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UNDERSTANDING AUDITOR-AUDITEE RELATIONSHIP: SOME CULTURAL CONSIDERATIONS

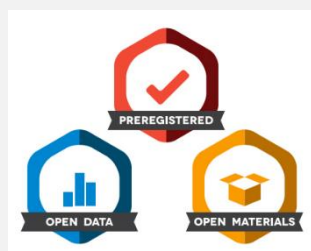**Samirah Dunakhir[A], Nur Afiah[B], Hariany Idris[C], Mukhammad Idrus[D]**

ABSTRACT

Purpose: The purpose of this study is to analyse other types of relationship developed between auditor and auditee. The study tries to explore kinds of auditor and auditee working relationship appeared in an audit process.

Theoretical framework: Research have shown that the AAR is more than just about good knowledge that should be acquired by auditors regarding their clients' industry or how long auditors have served a client. It is also about auditors' performance in audit tasks and in interaction with clients, or how to develop a better understanding of clients. However, that kind of relationship has not been explore enough as study on AAR most focus on professional relationship

Design/methodology/approach: This study applied a qualitative approach. The interview method, in semi-structured form, was conducted to collect data. The semi-structured interview posed the same questions to all interviewees. This research involved 12 interviewees which consist of three different audit market participants in Indonesia: auditors, auditee, and users of financial statements. These participants (auditee and users of financial statements) were identified and selected from the IDX website, while participants for the auditor group were identified from BAPEPAM-LK database. Results were analysed by using NVivo software.

Findings: Key findings derived from the qualitative study confirmed that some cultural values appear in participants'answers. The most common cultural values found in the interview text were: harmony; relationship prevails over task; and warm relationships are important. Indonesians interpreted the auditor-auditee relationship as a peers' relationship: a relationship that consists of a professional/personal relationship and trust.

Research, Practical & Social implications: This research nhances knowledge of the influence of cultural values on the relationship. In this type of society, individuals perceive social situations, including business relationships, in terms of close personal bonds. The personal relationship should be established first before any business can be done. service providers who are able to show warmth to customers can build trust with them. Moreover, a high-social-interaction context provides an environment in which social interaction and relationship-building activities are a primary goal.

Originality/value: This research provides a more refined understanding of auditor-auditee relationship. Given ongoing globalisation and the fact that audits are performed by auditors from a multitude of nations, it is important that AAR research captures perspectives from different cultural backgrounds.

[A] Doctoral Degree in Accounting. Faculty of Economics and Business. Universitas Negeri Makassar. Indonesia.
E-mail: samirah.dunakhir@unm.ac.id Orcid: https://orcid.org/0000-0002-8468-7203
[B] Master Degree in Accounting. Faculty of Economics and Business. Universitas Negeri Makassar. Indonesia.
E-mail: nurafiah@unm.ac.id Orcid: https://orcid.org/0009-0007-3234-5707
[C] Master Degree in Management Accounting. Faculty of Economics and Business. Universitas Negeri Makassar.
Indonesia. E-mail: hariany.idris@unm.ac.id Orcid: https://orcid.org/0009-0003-0247-607X
[D] Master Degree in Management Accounting. Faculty of Economics and Business. Universitas Negeri Makassar.
Indonesia. E-mail: mukhammad.idrus@unm.ac.id Orcid: https://orcid.org/0000-0001-7278-5976

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ENTENDENDO O RELACIONAMENTO AUDITOR-AUDITADO: ALGUMAS CONSIDERAÇÕES CULTURAIS

RESUMO

Objetivo: O objetivo deste estudo é analisar outros tipos de relacionamento desenvolvidos entre auditor e auditado. O estudo tenta explorar os tipos de relacionamento de trabalho entre auditor e auditado que aparecem em um processo de auditoria.

Referencial teórico: Pesquisas têm mostrado que o AAR é mais do que apenas um bom conhecimento que deve ser adquirido pelos auditores sobre o setor de seus clientes ou há quanto tempo os auditores atendem um cliente. É também sobre o desempenho dos auditores nas tarefas de auditoria e na interação com os clientes, ou como desenvolver uma melhor compreensão dos clientes. No entanto, esse tipo de relacionamento não foi explorado o suficiente, pois os estudos sobre AAR se concentram mais no relacionamento profissional

Desenho/metodologia/abordagem: Este estudo aplicou uma abordagem qualitativa. Para a coleta de dados, foi utilizado o método de entrevista, na forma semiestruturada. A entrevista semiestruturada colocou as mesmas questões para todos os entrevistados. Esta pesquisa envolveu 12 entrevistados que consistem em três diferentes participantes do mercado de auditoria na Indonésia: auditores, auditados e usuários de demonstrações financeiras. Esses participantes (auditado e usuários das demonstrações financeiras) foram identificados e selecionados no site do IDX, enquanto os participantes do grupo de auditores foram identificados no banco de dados BAPEPAM-LK. Os resultados foram analisados usando o software NVivo.

Resultados: Os principais resultados derivados do estudo qualitativo confirmaram que alguns valores culturais aparecem nas respostas dos participantes. Os valores culturais mais comuns encontrados no texto da entrevista foram: harmonia; o relacionamento prevalece sobre a tarefa; e relacionamentos calorosos são importantes. Os indonésios interpretaram a relação auditor-auditado como uma relação entre pares: uma relação que consiste em relação profissional/pessoal e confiança.

Pesquisa, implicações práticas e sociais: Esta pesquisa aprimora o conhecimento da influência dos valores culturais no relacionamento. Nesse tipo de sociedade, os indivíduos percebem as situações sociais, inclusive as relações comerciais, em termos de laços pessoais estreitos. O relacionamento pessoal deve ser estabelecido primeiro antes que qualquer negócio possa ser feito. os provedores de serviços que são capazes de mostrar cordialidade aos clientes podem criar confiança com eles. Além disso, um contexto de alta interação social fornece um ambiente no qual a interação social e as atividades de construção de relacionamento são o objetivo principal.

Originalidade/valor: Esta pesquisa fornece uma compreensão mais refinada da relação auditor-auditado. Dada a globalização em curso e o fato de que as auditorias são realizadas por auditores de várias nações, é importante que a pesquisa AAR capture perspectivas de diferentes contextos culturais.

Palavras-chave: Auditor_Auditado, Relação, Confiar, Dimensão Cultural, Relacionamento Pessoal, Profissional.

ENTENDIENDO LA RELACIÓN AUDITOR-AUDITADO: ALGUNAS CONSIDERACIONES CULTURALES

RESUMEN

Objetivo: El objetivo de este estudio es analizar otros tipos de relaciones que se desarrollan entre auditor y auditado. El estudio trata de explorar los tipos de relación de trabajo entre auditor y auditado que aparecen en un proceso de auditoría.

Marco teórico: La investigación ha demostrado que la AAR es más que un buen conocimiento que los auditores deben adquirir sobre la industria de su cliente o cuánto tiempo han servido a un cliente. También se trata de cómo los auditores se desempeñan en las tareas de auditoría e interactúan con los clientes, o cómo desarrollar una mejor comprensión de los clientes. Sin embargo, este tipo de relación no se ha explorado lo suficiente, ya que los estudios sobre AAR se centran más en la relación profesional.

