDITORS' TACTICS.....3-58

TABLE 3-3 DEMOGRAPHIC VARIABLES.....3-60

TABLE 4-1 TACTIC GROUPINGS FROM TWO-DIMENSIONAL SOLUTION.....4-70

TABLE 4-2 ASSOCIATION COEFFICIENT MATRIX (EXTRACT) 4-77

TABLE 5-1 PROPOSITIONS, TESTS, CONCLUSIONS.....5-87

FIGURES

FIGURE 2-1 UNITS OF ANALYSIS 2-23

FIGURE 2-2 MODEL OVERVIEW 2-24

FIGURE 4-1 SCREE PLOT 4-67

FIGURE 4-2 MDS DISPLAY OF AUDITORS' TACTICS IN TWO DIMENSIONS 4-69

FIGURE 4-3 MDS DISPLAY OF AUDITORS' MEDIATION TACTICS WITH FOUR AXES REPRESENTING FOUR DIMENSIONS 4-75

FIGURE 5-1 SUMMARY OF RESEARCH FINDINGS 5-88

FIGURE 5-2 CONTINGENCY APPROACH 5-97

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THESIS ABSTRACT

This study's primary objectives are to establish the dimensions, strategies, and tactics used by auditors in the negotiation of sensitive disclosure issues with clients. These issues are typically addressed at the end of the audit and are the primary concern of the audit partner and senior manager. This study uses the tactics established in the negotiation research to test if auditors use the same groups of tactics, and whether these tactics are related by some underlying dimensions, and their relevant strategies.

Multidimensional scaling found that there are four dimensions to the tactics that auditors use. During negotiations with their clients, auditors employ tactics representing the underlying dimensions which can be interpreted as "Concern for Self", "Concern for Client", "Concern for Others", and "Concern for Accounting Principles". Results of cluster analysis established four primary classifications to the 38 auditor tactics. These are "Facilitating", "Contextual", "Forcing/asserting", and "Appeal to authority". Within these four classifications, twelve sub-categories were observed. These findings reinforce the complexities inherent in the resolution of an audit conflict, and suggest that auditors group together certain tactics for use as called for in the circumstances with which they are dealing.

This research contributes to theory within the fields of auditing and general negotiation because it has established that the two-dimensional model of concern that has formed

the basis of much behavioural research is insufficient to describe an auditor's responsibilities. There are four dimensions of concern. While some researchers have proposed a three-dimensional model of negotiation for auditors, the fourth dimension identified in this study is a contribution. This research expands current knowledge fundamental to the audit discipline by establishing the negotiation tactics used by auditors and their underlying multidimensionality, and thus has extended the knowledge of audit conflict management beyond that of strategy-level. Accordingly, this research is beneficial to practicing auditors and for the education of auditors.