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Micro-firms and the Auditor

"A study of the individual-firm commitment
between auditors and exempted firms in Sweden"

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Abstract

Title *Micro-firms and the Auditor*
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Purpose: The purpose with this dissertation is to examine the individual–firm commitment between auditors and exempted firms from the client perspective and how it is influenced by relational influencing factors. The impact of these factors is investigated through a three component model incorporating affective, calculative and normative commitment.

Method The study encompasses a triangular research method and can be seen as a twofold complementary approach. The choice of methodology seeks to qualitatively investigate how auditors actively work to impact the level of trust, social bonds and satisfaction as well as the level of commitment in their relationship with the exempted firm. The intention is to complement the findings from the qualitative study with quantitatively measured factors from the client’s perspective using a survey strategy.

Conclusion The findings of this study indicated that micro-firms are predominantly affectively committed to their auditor based on positive feelings of attachment and less due to normative and calculative reasons. Trust and satisfaction proved to be the most significant factors in ensuring long-term and enduring relationships between auditors and micro-firms.

Implications Affective commitment proved to be the most significant construct in explaining the characteristics of the auditor-micro firm relation in this study. By critically evaluating the relationship, the auditor can assess to which degree trust, social bonds and satisfaction can be implemented to strengthen the commitment of the exempted firm, thus influencing their long-term staying intention.

Key words Statutory Auditing, Commitment, Relationship Marketing, Affective, Calculative, Normative, Trust, Social Bonds and Satisfaction.

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1. Introduction

In this part of the dissertation, background, problematisation, purpose, research question, objectives, critical review of sources and the outline of the proceeding thesis are presented.

1.1 Background

Commitment in buyer-seller relationships has been identified as one of the key constructs for long-term relationship endurance and has been widely scrutinized by researchers (Wong & Sohal, 2002; Álvarez, Casielles & Martín, 2009; Jones, Fox, Taylor *et al.* 2010; Jones, Taylor & Bansal, 2009). In marketing literature, a buyer-seller relationship is defined as a complex phenomenon where several models have been presented in an attempt to ascertain what actually constitutes such a relationship. Traditionally, early research in the field of marketing had a strong orientation towards transactional marketing, where relationship establishment with clients was seen as secondary (Dalziel, Harris & Laing, 2011). The emergence of markets and increased global dependence between firms has driven forward the notion that the client is an important aspect to consider in the value creating process. Therefore, the composition of relationship constituents ought to be devoted greater attention as they may explain the long-term commitment in buyer-seller relationships (Wong & Sohal, 2002). Dagger, David and Ng (2011) also add to existing research on Relationship Marketing by arguing that commitment is formed between parties when there are significant benefits to be made and that these benefits mirror the level of commitment.

Considering what is stated above, the deregulation of auditing practices for *micro-firms* in Sweden in 2010 has raised important questions on whether these *exempted firms* might cease to hire an auditor. In essence, the auditors need to actively work towards strengthening the relation through different relation influencing factors in order for the client to stay and commit to the relation. At the same time they have to ascertain that their own commitment reflects the autonomy in their work, as they through carrying out objective auditing ought to serve the society as well as their clients. The level of objectivity might, therefore, have a significant impact on the commitment between the parties as the commitment is no longer considered to be of statutory nature. One might also question if the voluntary option of actually utilizing auditing practices for smaller limited companies has strengthened the commitment between auditors and *exempted firms*.

The *Exempted firms* now face the option of either declining the use of former statutory auditing services or maintaining them. The deregulation of audit requirements in 2010 for limited

companies (referred to as *micro-firms* or *exempted firms*) where at least two of the following three requirements are met; on average, at most 3 employees for each of the last two financial years, a turnover of less than SEK 3 million for each of the last two financial years and total assets SEK 1,5 million for each of the last two financial years, sparked much controversy among major auditing firms in Sweden. However, as little as 15% of the limited companies in Sweden have actually ceased to hire an auditor (Danielsson, 2012). This entails that the commitment for continuous exchange prevails, due to a desire to maintain a functioning relation (Young & Denize, 1995). The desire of *micro-firms* to continue their relationship with their auditor might be based on different grounds and relate to commitment as moral obligations, economic motives or how favorable the *micro-firm* feels about their auditor in terms of service delivery and quality. Despite the different grounds presented, Young and Denize (1995) ascertain that there are important factors influencing commitment between service providers and clients, thus affecting the orientation of the relationship.

1.2 Problem

The deregulation of auditing practices for *micro-firms* in 2010 altered the market conditions for auditing firms. The change in regulation increased the market competitiveness among auditing firms as well as decreased the demand for auditing services. Significant research has been devoted towards firm relationships, mainly in an industrial marketing and client behavior context (Gruen, Summers & Acito, 2000; Sharma & Patterson, 2000). Although, despite the research made, little has actually been done towards examining the role of commitment between auditors and *micro-firms* from a client perspective and how this relation is influenced by different commitment related factors. Additionally, the relatively unexplored nature of a three dimensional view on commitment provides a well motivated platform for an exploratory and explanatory study of the individual-firm commitment between auditors and *exempted firms* (Jones *et al.* 2010).

Practitioners and researchers are congruent when it comes to the fact that commitment is one of the key constructs for building enduring relationships (Jones *et al.* 2010; Jones *et al.* 2009). However, according to Jones *et al.* (2010), the number of commitment related dimensions investigated have been limited. The most explanatory factor for client loyalty has been the affective commitment, referring to positive feelings of attachment and identification. Studies carried to determine loyalty related outcomes by calculative and normative commitment have been vague. Calculative commitment refers to the extent to which an individual or a firm feels

inclined to continue a relationship based on transactional costs, whereas normative commitment is explained as the moral obligation to reciprocate past services or benefits received.

Jones *et al.* (2010) address an important aspect concerning the role of commitment in marketing literature. Most of the studies carried out in determining the effect of commitment on loyalty related outcomes have mainly focused on business-to-business relationships. Little attention has been given to the importance of interpersonal relationships between service providers and customers. Consequently, impact of interpersonal commitment has been given little consideration which provides strong incentives to exploring this relation and factors influencing the relationship between the service provider and the client. The aim of the abolition was, among other factors, to ease the administrative and economic burden of *micro-firms*, leaving auditors with the challenge of convincing *micro-firms* to continue their relationship with their auditor and also convincing new firms to hire an auditor.

1.3 Purpose

The purpose of this dissertation is to explore the individual-firm commitment between auditors and *exempted firms* from a client perspective, and how it is influenced by commitment related factors. The outcome of this dissertation will provide valuable insight as to which grounds the relational commitment between auditors and *exempted firms* in Sweden is built upon, reflecting the type of commitment from a client perspective.