Diseño/metodología/enfoque: Este estudio aplicó un enfoque cualitativo. Para la recolección de datos se utilizó el método de la entrevista, en forma semiestructurada. La entrevista semiestructurada planteó las mismas preguntas a todos los encuestados. Esta encuesta involucró a 12 encuestados que consistían en tres participantes diferentes en el mercado de auditoría en Indonesia: auditores, auditados y usuarios de estados financieros. Estos participantes (auditados y usuarios de estados financieros) fueron identificados y seleccionados en el sitio web de IDX, mientras que los participantes del grupo auditor fueron identificados en la base de datos BAPEPAM-LK. Los resultados se analizaron utilizando el software NVivo.

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Resultados: Los principales resultados derivados del estudio cualitativo confirmaron que algunos valores culturales aparecen en las respuestas de bus participantes. Los valores culturales más comunes encontrados en el texto de la entrevista fueron: armonía; la relación prevalece sobre la tarea; y las relaciones cálidas son importantes. Los indonesios interpretaron la relación auditor-auditado como una relación entre pares: una relación que consiste en una relación profesional/personal y de confianza.

Investigación, implicaciones prácticas y sociales: Esta investigación mejora el conocimiento de la influencia de los valores culturales en las relaciones. En este tipo de sociedad, los individuos perciben las situaciones sociales, incluidas las relaciones comerciales, en términos de estrechos vínculos personales. La relación personal debe establecerse primero antes de que se pueda hacer cualquier negocio. los proveedores de servicios que pueden mostrar calidez a los clientes pueden generar confianza con ellos. Además, un contexto de alta interacción social proporciona un entorno en el que la interacción social y las actividades de construcción de relaciones son el objetivo principal.

Originalidad/Valor: Esta investigación proporciona una comprensión más refinada de la relación auditor-auditado. Dada la globalización en curso y el hecho de que las auditorías son realizadas por auditores de varias naciones, es importante que la investigación de AAR capture perspectivas de diferentes contextos culturales.

Palabras clave: Auditor_Auditado, Relación, Confianza, Dimensión Cultural, Relación Personal, Profesional.

INTRODUCTION

The failures of several large corporations years ago, such as Enron and the withdrawal of Arthur Andersen, have eroded public confidence in the profession's ability to be objective and as a result, the pressure for regulatory intervention has increased (Al Sabti, A. A. A., & Anssari, M. A. A, 2022). The regulatory intervention is intended to increase the quality of audit (Nguyen, L. A., & Kend, M., 2021). Since then, studies on how to define and measure audit quality, and of the factors that affect it, have been conducted widely (see for example Cavaliere, L. P. L., et.al., 2021; Hubais, A. S. A., et.al., 2023; Yusran, I. N., 2023). One of study focuses of audit quality is the audit firm tenure, which is the mandatory rotation of audit firms after certain period. This was triggered by the issuance of regulations regarding the length of the relationship between audit firms and their clients. However, most studies provided opposite results. For example, a study by Garcia-Blandon, J., et.al. (2020) showed that companies within the EU with more than 10 years of tenure with their auditors do not have a lower audit quality than other firms. Moreover, Buntara, A. A., & Adhariani, D. (2019) found that the years of the audit contract has a negative association with audit quality. These show that understanding the relationship between auditors and their client is central to the discussion. Therefore, to understand the auditor-auditee relationship, focus must extend beyond factors associated directly with it, as stated by Mustikarini, A. & Adhariani, D. (2021, p. 75):

> "..despite strong international regulations on Auditor-Client Relationship aspects, such as auditor independence, tenure, and rotation, implementation in several countries warrants special considerations...given diverse cultures and country-level institutional environments".

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The effect of other aspects, such as culture, will provide a broader view of factors influencing the relationship of auditor-auditee. A comprehensive understanding of auditor-auditee relationship requires research on all possible sides and method, including culture. While cross-cultural auditor-auditee relationship research is limited, this study is not intended to provide a complete view, but rather to illustrate how research into auditor-auditee relationship can be explored and further developed.

Most research on auditor-auditee relationship (AAR) have focused on aspects such as auditor's independence, tenure and rotation as part of international regulations (Mustikarini & Adhariani, 2022). However, as assumed that each person belongs to certain cultures, thus its implementation in several countries also needs special considerations. Recognizing the effect of culture on AAR can make regulators aware of market expectation. As a result, they will be able to improve actual AAR through the legal and standards they set.

Research have shown that the AAR is more than just about good knowledge that should be acquired by auditors regarding their clients' industry (Indrijawati, A., & Bandang, A., 2023) or how long auditors have served a client (Johnson, V. E., et.al., 2002). It is also about auditors' performance in audit tasks and in interaction with clients, or how to develop a better understanding of clients (Knechel, W. R., 2020). However, that kind of relationship has not been explore enough as study on AAR most focus on professional relationship.

This research is expected to provide additional information for researchers in the field of auditing about factors that could influence auditor and auditee relationship, and practical contribution to auditors so they can improve their capabilities in an audit. This study is also likely to provide theoretical contribution in the auditing research, especially AAR, by developing interview method research. Most of AAR uses a quantitative approach to investigate determinants of AAR. However, quantitative study sometimes suffers from weak statistical explanatory power and multi-co-linearity problems (Al-Ajmi, 2009). An additional interview method that asks respondents to state their perceptions on what factors are important in AAR has the potential to overcome such problems. Moreover, the research is expected to be able to enrich literature and motivate more research and study on the AAR topics in the future.

The purpose of this research is to understand kinds of auditor and auditee working relationship appeared in an audit process. Specifically, the study's objectives are (1) to identify the cultural values of participants regarding the relationship of auditor-auditee, (2) to identify the types of relationship developed between auditors and auditee.

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LITERATURE REVIEW

There are three categories of relationships involved in auditing: relationships with the auditee, relationships with the audit committee, and relationships with the audit firm (Haeruddin et al., 2022). All of these relationships are likely to influence the quality of audit. The purpose of an audit is to examine financial statement assertions critically rather than to sell additional services to the auditee. Therefore, the term should be used to describe the company is "auditee" rather than "client". The "auditee" term describes more neutrality and fewer advocacies in the relationship. However, insufficient attention has been given to the word used to describe the relationship between management and auditors. In relation to the audit committee, there is a concern that the audit committee insulates auditors from management. An audit committee should remind the auditors of their obligation to the public. Relationships between the individual and the audit firm may also influence her/his audit performance. The audit firm has its own management structure, promotion arrangements, and salary system. These could encourage employees to conduct particular actions in line with the audit firm's schemes. Therefore, understanding the relationships between auditors and their clients is important to maintain audit quality.

Dawson (2000) described that the relationship of professional service firms, such as audit firms, with their clients differs from relationship in many other industries. "The heart of professional services is in providing high-level knowledge-based services, which requires a high degree of client contact" (Dawson, 2000, p. 46). Therefore, the relationships are normally ongoing in nature.

Carlisle et al. (2023) tried to understand the relationship between the finance director and the auditor, in the audit process. She interpreted her qualitative findings using two theoretical fields: contractual economic theories and economic sociology, because the audit process was also considered to be a social and institutional practice. The results suggested that the relationship between the firm and its auditor was a peers' relationship. The emergence of this kind of relationship features the sharing of professional and cultural norms, the frequency of relationship, and the multiplicity of relationship. One of the characteristics of a peers' relationship, argued in this study, was a hybrid trust. This kind of relationship confirms that there are two characteristics of the relationship between the firm and its auditor: dualism (professional/personal) relationships and trust (Carlisle et al., 2023), which emerges from a sharing of professional and cultural standards between auditor and client. Professional qualification and cultural norms make the firm and partner auditors share normative

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professional and common principles. The peers' relationship also emerges as there is a frequency of contact between auditors and clients. Lastly, the friendship bound with respect to business connections has made the multi-dimensions of the auditor-auditee relationships.

Rennie, Kopp, and Lemon (2010) stated that the auditor-auditee relationship can also be associated with auditor trust. Trust can be defined as a willingness to rely on another party and to take action in circumstances where such action makes one vulnerable to the other party (Carlisle et al., 2023). An auditor's trust of client management is important since this can influence the auditor's judgment as suggested by Rennie et al. (2010, p. 279). Members of client management have a great deal more specific knowledge about their organization than does the auditor. Thus, the auditor has no option but to bestow some degree of trust upon members of client management. Yet if trust is allowed to become too strong, professional scepticism could be impaired.

Maintaining an attitude of professional scepticism, and at the same time keeping a level of trust during the audit process, is not an easy balance to achieve. Kopp, Lemon, and Rennie (2003) developed a model of trust and professional scepticism in the auditor-auditee relationship. The model showed that there is a negative relationship between trust and professional scepticism. The model also suggested that they are two separate constructs having distinct influences on audit quality. Sceptical auditor behaviours can be influenced by auditors' characteristics and culture within audit firms. The level of auditor's trust is a result of factors such as characteristics of the client, and the nature of auditor-client interaction. While the latter creates opportunities for successful cooperation, it also has the potential to increase the level of trust.

The development of trust can be influenced by national culture. Andiola et al. (2020) developed a framework to demonstrate how societal norms and values influence the trust-building process. They argued that "since each culture's collective programming results in different norms and values, the processes trustors use to decide whether and whom to trust may be heavily dependent upon a society's culture" (Andiola et al., p. 601). The model provided some assumptions regarding how cultural norms and values influence the application of each trust-building process. For example, one trust-building process in the framework was the intentionality process: trust maker (trustor) evaluates a target's motivation. In collectivist and feminine societies, norms provide a strong indication that the target's motives are generous. Collectivist societies, for instance, subordinate their personal interests to the goals of their in-group (G. H. Hofstede & Hofstede, 2005). Given that, trustors and targets are likely to be

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members of the same in-group. Therefore, it is likely that targets will act in the trustor's best interests, as well as their own interests. Likewise, feminine cultures have been associated with higher levels of sympathy (G. H. Hofstede & Hofstede, 2005). In general, this will correspond to doing things for others, sharing with others, helping the unfortunate and being generous. In sum, values in both collectivist and feminine cultures facilitate the intentionality process by providing evidence that a target's intentions are benevolent. Andiola et al. (2020, p. 611) explained that "relative to counterparts in individualist (masculine) cultures, trustors in collectivist (feminine) cultures are more likely to form trust via an intentionality process". Based on these studies, it can be said that the auditor-auditee relationship can be influenced by the cultural background of auditors and their auditees.

In discussing AAR in emerging economies, such as Indonesia, it is important to also understand its culture of business. According to Mann (1996), culture, such as a complex code of etiquette and respect, has shaped Indonesian attitudes to doing business. This code suggests that it is very important to maintain harmony between and among individuals through sensitivity to their words and actions, and to others, as well. There has to be mutual respect between two parties in building relationships and for two parties to respect each other, they need mutual understanding. As a consequence of this, business deals in Indonesia are based very much on the relationships and bonds of trust between partners.

Furthermore, according to Mann (1996), Indonesians like to consider feelings and emotions, togetherness, relationships, patience, and respect. Foreigners doing business in Indonesia often become aware that feelings can command rationality, not vice versa. Newcomers to Indonesia have to adapt themselves, as well, to the way things are done.

In conclusion, cultural sensitivities are still required in doing business in Indonesia – a country that places more emphasis on respect and relationships than other values. Then, it is valuable to consider the AAR in Indonesia from other considerations such as cultural point of view.

RESEARCH METHODS

This study applied a qualitative approach. The interview method, in semi-structured form, was conducted to collect data. The semi-structured interview posed the same questions to all interviewees. However, this approach still enables the interviewer to prompt questions to interviewees if they did not touch upon a specific topic themselves. This study combined the

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"what" and "how" questions in order to understand the viewpoints and perceptions of the participants.

This research involved three different audit market participants in Indonesia: auditors, auditee, and users of financial statements. These participants were selected as it was considered that they would be best placed to provide an understanding of many of the possible factors that involved in auditor-auditee relationship. Auditee and users of financial statements were identified from the IDX website, while participants for the auditor group were identified from BAPEPAM-LK database. The Indonesia Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) is the agency that obligated to supervise the daily activities of the capital market in Indonesia. It provides information regarding the capital market in Indonesia, including the supporting institutions and professions such as auditors.