1.4 Research Questions

- *What type of commitment do micro-firms have towards their auditor?*
- *Which are the major commitment related factors influencing this relationship?*
- *How do these factors influence each type of commitment and the orientation of the relationship?*

1.5 Objectives

The aim of this paper is to investigate the individual-firm commitment through an explanatory approach from the main perspective of the *exempted firm* and how the service relation with their auditor is influenced by commitment related factors. Moreover, an exploratory approach will be used to investigate the impact of these factors on long-term commitment by conducting three qualitative interviews with auditors to give a complementary view to the perspective of the *micro-firm*. Each auditor represents either a large, medium sized or small auditing firm. A proposition for a causal model will be brought forward explaining the correlation between the

presented factors and their impact on each type of commitment and also on long-term orientation.

1.6 Critical review of sources

The sources used in this study have largely been based on research gathered in databases covering well-known marketing literature and articles published in renowned journals such as *Journal of Marketing*, *Services Marketing* and *European Journal of Marketing* as a frame of reference. Research presented has been substantiated by several independent reviewers which contribute to legitimization of their use in our study. The credibility of the sources has been ascertained by tending to their primary source. Articles which presented questionable sources were traced back to their primary origin. The authors that are referred to in this study are among the most cited in research concerning buyer-seller relationships and the construct of commitment and antecedents of commitment.

1.7 Outline

The dissertation at hand is composed of six chapters. In the first chapter, background, problem, purpose, research question, objectives and critical review are outlined. The following chapter presents the research philosophy of the thesis and the chosen research approach. Onwards, chapter three delineates the chosen theory and existing research regarding commitment and commitment related factors. Chapter number four describes the methodological choice, research design and strategy, data collection methods, sample selection, operationalization, method of analysis, reliability, validity and generalizability. The following chapter presents the analysis from the case studies and the survey investigation with regards to the empirical findings and theoretical framework. Based on the analysis made, conclusions, practical implications and propositions for further research will be presented in the final chapter of this dissertation.

2. Research Method

This part of the dissertation presents the method for this study. It incorporates the research philosophy and chosen research approach.

2.1 Research philosophy

According to Saunders, Lewis and Thornhill (2009), the chosen research philosophy contains valuable information on how you as a researcher view the world. The aim of adopting a certain philosophy is to meliorate the comprehension of how the researcher relates to the study (Malhotra & Birks, 2009). From an epistemological stance, we aim at adopting both a *positivistic* as well as a *interpretivistic* philosophy. The positivistic school of thought tries to depict causal correlations between subjects or to produce truths in which information is broken down to smaller components to simplify the analytical process (Amaratunga, Baldry, Sarshar *et al.* 2002; Remenyi, Williams, Money *et al.* 1998). The philosophy uses social facts that are tested through hypotheses by using quantitative methods (Easterby-Smith, 1991). Correlations between relational influencing factors and their impact on commitment as well as long-term orientation will be investigated, which implies a more positivistic view of a phenomenon.

The *interpretivistic philosophy* postulates an empathic standpoint as argued by Saunders *et al.* (2009). Interpretive science applies qualitative approaches to form an holistic comprehension of individuals meanings (Amaratunga *et al.*, 2002; Remenyi *et al.*, 1998). Since all situations and human beings are unique, in more ways than one, the appropriateness of the hermeneutic approach is given weight as we are targeting individual singularities from the perspective of the auditors. In comparison to the positivistic school of thought, an interpretive philosophy tries to investigate individual meanings through qualitative methods (Easterby-Smith, 1991).

2.2 Research approach

There is a reasonable consensus among researchers that, on the one hand, quantitative methods are related to an artificial way of gathering data, and on the other hand, qualitative methods imply narrative interpretations of empirical information. Hyde (2000) points out that, even if the quantitative method traditionally adopts a deductive approach and the qualitative an inductive one, in practice, this tends to be rather too generalizing (Hyde, 2000). There are two general research approaches for acquiring knowledge as already mentioned, namely the inductive and deductive approach. The inductive approach refers to a process where observations of specific phenomena are being made prior to theory generation. A deductive

approach entails that theories are tested in the initial process of the study in order to ascertain the validity of those theories in accordance to certain events (Hyde, 2000).

However, one method does not necessarily exclude the other, and researchers have, therefore, advocated for a third approach which provides a holistic approach to acquiring knowledge. The abductive approach implies a junction between an inductive and deductive approach, where empirical information is gathered at the same time the theoretical framework is being considered. This approach will enable us to take actions retrospectively in relation to chosen theory if necessary and, at the same time, it will not restrict us in our working process (Patel & Davidson, 2003).

3. Literature Review

This part of the thesis describes Relationship Marketing as an overarching concept. Furthermore, emphasize will be placed on describing the development of service relationships. Significant weight is given to research contributing to the understanding of commitment and important factors influencing the long-term orientation of service relations. Further on, a causal model is created displaying the interdependence of relationship influencing factors and their impact on commitment and long-term orientation.

3.1 Definition of a relationship

Defining an abstract term like relationship is highly complex; hence, the abundance of definitions proposed by researchers. Harker (1999) brings forward two imminent causes for this inconsistency in creating a congruent interpretation of the constituents of a relationship. Firstly, Relationship Marketing has given researchers the incentives to define something that is not even close to being fully explored. Secondly, the vast disparity among researchers in terms of social, political and academic background, contributes even further to the lack of conformity. Furthermore, what one person considers being a relationship might to another person constitute a relational exchange. Even so, a relationship consists of several transactions, some with shorter duration and others with longer duration. What is more, according to Wong and Sohal (2002), is that both parties have to become aware of, accept and confirm the relationship for it to actually exist.

Researchers argue that Relationship Marketing should be seen as a field of research where the transactional perspective of a relationship is viewed as secondary to that of the continuous relational perspective (Álvarez *et al.* 2009). Wetzels, de Ruyter and van Birgelen (1998) argue that when relational exchange exists, there are no providers or clients, only two party's socially interacting and exchanging resources. Exchanging relations is, in fact, an efficient way to add client value to services, and also to strengthen the relationship between the parties, giving them both incentives to honor their buyer-seller relationship.

Due to changes in the world economy, a growing service economy and the fact that business managers are constantly searching for new ways to market their products and services, the concept of Relationship Marketing is brought forward, emerging as a well accepted business strategy (Wong & Sohal, 2002). The globalized and competitive nature of the modern business

climate induces firms to foster relationships with clients for two apparent reasons, according to Palmer (1996). The rapid growth of world markets compels firms to add additional value to their products or services in order to sustain competitive advantages and continuous relations with their clients.