The sample for the interview consisted of twelve interviewees. Kuzel (1992) recommended six to eight interviews for a homogeneous sample and twelve to twenty data sources "when looking for disconfirming evidence or trying to achieve maximum variation". Morse (1994) suggested at least six participants in an investigation with the goal to understand the essence of experience. This study aimed to understand the auditor-auditee relationship in Indonesia. Thus, twelve interviewees were considered adequate. The participants were randomly contacted regarding the interview and invited through e-mails. Table 1 summarises the participants' characteristics.
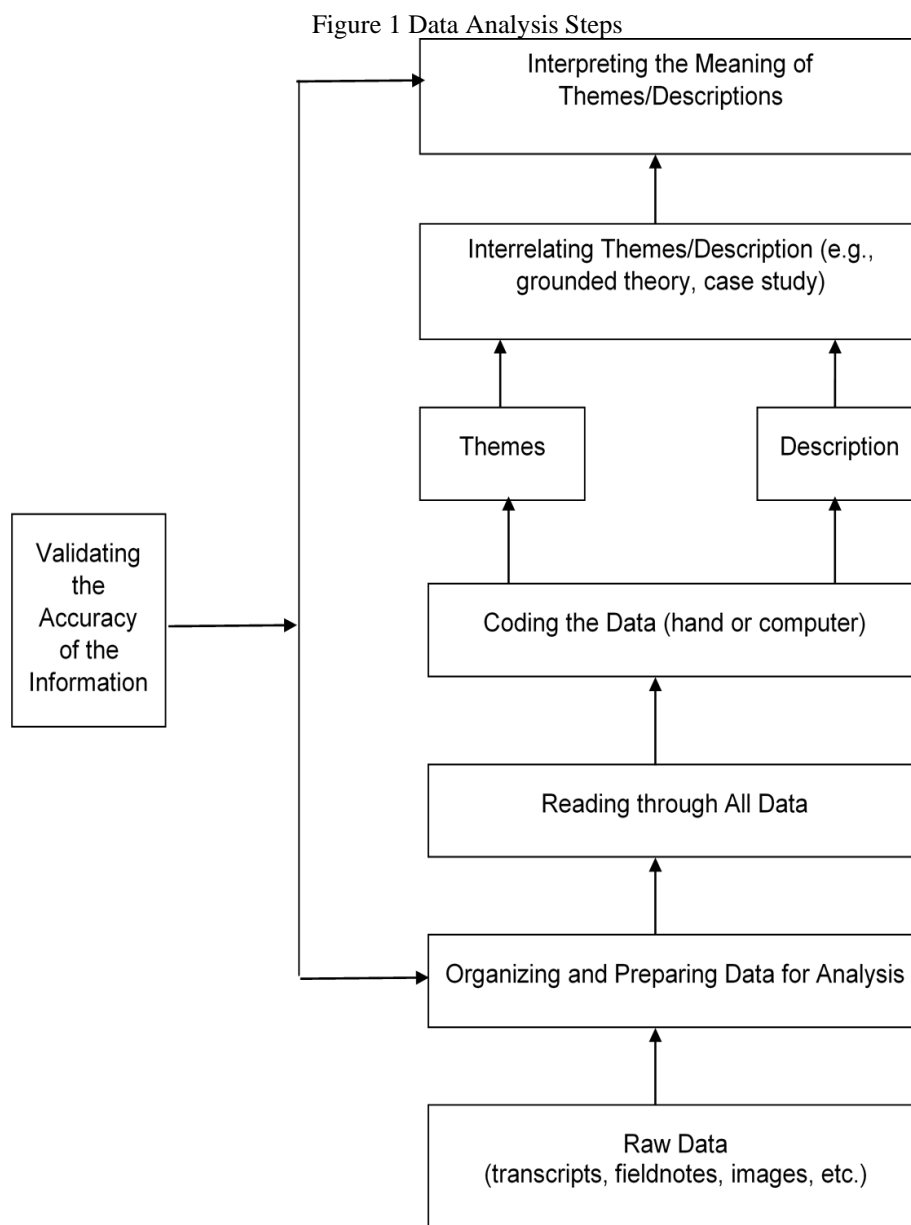
Table 1 Profile of participants

Participant	Name Code	Occupation/Position	Company Industry/ Industry Classification	Gender
1	A1	Auditor	Audit Firm (Non-affiliated)	M
2	A2	Auditor	Audit Firm (Non-affiliated)	M
3	A3	Auditor	Audit Firm (Non-affiliated)	F
4	A4	Auditor	Audit Firm (Affiliated)	M
5	C1	Audit Committee Member	Basic Industry & Chemicals/ Animal Feed	M
6	C2	Audit Committee Member	Infrastructure, Utilities & Transportation/ Telecommunication	M
7	C3	Audit Committee Member	Basic Industry & Chemicals/ Pulp & Paper	M
8	C4	Audit Committee Member	Consumer Goods Industry/ Food & Beverages	M
9	U1	Chief Loan Officer	Finance/Bank	M
10	U2	Chief Loan Officer	Finance/Bank	M
11	U3	Chief Loan Officer	Finance/Bank	F
12	U4	Chief Loan Officer	Finance/Bank	M

Source: Prepared by the authors (2023)

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The interviews were conducted in respondents' offices in Indonesia. Interview questions were developed in English and subsequently translated into Bahasa. The interviews were conducted in Bahasa. The same semi-structured interview questions were asked of each participant. Each interview started with general questions regarding issues relevant to participants. This allowed participants to answer questions freely and raise their own ideas.

Each interview took from 40 minutes to one hour. An interview guide was prepared, along with the questions list, to structure the interview process. The questions were designed so that the interviewees could respond openly. No definition of auditor-auditee relationship was provided. It was only when the interviewee required more explanation of a term that examples were given. Nine interviews (75%) were recorded, while three (25%) were not recorded because the interviewees declined to be recorded. Recorded interviews were fully transcribed by the researcher. Note of interviews that were not recorded were collated and typed up immediately after the interviews. To preserve reliability and content validity, transcripts were submitted to the interviewees for confirmation to avoid misinterpretation. The transcriptions and interview notes were then translated into English by the researcher whose mother tongue is Indonesian. Her translations were checked by an accredited translator.

In a qualitative study, data analysis "involves collecting open-ended data, based on asking general questions and developing an analysis from the information supplied by participants" (Creswell, 2009). Threfore, the data analysis combined several steps, as suggested in Figure 1.

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Figure 1 Data Analysis Steps

Source: Creswell (2009, p. 185)

This study applies the steps above to analyse the interviews. After transcribing all important interviews the data were organized and then coded. The codes were expected to provide themes or major findings of the interview data. To help with organizing and coding, the QSR NVivo software program was used (http://www.qsrinternational.com/). This software helped to store and organise data, and to locate all text associated with specific (as well as interrelated) codes. Interpretation of data was formed by comparing the findings with information summarised from the literature.

The approach to interpreting interview text data involved qualitative content analysis, which was directed content analysis. Directed content analysis is used with a study design whose aim is to describe a phenomenon. Theory or prior research about the phenomenon is

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incomplete or would benefit from further description. The goal of a directed approach to content analysis is to validate or extend a theoretical framework or theory conceptually. Thus, key concepts were first identified using existing theory or prior research. These key concepts became the initial coding categories used to identify and categorize all particular phenomenon in the text data (Hsieh & Shannon, 2005).

RESULTS AND DISCUSSION

The interview findings show that some interviewees' responses can be related and categorised into Hofstede's cultural values (large power distance; collectivism; feminine; strong uncertainty avoidance). The summary of cultural themes that emerged when analysing the participants' reasons and opinions regarding the relationship factor is presented in Table 2.

Table 2 Summary of cultural theme outcome regarding AAR

Cultural dimension	Characteristics of the cultural dimension
Large power distance	Power conflict
Collectivism	Relationship prevails over task
Feminine	Warm relationship is important
Strong uncertainty avoidance	Emotional need for rules

Source: Prepared by the authors (2023).

As can be seen in the table, there are four cultural themes that can be related to the answers of the interviewees regarding relationship factor. The following sections explain each code sequentially.

Large Power Distance – Power Conflict

"Power conflict" in this context can be described as auditors' ability to resist client pressure in a situation where there is significant disagreement on issues of financial reporting. Studies (see, for example, Lin & Fraser, 2008) have shown that auditors from different cultures have different abilities to withstand client pressure. Different cultural backgrounds will lead to different perceptions, including the ability to resist client pressure in audit conflict situations. For example, in an organization, in a large power distance society, subordinates are likely to comply with the demands of their superior. This is because they consider themselves to be unequal to their superior. There is an expectation that subordinates are to be told and not to be consulted by superiors. Therefore, auditors from a large power distance society are likely to experience high client pressure because they are used to an "unequal" position in a work environment. This "power conflict" situation was also admitted by an interviewee:

> *…an auditor is contracted by the client…I think if the user of financial statements is the one who pays the audit fee, then the situation would be different (A1).*

The interviewee expressed his concern regarding the position of auditors as the party that is contracted by the client. He believed that it had the potential for a "power conflict" situation.