3.2 Relationship Marketing - A shift in paradigm

Relationship Marketing and factors influencing loyalty related outcomes have thoroughly been investigated in marketing research. The concept emerged in 1983 and started to gain ground in the 1990s (Liljander & Roos, 2002). The shift towards relationship orientation started to come about along with the growth of the service economy (Wong & Sohal, 2002).

There are several definitions depending on the contexts. Dagger *et al.* (2011) define Relationship Marketing as “a well-suited strategy for service firms to build long-term, profitable relationships that clients perceive to be mutually beneficial” (Dagger *et al.* 2011, p.273). Others, like Grönroos (2000), conclude that Relationship marketing is “the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with clients and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises” (Grönroos, 2000, p.98).

According to Grossman (1998), Relationship Marketing is synonymous with reciprocal benefits for both the firm and the client. A relationship oriented approach entails superior profitability, elevated client loyalty and decreased costs associated with client retention from the firm’s perspective. The positive gains associated with relationship establishment are not merely delimited to firms. From a client’s point of view, long-term orientation can imply a sort of psychological convenience related to risk limitation in quest for products or services. Traditionally, the individual-firm relationship has been described as a union, resembling a marriage, where the firm seeks contact with the client in an attempt to form a relationship that is considered to be reciprocal (Grossman, 1998).

3.3 The service relation

As stated above, the attention given to Relationship Marketing as an emerging concept during the last decades has been intense. The interconnection of markets and industries has caused a shift in paradigm which was initially concerned with a transactional approach towards clients. In the 1970s, the marketing of services emerged from the original concept of marketing.

Carrying out its own models and concepts, the service marketing adapted to the characteristics of services, apart from those of products (Grönroos, 1994).

How can individual-firm relationships be understood from a Relationship Marketing point of view? Researchers, such as Liljander and Roos (2002), mention that factors such as trust and commitment are vital in understanding the very nature of relationships. The intangibility of services and the high reciprocal reliance between service providers and clients entail that trust is essential for creating loyalty related outcomes. When studying relational factors that influence the duration of relationships, one must discern between spurious and relational exchanges (Hunt *et al.* 2006). The former one refers to short lived interactions between unfamiliar parties and the latter one to more frequent interfacing between known parties. Hunt *et al.* (2006) compile a total of the six most cited factors among researchers influencing relational exchanges in Relationship Marketing. Among these, the impact of trust, social bonds and satisfaction in inter-firm or individual-firm relationships have been the most influential factors in determining the level of commitment, thus entailing the long-term orientation of the relationship.

3.4 A review of factors affecting commitment and the orientation of relationships

The influence of commitment on relationships has traditionally been regarded by researchers as a significant cornerstone in determining the long-term orientation between parties (Garbarino & Johnsson, 1999; Dwyer, Schurr & Oh, 1987). It has single-handedly been regarded as the most influential force in successful relational interactions (Moorman, Zaltman & Delphandé, 1992). Commitment corresponds to the level of loyalty a client feels towards the service provider and will, thus, affect the duration of the relationship according to Moorman *et al.* (1992). In addition, the reciprocal commitment between the service provider and the client reflects their desire of actually wanting the relation to prevail (Morgan & Hunt, 1994). When the level of reciprocal commitment increases between parties, the individual-firm relation evolves into a well-grounded and long-term orientation.

Factors influencing commitment and long-term orientation have been investigated thoroughly by researchers. As stated above by Hunt *et al.* (2002), trust is one of the most cited factors influencing the nature of relationships and essential in establishing loyalty related outcomes according to Liljander and Roos (2002). Wetzels *et al.* (1998), conclude that studies in Relationship Marketing have indicated that trusts as well as satisfaction are highly central when

it comes to the level of commitment exhibited between parties (Morgan & Hunt, 1994; Ganesan, 1994). In addition, Venetis and Ghauri (2004) highlight another important factor influencing the level of commitment and effect on long-term orientation, namely social bonds. Social bonds between clients and service providers reflect the power of the relationship and exhibit positive effects on relational exchanges (Moorman *et al.* 1993). For instance, Seabright, Levinthal and Fishbright (1992) concluded that the duration of the relationship between the client and the auditor says more about the client's inclination to switch auditor rather than the overall relation the client has with the auditing firm itself, since the latter one is considered to be less valued. What is more, is that the strength of the relationship mirrors the level of commitment towards the significant other and conversely; the less committed a client or service provider is, the less propensity there is to further the relationship due to weak social bonding (Seabright *et al.* 1992).

Below follows a more detailed review of the factors influencing the commitment between service providers and clients as discussed above.

3.4.1 Trust

Considerable observations of trust as an influential factor on commitment have been made in the literature of Relationship Marketing in the past decades (Venetis & Ghauri, 2004). The authors ascertain that relational exchanges between parties connotes that a certain level of dependence is created that exposes them to actions taken by the significant other. In order for a relationship to progress, trust is essential in limiting this risk exposure and conversely enhances the level of commitment (Morgan & Hunt, 1994). A key aspect mentioned by Venetis and Ghauri (2004) is that the trustworthiness of a partner determines the level of commitment exhibited. Hence, a trustworthy service provider increases the likelihood of the client to commit to the relation to a greater extent.

Venetis and Ghauri (2004) refer to the definition made by Anderson and Naurus (1990) which imply that trust is "*a firm's belief that another party will perform actions that will lead to positive outcomes for the firm, as well as not take unexpected actions that can lead to negative outcomes*" (Venetis & Ghauri, 2004, p.1582). The intangibility and the complex nature of services increases the risk exposure associated with relational exchange, wherein trust becomes an important factor in reducing this lack of credence towards each other (Venetis & Ghauri, 2004).

3.4.2 Social bonds

Social bonds refer to the connection that is established between parties when relational exchanges take place. Social bonds are the links created through interpersonal relations between buyers and sellers (Venetis & Ghauri, 2004). Furthermore, interaction on an informal level is believed to strengthen the overall relationship according to the authors. Empirical evidence suggest that, buyers that have developed a stable and informal relation with their providers have indicated tendencies towards being more committed as opposed to parties that are not as socially committed.

The social bond that is created between a buyer and seller in a service relationship has been widely discussed by researchers. Evidence has been presented indicating that, particularly in service relations, the bond created between parties appears to be between the service provider and client, and not to the service organization as a whole. As stated previously, Seabright *et al.* (1992) concluded in their study that this was the case regarding the relationship between auditors and their clients. Additionally, Bendapudi and Leone (2002) ascertain that, in some cases, the employee-client relation proves to be stronger than the client-vendor relation. It has furthermore been stated that there is a positive correlation between the social bond created between service providers and clients, and the influence on relational commitment (Venetis & Ghauri, 2004).

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3.4.3 Satisfaction

The influence of satisfaction on the level of commitment between service providers and clients has been debated by researchers in marketing literature (Venetis & Ghauri, 2004). According to

Johnson, Sivadas and Garbarino (2008), the most common conception is that client satisfaction normally translates into long-term orientation. Research made by Ganasan (1994) concluded that there is a positive correlation between quality as an antecedent to satisfaction and commitment. Although an important requisite for commitment, studies have shown that it may not be necessary. In contrast to the research by Ganasan (1994), Morgan and Hunt (1994) are less convinced that satisfaction is an important factor influencing the level of commitment between parties.

Despite the lack of conformity, one cannot mitigate the relative importance of satisfaction on relational commitment and the impact on the continuity of the relationship according to Dagger and O'Brien (2010). They refer to the definition by Verhoef, Franses and Hoekstra (2002), that satisfaction is "*the client's affective state resulting from an overall appraisal of the service experience*" (Dagger & O'Brien, 2010, p.1534). Thus, client satisfaction is considered to be the outcome of the service provider's fulfillment of client goals and needs (Johnson *et al.* 2008). Considering the work of Bendapudi and Berry (1997), these researchers developed a sustainable model for the maintenance of relationships between service providers and clients. The model clearly states that commitment is created through client satisfaction with service quality and delivery (Licata & Chakraborty, 2009).

3.5 Relationship Commitment

The central role of commitment in relationship endurance has been stressed by several researchers. Wetzels *et al.* (1998) refers to the notion that commitment is an "*implicit or explicit pledge of relational continuity between exchange partners*", which characterizes the typical buyer-seller relationship (Wetzels *et al.* 1998, p.406). Further on, commitment is highly influential in Relationship Marketing and constitutes for a central role in many Relationship Marketing models; a relationship can barely exist without committed parties. According to Dwyer *et al.* (1987), commitment between business partners reflect the satisfaction with the relationship. A high level satisfaction will naturally exclude options offered by other service providers, but not necessarily eliminate them to the fullest, as their awareness is constantly present.

The satisfaction that stems from relational exchange is, as argued for, highly influential in determining the parties' intentions of continuing the relationship. Geyskens, Steenkamp and Scheer *et al* (1996) conclude that these intentions mirror the type of commitment that

characterizes the relationship. Morgan and Hunt (1994) state that the literature on relational commitment has predominantly been concerned with two distinctive concepts known as affective and calculative commitment. Affective commitment refers to the desire of a client to further the relationship based on a significant level of attachment towards the service provider. Calculative commitment on the other hand, refers to the dependence created due to high switching costs associated with termination of the relationship (Garcia & Herrbach, 2010). Normative commitment is based on obligations of reciprocity and refers to the psychological attachment a client feels towards a service provider. The multifaceted view on commitment and the models incorporating both affective and calculative commitment have been rather exhaustive. In comparison, empirical investigations concerning normative commitment have been quite tenuous and researchers have recurrently delineated themselves to only affective and calculative commitment as factors influencing loyalty related outcomes according to Jones *et al.* (2010).

Others, like Scanzoni (1979), refer to commitment as a phase where interdependence is regarded as the ultimate outcome of interaction that is mutually beneficial. Accordingly, the level of commitment mirrors the partner's willingness to stay in the relationship; therefore, as already mentioned, commitment is central to relationships and a sign of where the relationship is going. A deeper level of commitment engages partners in the relationship and the duration will, thus, more likely be labeled as long-term, giving the relationship the prerequisites to prevail over time.

How do parties manifest their commitment towards each other? Inputs, durability and consistency are three criteria characterizing a committed relationship according to Dwyer *et al.* (1987). Inputs refer to what the parties actually bring to the table, in terms of communication, economic and emotional resources. Durability pertains to the willingness to pursue a long-term relationship, meaning there is a mutual willingness to maintain the effectiveness of the relationship even in the future. Also, for durability to exist, the parties need to be able to identify the strengths of their relationship in order to, with respect to the surroundings, find their own path in pursuing a long-term relationship. It is not in any sense obligatory for a relationship to be consistently rock solid for partners to stay committed. Actually, going through stages of fluctuation will give the partners a chance to show character and by mutual commitment and understanding, learn how to master various obstacles. Consistency is the third and last criteria, basically responding to each other's expectations in terms of a consistent

delivery of inputs. If there is inconsistency, the reliance tends to attenuate, leaving the parties with a lower level of commitment. Commitment, as already stated, is reached by a contribution of inputs, giving the parties incentives to trust each other. When the contribution of input is disrupted (inconsistency), the level of commitment will deteriorate and durability is less likely to evolve (Dwyer *et al.* 1987).

Commitment is a good indicator of the stability of a relationship and is not achieved through temporary and spurious relational exchanges. It is something that is incrementally built up between parties. Further on, by looking at the level of commitment one can also analyze what type of business relationship the parties are aiming at. A lower level of commitment mirrors a more transactional one and a greater level constitutes for a long-term one, where the parties engage in maintaining or enhancing the effectiveness of the relationship (Venetis & Ghauri, 2004). Commitment can, therefore, also be referred to as an attitude towards the relationship, meaning that a greater level of commitment portrays a desire for a reciprocal relationship or the willingness to make sacrifices and adaptations in order for the relationship to be durable.

Morgan and Hunt (1994) moreover argue that the impact of commitment on long-term orientation induce parties to relinquish short-term privileges and benefits that are offered by third-parties as the long-term benefits related to the current relation will outweigh the latter ones. One definition of commitment is the conceptualization of the term as a desire for a long-term relationship (Venetis & Ghauri, 2004). The most distinct discrepancy between a transactional relationship and a committed one is the deliberateness in staying intentions and level of commitment, meaning that inputs are made consciously.

Below follows a more detailed description of the different types of relational commitment that have been discussed in the literature concerning service relationships as a brief overview of long-term orientation.

3.5.1 Affective commitment

Affective commitment has been defined as “the degree to which a customer is psychologically bonded to the service organization on the basis of how favorable the consumer feels about the organization” (Jones *et al.* 2010, p. 18). As previously mentioned, affective commitment has been the most predictive type in terms of effects on long-term orientation between service providers and clients according to Jones *et al.* (2010). Furthermore, affective commitment has

been substantiated to be strongly related to attitudinal behavior which explains the clients repurchase and staying intentions. Although, according to Andreassen and Olsen (2008) and Johnson *et al.* (2008), strong fluctuations in the delivery of service quality may decrease the attractiveness of the service provider and impact the client's level of affective commitment. That is to say, any deterioration in perceived service quality might result in a direct client response in terms of switching service provider. Due to the strong emotional ties the client has towards the service provider, any deterioration in service delivery or quality could potentially harm the affective commitment and consequently impact negatively on the relation.