The large power distance characteristic addresses the idea that inequality among people is expected and desired. Therefore, there are "more powerful people" and also "less powerful people". The consequence is less powerful people should be dependent on the more powerful ones (G. Hofstede, 1980) as stated by the user:

> *…I do not say that auditors cannot maintain their objectivity without any influence from clients, but I think there is a reflection of who actually supports their continuity. If the client provided them nothing then, I am sure auditors could be completely objective… (U3).*

The interviewee believed that auditors were possibly experiencing the less powerful position. Auditor-auditee relationships contribute to this power conflict. In large power distance societies, relationships are frequently loaded with emotions (Yan & Hunt, 2005). Emotion, instead of logical inference, tends to dominate the unequal relationship between the two sides. This also occurs in a business relationship such as an audit process. In that process there are existing interactions between the firm and the audit company, in which each party considers the other to be unequal. This is a cultural value that has been predetermined as a pattern of thinking, feeling and acting. Thus, there is a general agreement, based on the interview findings, that the auditor and auditee relationship has the potential to generate the issue of "power conflict" especially in a large power distance society such as Indonesia. This is because this cultural value can put one party in an "unequal" position in the auditor-client relationship.

Collectivism – Relationship Prevails Over Task

This cultural value is for societies that put more emphasis on the interest of the group they belong to; or, according to Ozdemir and Hewett (2010), collectivist societies emphasize relationships rather than individual needs. Ozdemir and Hewett (2010) conducted a study to explore the influence of collectivism on the importance of service quality and relationship quality for behavioural intentions. One of the significant findings of their study was that the importance of service quality increased in a high-collectivism country. This finding could be explained by characteristics in collectivist societies that people not only bond with their family

members and friends but also develop relationships with service providers and service employees. Therefore, service providers that able to show warmth to customers can build trust with them as suggested by Schumann et al. (2010), customer trust is a vital element in service industry. Moreover, the study suggested that a high-social-interaction context provided an environment in where social interaction and relationship-building activities are a primary goal.

The interview findings are consistent with the above studies. All auditor participants expressed their concern over building a good relationship with the client, in particular, building trust with clients, so they could perform their duty successfully. This approach seems supported by their collectivist environment in which a primary goal of business interaction, for example, is how to build a relationship. This is expressed by an auditor:

> *We have already been provided knowledge about our client's industry…so…we just need to gain more understanding by investigating more with the client…and can you imagine how hard it is if the client does not really consider us as a good party to work with (A3).*

The above quotation shows how auditors try to develop a "relationship" with clients in order to achieve the audit process goals. Building a relationship with clients was considered by auditors in Indonesia as an audit environment factor that is important for AAR.

The relationship between the finance director and the auditor is often unobserved in nature (Duff, 2009). Given its two dimensions: expertise and experience, this audit quality attribute employs the knowledge and involvement of the auditor with its client.

However, some points need to be understood. In a collectivist culture, the foundation of a relationship in a group is based on trust. To the collectivist mind only natural persons are worthy of trust (G. Hofstede, 1994). For example, an auditor stated:

> *The longer we work with a client, the better audit process we can achieve. This is because we know our client better, and our client put a trust on us. This should be seen in a positive way…client needs to trust the auditors that they will act upon mutual interest and vice versa (A4).*

Therefore, often a personal relationship should be established first in order to secure the following audit process. If someone tries to force a quick action then she/he should prepare to put her/himself into the role of an out-group and be given no attention as expressed by interviewees:

> *…when we do not have a good relationship with the client, sometimes it is difficult to get something that we need because the client will not be truthful to us (A4).*

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> *By having a good knowledge about auditor's client, it is easier to have mutual understanding between auditor and client. This is very important as we only try to perform our duty as it should be and so does the client (A2).*

By providing a mutual understanding, auditors and clients put themselves in one group and construct a trust-based relationship. One user tried to explain this preferred type of relationship.

> *I think the length of time of auditor servicing will easily influence auditors' objectivity about their client .because I think it will increase the chance that their relationship will become closer as a friendship relationship... (U1).*

However, for users of financial statements, the auditor-auditee relationship is more than just about auditors' expertise (having a good understanding of a client's industry) as expressed by a user:

> *Understanding of the client's industry is something that absolutely should be owned by auditors in carrying out their work. Having a good understanding of the client's industry would make auditors better able to carry out their duties properly and therefore could prevent them relying on the information the client has provided (U2).*

The interviewee suggested that auditors need knowledge to conduct their tasks professionally. In the AAR literature, the personal relationship between auditors and clients, especially in a long audit-tenure, is a threat to the auditor's independence (Flint, 1988). It is believed that this can influence the mental attitude of auditors and their opinion. This concern can be identified in the interview findings. Auditor-auditee relationships can prevail over audit task as suggested by a user:

> *...it is our habit that we always want to prioritize a solidarity relationship such as family relationships or friendships (U1).*

Therefore, recently there has been a focus to release a mandatory audit firm rotation and audit tenure to improve auditor independence and audit quality (Casterella & Johnston, 2013), including in Indonesia (there is a mandate for auditor partner rotation for three years and audit firm rotation for six years). However, most studies on the auditor-auditee relationship have shown contrary results (see for example, Davis, Soo, & Trompeter, 2009; Johnson, Khurana, & Reynolds, 2002). In general, those studies found that longer auditor-client relationship can be associated with higher audit quality. The same result was also reported in Indonesian case. Using discretionary accruals as a proxy for audit quality, Siregar, Amarullah, Wibowo, and Anggraita (2012) found that mandatory auditor rotation did not show positive effects on audit

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quality. Considering the results of those studies, and findings in the interview, the auditor-auditee relationship should be seen as more than audit firm tenure or long duration director-auditor relationships.

Feminine – Warm Relationships Are Important

The feminine value includes norms for warm relationship, caring for others, use intuition and strive for consensus, stress on solidarity and the quality of life, and resolution of conflict by compromise and negotiation. Moreover, "a feminine culture focuses more on harmonious relationships" (Schumann et al., 2010). This cultural value can be assessed in the interview data. Some auditors and client talked about the importance of having a good relationship with the client. This is because, in a feminine society, service providers are expected to be more empathetic. This expectation could be experienced by auditors as they suggested maintaining their relationship with a client as important.

Relationship is one of the dimensions of audit quality developed by Duff (2004), using service quality literature. This dimension was developed after realizing the gap between the client's expectation of audit quality and the quality of the audit they actually receive. It is believed that the gap exists because there is insufficient understanding by the auditor of the client's needs. There is a lack of management commitment to service quality, as service quality is not seen as a strategic goal.