3.5.2 Calculative commitment

As stated recently, the commitment between a client and a service provider can entail elements of calculative nature. Calculative commitment, sometimes labeled as continuance commitment, refers to a state of psychological restraint that occurs when the client feels obligated to continue the relation with the service provider on the basis of large termination costs. The lack of alternatives or significant investments made into the relationship almost induces the client to stay committed to the service provider. The foundation of the relationship builds more on obligation than reciprocity where termination might include severe economical and social effects (Jones *et al.* 2010). Fullerton (2005) even referred to it as “the dark side of relationship marketing” (Fullerton, 2005, p.1375). The client thus, makes a trade-off analysis between the benefits of actually continuing the relationship with the current service provider and the potential costs associated with finding a new service provider.

Considering what was said above regarding affective commitment, the calculative form of commitment refers to a rational way of thinking about the relationship, whereas affective commitment is seen as an emotional state of rationalization (Jones *et al.* 2010). In addition, as argued by Jones *et al.* (2010), the lack of equivalent or better alternatives drives clients to redirect their fullest attention towards their current service provider due to high switching costs associated with termination of the relationship.

3.5.3 Normative commitment

Normative commitment pertains to a psychological state in which the client feels morally obligated to continue the relationship with the service provider. There are often underlying factors of social nature that create pressures. Jones *et al.* (2010) draw parallels to a person in need of landscaping services who is looking to hire someone for the job. If this person has a friend or a neighbor who is a professional landscaper and who will know if the landscaping

was performed by someone else, the person looking to hire might then feel pressured or obligated to hire this friend or neighbor instead. To hire someone else, would, from a social perspective, put the hiring person in a precarious position, which by all means is unwanted and preferably avoided. Jones *et al.* (2010) and Fullerton (2011) state that a client might feel morally obligated to reciprocate the benefits received by normatively committing to the relationship. Also, such obligations could derive from one party supporting organizations or things that are important to the other party, giving the latter party a perceived obligation to commit to this organization. Normative commitment between an individual and an organization could, from the individual’s perspective, be pursued due to the individual’s perception that being committed to the organization is simply the right thing to do (Fullerton, 2011).

3.5.4 Long-term orientation

Loyalty (equated to long-term orientation) can be seen as the positive outcome derived from previous relational activities. Authors like Cader & Zabkar (2008), Bolton, Smith & Wagner, (2003) and Woo & Ennew (2004) refer to long-term orientation as some sort of behavioral attitude or desire to further the relationship. In a service relation context, the attitudinal behavior and desire of the client will determine the longevity of the relationship with the service provider. The definition of loyalty has caused some researchers to equate it with commitment.

3.6 Conceptual model

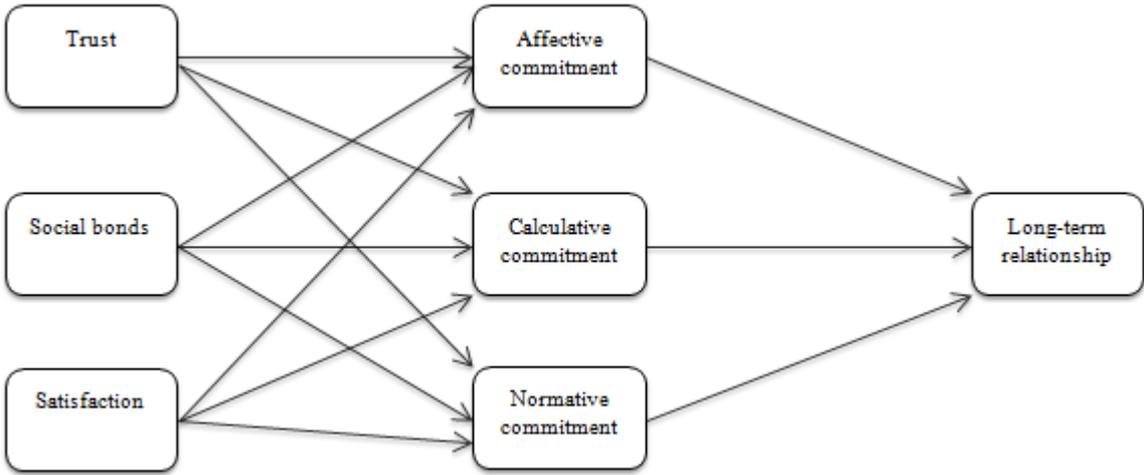


Figure 1: Conceptual Model

Our proposed conceptualized model represents different factors affecting the level of commitment between service providers and clients, thus impacting the orientation of the

relationship. Based on our review of relevant scientific articles, we have chosen three factors influencing affective, calculative and normative commitment.

According to Cader and Zabkar (2008), the impact of trust as an antecedent to commitment has been positively related to the level of commitment in relational exchanges and moreover measured on positive grounds of affective commitment. On the other hand, the influence of trust on calculative grounds has indicated negative outcomes. Trust will align partners by the means of attachment or on basis of mutual reciprocity (De Ruyter, Moorman & Lemmink, 2001). A higher level of trust will normally translate into enjoyment of working with a service provider. On the contrary, a lower level of trust will more likely, according to Cader and Zabkar (2008) generate distrustful suspicion between counterparts where firms or clients evaluate the relationship based on potential benefits of furthering the relation and associated costs of ending it. The evaluation of the relationship based on the principle of benefits and costs rationalization is consequently believed to affect trust negatively, which further indicates that continuing the relationship on calculative grounds becomes unlikely (De Ruyter & Semeijn, 2002).

The conceptualization of commitment through a three component model has furthermore presented evidence of positive correlations between trust and normative commitment. Higher levels of trust induce parties to further the relationship due to moral obligation. A relationship that is based on normative commitment means that parties are morally bound to each other (De Ruyter & Semeijn, 2002). With reference to Cader and Zabkar (2008), we propose the following hypotheses regarding the relation between trust and commitment:

H₁: Trust will positively influence the level of affective commitment.

H₂: Trust will negatively influence the level of calculative commitment.

H₃: Trust will positively influence the level of normative commitment.