That problem is also appreciated by participants in Indonesian audit markets. However, it seems that the real problem is not management's commitment to providing a good service, but rather how to build a good relationship. This is a cultural characteristic of a feminine society, in which a warm relationship is considered as "a good relationship" and considered crucial in any affiliation as stated by an auditor:

> *The length of time of auditor servicing will determine the relationship developed between auditor and client…. It is possible that they will develop a kind of warm relationship….but I think it supposed to be a warm relationship with boundaries to maintain a good but not too close relationship…. With this type of relationship…I think the understanding between auditors and clients could be achieved (A2).*

Understanding can be achieved through a good open dialogue or communication. This is the basis of a "warm relationship" referred to by the interviewee. Schwartz and Menon (1985) explained that "a good working relationship" is one of the most important factors influencing auditor selection because it is the audit firm's responsiveness to the client's needs. The audit

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firms need to be proactive and understand the clients. For example, as stated by the following interviewees:

> *Proactive…understanding…is something that sometimes we really need to depend on… (C4).*

Auditors should, however, maintain their professionalism as expressed by an interviewee:

> *It is good to serve in a certain length of time with a client because it will provide us with a better knowledge and understanding of the client…which we need to build a good relationship with the client. But, there should be corridors and boundaries in that relationship in order to keep a certain distance from the client (A3).*

The findings show that interviewees in Indonesia see the auditor-auditee relationship differently. They interpreted the relationship between auditors and client in terms of a professional/personal relationship and trust. This occurs as audit is a process that involves complex interactions between the firm and the audit company. The interaction is not only in an economic way but also a social interaction. Inseparable the economic interactions from the social context allows for a different, clearer understanding of the auditor-auditee relationship.

However, there was no audit committee concern about this value. This could be explained by the "large power distance" value that influenced the perceptions of client participants. As the service receiver, the client expects a great reliability and excellent services from auditors. Therefore, instead of attaching too much to the relationship, which they assumed was already there, they put more attention on other aspects such as technical quality.

Strong Uncertainty Avoidance – Emotional Need for Rules

G. Hofstede (1984, p. 120) stated that in organizations, the emotional need for rules means a "preference for formalization of structure, standardization of procedures, and "ritualization" of behaviour". This "uncertainty avoidance" value relates to the emotional meaning of rules. People need to feel comfortable, and they can rely on that on a structured environment even though in reality the rules are not followed fully. G. Hofstede (1991, p. 121) emphasized, "even ineffective rules satisfy people's emotional need for a formal structure. What happens in reality is less important".

Based on Hofstede's model, Indonesia is a nation with a moderate "uncertainty avoidance" (G. Hofstede, 1991, p. 113). This means the need for rules is not as urgent as in a "high uncertainty avoidance" society. However, other values (high power distance, collectivism

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and feminism) according to the perception of business people could influence the delivery of the audit process and thus could influence audit quality (Riahi-Belkaoui, 1995). A combination of high PD and high collectivism may result in the need of standard (does not mean override the other value). It is expected that individuals in a work situation in a country with a combination of high power distance and collective values would work effectively under strategies of stating. This is because "leaders in high power distance societies do not need to actively influence their followers; influence is implicit and leaders are followed simply because of their standing" (Koveshnikov et al., 2023). Individuals in this type of society, such as Indonesia, need written rules in order to direct them as expected. Therefore, the "need for standards and rules" is crucial to maintaining audit quality in Indonesia. This can be assessed in the following illustration:

> *I think that's what the rules are for…it will be important even if auditors only provide services to a client in a short period… that's the point. I think that if everybody follows the guiding rules then there shouldn't be a problem (U4).*

The quotation shows the expectation of users of audited financial statements in Indonesia on how the auditor-client relationships should be. Rules are a fundamental aspect of maintaining the audit process. As an external party of the audit process, users of financial statements need "clear rules" and "law enforcement" to provide them assurance of an objective audit process. Clients have similarly echoed this sentiment:

> *We just follow what the standards stated…at the end…it doesn't matter how long an auditor works with a client…what is developed between auditors and clients should be a professional one as stated in a professional standard… such as the ethics codes (C2).*

> *If we talk about the length of time of auditor servicing, it's important to consider the standards that have been set up… everything has to be in accordance with the standard. What I mean with the standard is the default standard that has been set by companies, auditors, or the government…because I think the highest achievement is if everything is on the line (C3).*

To conclude, relationship is one of the important attributes for audit quality. However, cultural themes, such as "power conflict" in the auditor-auditee relationship or clients expect "more understanding" from auditors, influence the perceptions of participants concerning the AAR in Indonesia audit market.

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Type of Relationship Between Auditors and Clients

The summary of the qualitative findings regarding types of relationship believed developed between auditors and auditee in Indonesia is shown in Table 3.

Table 3 Types of relationship between auditors and clients in Indonesia

Auditors	Clients	Users
- Good relationships - Professional relationships - Trust	- Based on standards - Professional relationships - Openness	- Based on standards - Professional relationships

Auditors	Clients	Users
- Good relationships - Professional relationships - Trust	- Based on standards - Professional relationships - Openness	- Based on standards - Professional relationships

Source: Prepared by the authors (2023).

The results of the semi-structured interviews suggested that all the interviewees agreed that it is important for auditors to have a good knowledge about their client's industry. A good knowledge is part of the professional relationship factors in auditing process. This is because the participants believed it can influence auditors' performance, such as better judgments and better predictors, as well as better ability for problem-solving. The following statements represent detailed responses:

> *It is a must that auditors have a good knowledge of their client's industry because the industry constantly changes. So if auditors do not update their knowledge constantly as well, it will be difficult for auditors to assess the overall financial condition of the company (C1).*

> *I think it is very important that auditors have a good knowledge about their client's industry because there are many activities in the company that are unique to a specific industry. For example, the production processes in the chemical industry differ from the production processes in a food industry. Even between the food industries the process can be different, unique and specific. That is why I think auditors need to understand the processes, for example, before starting the audit task in order to get the most out of the audit process (C2).*

> *I think auditors need to have a good knowledge of their client's company because they will need that knowledge in evaluating their client's financial statements (U1).*

> *Auditors need to have a good knowledge of their clients to help them assess their client's business activities and in the end it will help them to form an opinion (U2).*

The above quotations show the interviewees' agreement regarding the importance of auditors having a good knowledge of their client. The knowledge will influence auditors'

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performance by making a better judgment of their client's financial statements. Other interviewees emphasise the importance of the knowledge in helping auditors to make judgments in the audit process. It can be assessed in the following statements:

> *It is very important to have a good knowledge of the client's industry, and for me it is not only about the client's industry but also the company as a whole. For example, we need to understand the management preference in risk taking. By understanding this, we will be able to assess inherent risk of misstatements in the client's financial statements (A1).*

> *It is important for auditors to have a good knowledge of their clients, such as integrity of company's management and something like that. By having this, the audit team will be able to review the company transactions carefully (A2).*

> *A good knowledge will assist the auditor in observing the key processes within the company and enables the auditor to understand as well as be aware of problem areas that may emerge within the company (C3).*

> *I think it is already stated in the standard that auditors need to have a specific knowledge about their client's specific industry to make them aware of the possible problems that may emerge (U3).*

A good knowledge of their client's business benefits auditors' performance since it can assist them in problem-solving as can be seen in the following quotations:

> *Sure that is important. For example, auditors need to see management or maybe the audit committee to ask for some information. This meeting will provide an opportunity for auditors to focus on specific areas, sensitive with problems, but…auditors will not be able to use that opportunity wisely if they do not have a good knowledge of their client (A3).*

> *By having a good knowledge of their client, auditors will be able to assess management plans to anticipate the possible risks taken by the management (A4).*

The above findings are in line with a study by Bonner and Lewis (1990), which explored factors that create client knowledge and how this improves the auditors' ability to perform specific audit tasks. The interview findings show that the audit market participants in Indonesia also considered knowledge as an important point that can influence auditors' performance.