In addition, Cader and Zabkar (2008) argue that marketing research has shown that service providers and clients, who are connected by strong social bonds, tend to have further incentives to maintain a relationship than less socially committed counterparts. It has further been made clear that the social aspect of relationships is vital in creating commitment in service relations (Mavondo & Rodrigo, 2011). As mentioned previously, the social bond between the auditor and the firm, reduces switching intentions and is essential in the maintenance of a long-term

oriented relationships. However, other researchers state that there are empirical evidence indicating that social bonds between a service provider and a client have a negative impact on management decisions.

Nevertheless, social bonds tend to correlate positively to both affective and normative commitment, according to Cader and Zabkar (2008). Parties that are bound by strong social ties have developed greater alignment towards each other and enjoy the reciprocal exchange. In accordance, a strong social connection creates pressure on parties to morally fulfill their obligation towards their significant other. That is to say, the social bond created between the service provider and the client will induce parties to commit to the relation on normative grounds that stem from moral obligation (Geyskens *et al.* 1996).

As for the linkage between social bonds and calculative commitment; Cader and Zabkar (2008) as well as Wilson (1995) conclude that there is no blatant connection between the constructs. Social bonds are believed to have no apparent influence on calculative commitment. Calculative grounds are, therefore believed to eliminate the linkage between social bonds and calculative commitment (Meyer & Herscovitch, 2011). In accordance with these researchers, we propose the following hypotheses regarding the relation between social bonds and commitment:

H₄: Social bonds will positively influence the level of affective commitment.

H₅: Social bonds have no effect on calculative commitment.

H₆: Social bonds will positively influence the level of normative commitment.

As for the impact of satisfaction on relational commitment, positive influences have been observed. Successful and prevalent service relations are believed to encompass high levels of satisfaction that translates into committed parties (Beatson, Coote & Rudd, 2006; Cader & Zabkar, 2008; Wetzels *et al.* 1998). Satisfaction has been proven to have a positive impact on affective commitment, meaning that parties become motivated to further the business relationship as the level of satisfaction rises. Furthermore, Cader and Zabkar (2008) state that satisfaction correlates positively to normative commitment as the moral obligation of parties to honor a relationship increases with the level of satisfaction. However, in line with the impact of trust, satisfaction has a negative influence on calculative commitment. A relatively high level of satisfaction reduces the benefit and cost consideration associated with calculative

commitment. In line with the reasoning of Cader and Zabkar (2008), we propose the following hypotheses regarding the relation between satisfaction and commitment:

H₇: Satisfaction will positively influence the level of affective commitment.

H₈: Satisfaction will negatively influence the level of calculative commitment.

H₉: Satisfaction will positively influence the level of normative commitment.

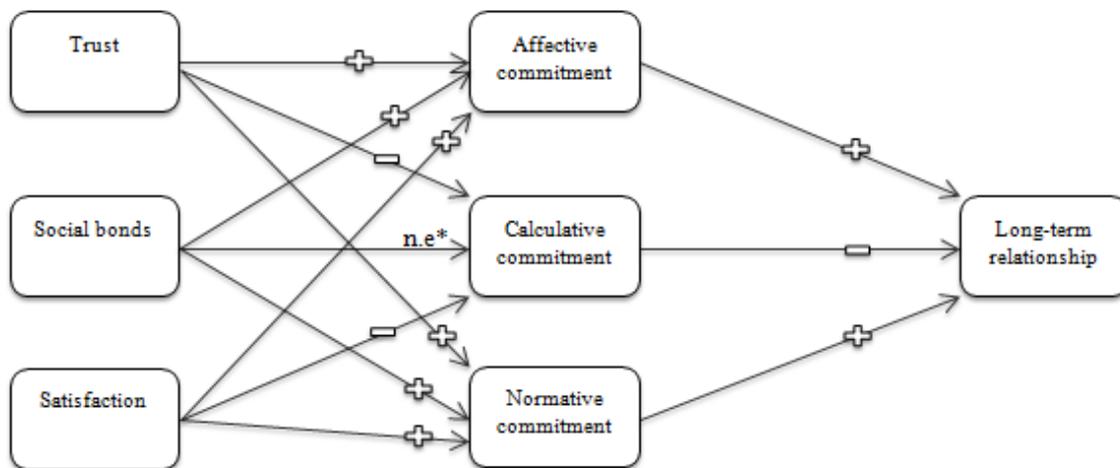
The long-term orientation of the relationship between the service provider and the client is highly influenced by the type of commitment the client exhibits. Researchers like Kumar, Hibbard and Stern (1994), Gounaris (2005) and Cader and Zabkar (2008) have affirmed that affective commitment translates into positive feelings of furthering the relationship, whereas calculative commitment presents opposite intentions (Bloemer & Odekerken-Schröder, 2007). Normative commitment has also been ascertained to positively influence the staying intentions of parties based on moral obligations. In accordance with the findings of the researchers mentioned above, we propose the following hypotheses regarding the relation between long-term orientation and commitment:

H₁₀: Affective commitment will positively influence the level of long-term orientation.

H₁₁: Calculative commitment will negatively influence the level of long-term orientation.

H₁₂: Normative commitment will positively influence the level of long-term orientation.

Based on the factors described above and their influence on affective, calculative and normative commitment, the following model is proposed with regards to the chosen hypotheses.



n.e* = no effect

Figure 2 - Developed model

4. Empirical Method

The empirical method addresses the methodological choice, research design and strategy of the study, collection of data, sample selection, operationalization as well as the validity and reliability of the study. Lastly, this chapter is concluded with a discussion concerning generalizability.

4.1 Methodological choice - The use of a Triangular Approach

The dissertation at hand tries to explain the relational commitment between individual auditors and *exempted firms*. The auditors' perception of the importance of relational factors, as well as how they actively work to strengthen the relationship through these factors, will be examined. Initial focus will be placed on research within the field of Relationship Marketing, the concept of commitment and factors that have been scientifically ascertained to influence the long-term orientation of a buyer-seller relationship. These theoretical constructs will furthermore, be reviewed and analyzed by conducting structured and in-depth interviews with individual auditors. The reasoning behind conducting structured in-depth interviews is to examine the individual-firm commitment from the auditor's perspective. The aim is to build a deeper understanding of how the auditor actively works to influence the relation through factors affecting the orientation of the relationship as well as reflect upon the commitment of the *exempted firm* (Amaratunga *et al.* 2002). The foundation of a qualitative approach entails data from an individual point of view, where ideas, thought processes and attitudes are investigated in the environment of the respondent.