Additionally, some interviewees suggested that auditors' knowledge about their client also influences the quality of their interaction with clients. The following is the typical statement from a few auditors:

> *If we have a good knowledge of a client's industry or company, it will assist us in developing a relationship with the client….. (A1).*

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With having a good knowledge of their client, auditors can better manage how to interact effectively and efficiently with clients. As a result, auditors will be able to perform their audit tasks well, as suggested by the following interviewees:

> *By having good client knowledge, it is easier to have mutual understanding between auditor and client (A2).*

> *It is important for auditors to maintain a good relationship with clients because a good audit process cannot be achieved by relying on the formal procedure itself (C4).*

The above findings can be explained by the knowledge-based client relationship concept. Dawson (2000) described that the relationship of professional service firms, such as audit firms, with their clients differs from relationship in many other industries. "The heart of professional services is in providing high-level knowledge-based services, which requires a high degree of client contact" (Dawson, 2000, p. 46). Therefore, the relationships are normally ongoing in nature. As there is an ongoing relationship between auditors and clients, then knowledge is a critical value of their relationship development, as can be seen in the above quotations.

However, not all interviewees think that a good knowledge of auditors' client industry will help auditors in interaction with their client. It could discourage more detailed investigation as implied in the following quotation:

> *Having a good understanding of the client's industry would make auditors better able to carry out their duties properly and therefore could prevent them relying on the information the client has provided (U2).*

With regards to the length of time of auditor services engagement (experience, the second dimension of the relationship factor), the majority of interviewees believed that the length of time of auditor servicing will provide auditors with a better understanding of clients and the ability to conduct a better audit process. The following statements present detailed responses:

> *The longer we work with a client, the better audit process we can achieve (A4)*
> *It is good to serve in a certain length of time with a client because it will provide us with a better knowledge and understanding of the client… (A3).*

> *I think that is important because we need auditors that already understand our company through several years… (C1).*

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The above findings support the results of some other studies: for example, Johnson et al. (2002) found no evidence of reduced financial-reporting quality for longer audit-firm tenures. The longer auditors work with clients, the more knowledge they gain. As a result, auditors will be able to conduct a high quality of audit process. However, not all those interviewed had positive perceptions about the length of time of auditor service engagement. They declared that it could be a threat to auditors' objectivity.

> *It is important to limit the length of time of auditor servicing because it is obvious that there is an exclusive relationship between auditors and clients… (A1).*
>
> *I think the time of auditor servicing should be restricted because it can influence auditors' objectivity… (U3).*
>
> *I think the length of time of auditor servicing will easily influence auditors' objectivity about their client…. (U1).*

The above quotations support a study by Chi, Lisic, and Pevzner (2011), who found that "a longer auditor tenure is associated with greater real earnings management, which could suggest merits of mandating audit firm rotation" (Chi et al., 2011, p. 315). Some interviewees in this study also suggested that it is important to strengthen the regulations on audit tenure, such as in the following quotations:

> *I think that's what the audit tenure rules are for (U4).*
>
> *If we talk about the length of time of auditor servicing, it is important to consider the standards that have been set up… everything has to be in accordance with the standard (C3).*

To conclude, the relationship factor is more than just about good knowledge that should be acquired by auditors regarding their clients' industry or how long auditors have served a client. For Indonesians, it is also about auditors' performance in audit tasks and in interaction with clients, and how to develop a better understanding of clients and a good relationship with clients. Indonesians define and consider the type of auditor-auditee relationship differently and goes beyond a professional relationship.

Professional relationships is a kind of relationship that all interviewees agreed should be maintained between auditors and auditee. However, auditor and auditee are also considered good relationships that are based on trust and openness as a type of relationship that should be built between auditors and clients. This is unsurprising finding because the two parties are involved in the auditing process and they are aware of other possible factors that could influence

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their relationships, such as trust and openness. These factors, however, were not considered by users of financial statements.

"A good relationship" that is constructed with "trust" and "openness" is a reflection of Indonesian cultural value of collectivism. As suggested by Hofstede (2001, p. 239) "in a collectivist society a relationship of trust should be established between two parties before they can do any business". This value still exists in Indonesia and can be identified in the following quotations. This was suggested not only by auditors but also clients.

> *Maybe…auditors and clients should have a relationship that based on trust. Clients need to trust their auditor that the auditor will act upon mutual interest and so does the auditor (A4).*

> *Auditors and clients should be open with each other. Clients state what they expect from auditors and auditors express what they should do as professional auditors (C1).*

"Trust" is necessary in the audit process. The auditor assesses information provided by client management. Thus, "a financial statement audit cannot be conducted in the absence of the auditor's trust of members of client management" (Rennie, et al., 2010, p. 279). That's what is expressed by auditors and clients in the above quotation. They describe the development of trust in the auditor-client relationship. Trust can be developed through repeated interactions between auditors and clients.

However, inappropriate trust, such as emotional trust or deep auditor-client interdependence, can be a threat to auditor independence (Shaub, 2004). This is of concern to an auditor:

> *Auditor and clients should build a good relationship, but not too deep in order to keep auditors independence. Because, if it is not like that, I am afraid there will be no more restriction and compromises become habitual (A2).*

Therefore, it is very important for auditors to maintain rational trust in their relationship with clients. Rational trust is a type of expectancy that another will act in a trustworthy manner based on evaluation of his/her reliability (Shaub, 2004). Trust is inherent in the audit process, but rational trust should be the one that is developed in order to keep protecting the external users' interest.

One of the complements of trust is suspicion (Shaub, 2004). This complement is present in auditing since auditors are expected to exercise professional scepticisms. "Auditors are expected to be reasonably sceptical about the motives of the managers and the accuracy and truthfulness of balances and disclosures made by management" (Shaub, 1996, p.156). This is

to prevent management from acting in its self-interest. Therefore, while the trust relationship between an auditor and a client is very important, professional scepticism could reduce the risks of over trusting the client.

Openness of communication is one of the potential factors that can influence the auditor-client relationship (Rennie, et al., 2010). Auditors need information provided by management to carry out the audit. Thus, they expect the client to show high level of openness of communication to be able to accept information provided by clients. This thesis finding shows that it is not only auditors who expect openness from clients, but clients require the same thing as well. This reflects the characteristic of a large power distance society. As clients argued:

> *We need to keep "open" to each other. Clients state their expectations from auditors and auditors express their obligation as professional auditors (C2).*

> *What we also consider at this time is openness. An auditor expects an auditee's openness and vice versa. Only with this attitude in mind we then can discuss anything wisely, without causing any further problems (C3).*

The above quotation shows that clients expected auditors to have corresponding characteristics, such as positive expressions, comments, or feedback towards clients, and not to be criticising negatively. For Indonesians, it means "showing respect". This is especially important if there is a disagreement between auditors and management in the audit process. This is because many people naturally revert to their cultural roots when an "unexpected problem" occurs in the workplace. Thus, "showing respect" is part of Indonesian business etiquette and manners.

Another type of relationship that was expected was "professional relationship". The Code of Ethics for Professional Accountant, has established how a professional public accountant should behave (De Lange et al., 2013). This includes a description of the auditor-client relationship. The principle of professional behaviour requires that all professional accountants should comply with laws, regulations, and avoid actions that could have the potential to affect profession's reputation. It is a responsibility of every public accounting professional to always use professional and moral judgment in all the activities he/she does. This is because public accountants are responsible for maintaining the public interest. Thus, public accountants are obliged always to act within the framework of public service, public trust, and to demonstrate commitment to professionalism. This is suggested by an auditor:

> *We expect that we can build a good and professional relationship with clients, because with this type of relationship…it is not only clients who gain benefits but also auditors (A1).*

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The above findings reveal that the type of relationship that should be maintained by auditors and clients, according to interviewees, is a peers' relationship. This relationship is a type of relationship that has two characteristics: dualism (professional/personal) and trust. Professional relationship, in this study, is identified as a relationship based on a code of professional ethics, while personal relationship is seen as a good relationship between auditors and clients that develops during the audit interactions. From this repeated interaction also emerges "trust". The peers' relationship occurs as there is sharing of professional and cultural standards between auditors and clients. Professional qualification and cultural norms make the firm and partner auditors share professional and common principles. The peers' relationship also emerges as there are frequent contacts between the auditors and clients. Lastly, the friendship bond with respect to business connections has contributed to the multi factors of the auditors–clients relationship. All these situations have been reflected by interviewees in their answers. Indonesian collectivist culture makes this type of relationship exist.

Collectivist value relates to the power of the group (family) (G. Hofstede, 2011). People in this society live closely together. Everybody grows up with a pattern of thinking as part of a "we" group. Therefore, Indonesian people known their nation as a *negara kekeluargaan* (a state based on the familial concept) with one of its basic principles being *gotong royong* (all works should be accomplished in a spirit of togetherness). The concept not only applies economic but social sense and the spirit makes Indonesia one of the most collectivist countries of the world based on Hofstede's index score. With this spirit, the AAR is more than just a professional relationship for Indonesians. It is also a personal relationship based on trust.

As explained earlier, the best to describe characteristics of the relationship between auditor and auditee is "expertise" and "experience". Expertise is possession of relevant specialist knowledge by the auditor, while Experience is the familiarity the auditor has with the auditee. Those characteristics are believed to influence the delivery of an audit. However, a country with a collective cultural background, such as Indonesia, can have a different view.

In a collectivist society, a relationship should be based on trust. The personal relationship should be established first before any business can be done. This shows how important a relationship is to a collectivist society. The interview findings support this theory. The cultural characteristics found were: power conflict; relationship prevails over tasks; warm relationship; and need for rules.

Auditors in a large power distance society are more likely to experience the "power conflict" in an audit-conflict situation than auditors in a small power distance society. This is

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because there is a greater importance on hierarchical and status relationships in a large power distance society than in a small one. This has created a powerful position for one party in a relationship. In the audit process, clients have the potential to develop this powerful position. The potentially powerful position of the client can influence the judgments of the auditors.

The collectivist society also shares norms for a warm relationship. This includes resolution of conflict by compromise and negotiation. Thus, in this society, service providers are expected to be more empathetic. This expectation could be experienced by auditors as they suggested maintaining their relationship with the client as important. However, the interview data did not find much concern by the clients. This could be explained by the "large power distance" value that influenced the perceptions of participants. As the service receiver, the client expects great reliability and excellent service from auditors. Therefore, instead of being attached too much to the relationship, which they assumed already there, they put more attention on to other aspects such as technical quality. Further, auditors and clients in Indonesia value "relationship" as important because of the emerging conditions of a peers' relationship: sharing of professional and cultural norms, and frequency of relationship and the multiplicity of relationship (Mustikarini & Adhariani, 2022). All auditors expressed that they tried to build trust with clients, so they could perform their duty successfully. This can be explained by their collectivist environment in which the main goal of business interaction, for example, is how to build a relationship. This is consistent with the views of Ozdemir and Hewett (2010) who stated that in collectivist societies people emphasize relationships rather than individual needs. This is because people in collectivist societies not only bond with their family members and friends, but also develops relationships with service providers and service employees. Therefore, service providers who are able to show warmth to customers can build trust with them. Moreover, a high-social-interaction context provides an environment in which social interaction and relationship-building activities are a primary goal.

CONCLUSION

Based on the results of the content analysis, the following conclusions can be drawn that the most common cultural values found in the interview text were: harmony; relationship prevails over task; and warm relationships are important. These answer the first objective of this study. Furthermore, those cultural values make Indonesians interpreted the auditor-auditee relationship as a peers' relationship: a relationship that consists of a professional/personal relationship and trust. This is characteristic of collectivist societies due to particularistic

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thinking. In this type of society, individuals perceive social situations, including business relationships, in terms of close personal bonds. The personal relationship should be established first before any business can be done. This provides a response to the second objective of this research.

Although this study has made contributions to understanding auditor-auditee relationship from cultural perspectives, several limitations should be acknowledged. First limitation relates to possible sample bias. With regard to representativeness, the sample was limited to auditors, clients, and users in Indonesia. However, the findings of this study may not be generalizable to the Indonesian audit markets. Although the sample size was adequate, it was still too small to enable generalization to the Indonesian audit market, particularly as many companies are not listed on the IDX. Thus, to enhance the generalizability of the study findings, further studies using greater sample sizes are recommended. In addition, selecting specific audit segments, such as small-medium enterprises, might provide deeper insights. Secondly, in terms of the sampling technique in the qualitative study, due to time constraints the interviewees were self-selected. It is possible that the interviewees who volunteered to participate in the study did so because they had specifically negative or positive things to say about clients or the audit process in Indonesia. That is, the generalizability of the findings cannot be assumed since the representativeness of interviewees as audit stakeholders remains uncertain. Thus, future research should involve a more comprehensive sampling design that would contribute to the higher reliability and validity of the data.

Furthermore, for Indonesia, research efforts can be directed toward assessing the impact of the auditor-client peer relationship upon audit quality. The findings from this thesis highlight the importance of the theme of "peer relationship" and future studies could provide further empirical validation of this aspect. Further studies in the Indonesian context could also focus on the societal values (as identified in this study) that may drive the AAR.

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