The qualitatively gathered information will then be analyzed and compared with the data received from surveys of the *exempted firms* through quantitative measures. The survey approach refers to a positivistic and quantitative way of gathering data, it allows for some scope to make interpretations about how the *exempted firms* perceive the importance of the major factors influencing the commitment and orientation of the relationship with their auditor. In this sense, the quantitative method allows us to statistically prove social facts by the means of large scale data-collection surveys (Amaratunga *et al.* 2002). The collection of data through the survey approach enables us to construct limited generalizations of the sample population that is of our interest, in this case the *exempted firms* (Hyde, 2000). The choice of methodology can preferably be seen as a twofold complementary approach as the qualitative and quantitative method focus on different dimensions of the factors but at the same focus on the same

phenomenon. The complementary research approach provides a valuable method of acquiring insights and allows us to make more profound conclusions (Amaratunga *et al.* 2002; Edwards & Holt, 2010). Researches like Ihantola and Kihn (2011) address the benefits of using a triangular approach which we intend to utilize in this study as one method seeks to complement the other, hence increasing the accuracy and validity in the study of the phenomenon. In conclusion, the qualitative data are merely an illustration of the importance of relational factors influencing commitment and are to support the quantitative findings (Bryman & Bell, 2011).

Even though there are clear benefits using mixed methods of research, Ihantola and Kihn (2011) and Collins, Onwuegbuzie and Sutton (2006) state the reasoning and purpose behind choosing a triangular approach ought to clear beforehand as the method is considered to be more difficult to utilize than methods that are either of qualitative or quantitative nature. The researchers argue that the triangular approach should be considered when the probability of acquiring complementary data is high and when the method is compatible when the chosen research question. Researchers like Bryman and Bell (2011) argue that the epistemological differences between qualitative and quantitative research may impede on the ability to carry out a triangular approach. The rationalization behind conducting qualitative interviews with auditors in this study is to form an understanding of how the auditors actively work to impact the level of trust, social bonds and satisfaction as well as the level of commitment in their relationship with the *exempted firm*. The intention is to complement the findings from the qualitative study with quantitatively measured factors influencing the relational commitment and orientation of the relation from the *exempted firms'* perspective (Ihantola & Kihn, 2011; Bryman & Bell, 2011).

4.2 Research Design & Strategy

The research design and strategy of the dissertation contains valuable information concerning the overall plan of the study (Malhotra & Birks, 2003). It includes the sources from where we collect our empirical data as well as possible constraints that limit our investigation. What is more is that different ways of gathering qualitative and quantitative data will be accounted for.

According to Malhotra and Birks (2003), the research design of a study can be exploratory, descriptive or explanatory, depending on the purpose and formulation of your research question. An exploratory study describes a problem that is unclear or imprecise in nature and casts a new perspective on what is researched. One of the advantages of such a design, is that

the researcher is able to adapt to new data along the way which is why a flexible approach is required. In contrast, descriptive studies are concerned with depicting events or particular situations in an accurate manner. However, this implies that the researcher on beforehand is well aware of what is being studied. A third research design mentioned by Malhotra and Birks (2003) is concerned with studies of explanatory nature. The aim of this type of research is to explain causal relationships between different factors. The gathered empirical data is, thereafter, used in quantitative statistical tests to highlight an event or a relationship.

This study is based on a triangular research design approach. The primary data is collected by non-standardized interviews in order to get an in-depth perspective of the views, thought processes, ideas and attitudes of individual auditors in their natural environment. This process allows us to comprehend how individual auditors actively work to strengthen the relationship with *exempted firms* and their perception of trust, social bonds and satisfaction as factors influencing commitment and the orientation of the relationship. The non-standardized interviews for this study will be carried out through face-to-face meetings.

There are elements of explanatory nature incorporated in this study as well. Ihantola and Kihn (2011) state that a triangular or mixed research design combines the strengths of both qualitative and quantitative research and allows for a more complete depiction of the study to be made. It also enhances the accuracy of the findings. In addition, the reliability of the study is believed to be improved by undertaking a triangular research approach.

This study uses a case study strategy in form of interviews with individual auditors, but also a survey based strategy. This will allow us to get an in-depth understanding of how the auditors actively work to instill trust, social bonds and satisfaction in the relationship with the *exempted firms*, thus impacting the orientation of the relationship. The survey based approach using questionnaires enables us to analyze large quantitative data which will be collected from the *exempted firms* in order to build an understanding of the relational commitment of these firms towards their auditor.

4.3 Data collection

Two different types of data collection will be conducted.

4.3.1 Data collection for the interviews

When choosing data collection method, the choice should be made with regards to the research question and objectives. The methods at hand are either primary data collection (collecting new data) or secondary data collection (data that has already been collected). Primary data are mainly collected through interviews, questionnaires or observations whereas secondary data are collected by tending to previous research conducted (Malhotra & Birks, 2003).

A triangular approach will be utilized in this study, incorporating case studies and a survey questionnaire. Interviews can be held at either a standardized or a non-standardized level; standardized interviews are suitable when no attention is given to depth or follow-up questions, and are therefore also called quantitative research interviews. Non-standardized interviews, on the other hand, are more adapted to the given situation and the conversation may float freely and respondents are able or even encouraged to speak their minds (Saunders et al. 2009). However, for the purpose of this study, non-standardized interviews are more suitable since the intention is to fully understand the auditor's perception of the importance of trust creation, social bonding and satisfaction in client relationships with *exempted firms*. An exploratory approach will be used when examining how the auditors actively work towards strengthening the relationship with *exempted firms* through trust, social bonds and satisfaction.

4.3.2 Data collection for the surveys

A quantitative data collection method will also be utilized by constructing a questionnaire with standardized survey questions. Saunders *et al.* (2009) state that questionnaires are suitable for explanatory research because the possibility to explain and examine the possible relationships between a variety of factors, such as trust, social bonds and satisfaction and their impact on the different types of commitment. Self-administered e-mail questionnaires are believed to decrease costs and increase the reliability of the right individual actually obtaining the questionnaire as well as allow the respondent to spend adequate amount of time completing the questions. When targeting a large sample of respondents, it is definitely more efficient for the researchers to use a questionnaire, as opposed to qualitative methods. The standardized questions will provide the researcher with answers that are generally easier to compare and analyze (Malhotra & Birks, 2003).

4.4 Sample selection

The study incorporates two distinct sample selections based on the research strategies presented above.

4.4.1 Sample selection - Interviews

Sampling can be made by using probability and non-probability sampling. Like the name reveals, probability sampling is synonymous with randomly selected samples and is mostly used in survey-based strategies. Different techniques include, random, systematic, stratified and multi-stage cluster sampling. Non-probability sampling on the other hand refers to techniques of snowball, purposive, self-selection and convenience sampling (Malhotra & Birks, 2003).

The sample selection concerning the choice of auditors was based on access potential and was done on a selective basis. Three auditors were selected, who worked in large, medium sized and small auditing firms to broaden the perspective of their perception of trust, satisfaction, social bonds and the construct of commitment. The choice of individual auditors was also characterized by convenience sampling. Due to a constrained time limit for the study, the auditors were selected on the basis of geographical proximity and availability.

4.4.2 Sample selection – Surveys

The survey respondents were chosen on the basis of random systematic sampling. We targeted approximately 4000 limited companies that were initially asked to answer questions regarding the number of employees, turnover and total assets, in order for us to part the *exempted firms* from the rest of the sample in the survey. This enabled us to define the target population and frame. The limited companies were chosen irrespective of geographical location and industry due to economical constraints of dividing companies into the category of *exempted firms*, as well as, with regards to time constraints. Firstly, approximately 3700 firms were chosen from a business directory where the firms had registered their contact information in order to sell their services to a specific industry. The specific industry attracts companies that supply varying types of services and products ranging from accounting firms, construction companies and real estate firms to name a few, which makes the sample selection rather broad. In addition, we targeted business directories of different Swedish municipalities where firms were randomly selected and these account for the rest of the targeted sample selection. In order to reduce sampling error and increase the representativeness of the sample, the firms chosen ranged from A to Z in an alphabetical listing. Systematic sampling is believed to increase the possibility of

acquiring a larger and more representative sample frame as well reduce search costs (Malhotra & Birks, 2003).

4.5 Operationalization - Survey strategy

The self-administrated questionnaire is based on a CFA (confirmatory factor analysis) measurement scale modified by Cader and Zabkar (2008). The questionnaire is based on exogenous factors such as trust, social bonds and satisfaction which affect the endogenous commitment factors (affective, calculative and normative). Exogenous factors are those that externally influence the type of relational commitment between parties whereas the endogenous factors are determined by the state of these externalities. The explicit questions that the respondents were asked to consider can be found in appendix 1.

The survey is constructed by three measurement factors for trust (corresponding to the trustworthiness of the auditor), two factors measuring social bonds (corresponding to the social and informal relation between parties), three factors measuring satisfaction (corresponding to the satisfaction with the service and satisfaction with selecting the service provider), three factors measuring affective commitment (corresponding to motivation of the client to continue the relationship based on attachment or liking), three factors measuring calculative commitment (corresponding to the motivation of continuing the relationship based on significant switching costs) and three factors measuring normative commitment (corresponding to the motivation of continuing the relationship due to moral obligation) and one factor measuring long-term orientation (corresponding to desire for a long-term relationship). These factors will be measured on a seven point Likert Scale where respondents will be asked to rate their statements (ranging from 1-do not agree at all, to 7-fully agree) (Cader & Zabkar, 2008).

4.6 Statistical analysis method

To understand the correlation between the exogenous factors of trust, satisfaction and social bonds, and their impact on the endogenous factors of affective, calculative and normative commitment as well as long-term orientation, Pearson's bivariate correlation analysis will be used to assess the strength of these relationships (Malhotra & Birks, 2003). The questions asked in the survey will coded into numerical quantifiable factors in order to perform the statistical analysis. The strength of the relationship between factors will be ascertained through the correlating coefficient (r) that normally assumes a value between -1 and +1. These numbers are to be considered as each other's counterparts as +1 corresponds to fully positive relation between factors whereas -1 corresponds to a fully negative relation. Note that any correlation

coefficient that falls within the range of -1 and +1 is considered to incorporate correlations of weaker positive or negative nature. A noteworthy aspect mentioned by Malhotra & Birks (2003) is the relative absence of fully positive correlations in the field of business research which denotes that correlations of +1 are highly rare.

The probability (*p-value*) level of 5 % separates significant correlations from those that are not significant, hence correlations with a *p-value* less than 5 % are significant, and those larger than 5 % are not. This provides grounds for the rejection or acceptance of the hypothesis outlined in chapter 3 (Malhotra & Birks, 2003).

4.7 Operationalization - Interviews

The interviews will be operationalized by asking open ended questions with the aim of uncovering the auditors' perception of the chosen factors and how the auditors' actively work to strengthen the relationship with the *exempted firms* with regards to trust, social bonds and satisfaction. The interview questions can be found in appendix 2.

4.7.1 Questions regarding trust

The initial questions aim at investigating the respondent's perception of trust as a loyalty related factor and how the auditor actively works to influence the relation with the *exempted firm* through trust creation. Trust has been regarded as a key factor in creating committed parties and an essential component in determining the overall duration of the relationship between the service provider and the client. With regards to the definition of Anderson and Naurus (1990), trust relates to the belief of a firm that the counterpart will not engage in actions that result in negative consequences. Hence, trust is the dependence created between parties which reduces the risk exposure and lack of credence. To investigate the factor of trust, the following questions will be asked: In your role as an auditor, how important do you believe it is for your clients to trust you? How do you actively work to ensure that trust is created in your relation with the *exempted firm*? Are there any differences in the way you work with respect to your clients' firm size? Has the abolition of statutory auditing made trust creation a more important and integral part of your relation with your clients?

4.7.2 Questions regarding social bonds

The questions related to social bonds are asked in order to highlight the auditor's perception of the importance of an informal relationship with the *exempted firm*. In addition, questions relating to how the auditor works to strengthen the informal relationship with the *exempted firm*

will be asked. This is done to delineate the auditor's subjective opinion of social bonds as a factor influencing the commitment of the client and long-term orientation of the relationship. The following questions will be asked: How important is it to have an informal and social relation with your clients? How do you work to strengthen the informal relationship with your clients? How important is it to have an informal relationship with your clients in order to create long-term orientation?

In this study, an informal relationship corresponds to a relation where parties are able to communicate openly about things that do not relate to business activities. In line with Venetis and Ghauri's (2004) definition, social bonds refer to the creation of links through interpersonal relations between service providers and clients. Empirical evidence by Venetis and Ghauri (2004) show that the interaction between parties on an informal level is believed to positively strengthen the overall service relation. The work of Seabright *et al.* (1992) stated that social bonds are believed to be created between auditors and the clients and not necessarily with the service organization as a whole, whereas the study by Bendapudi and Leone (2002) indicates that, in some cases, the employee-client relation is considered to be stronger than that of the client-vendor relationship.

4.7.3 Questions regarding satisfaction

Questions pertaining to satisfaction aim at uncovering how the auditor actively works to fulfill the expectations of the *exempted firm* and how the auditor is able to ensure that the client is satisfied with the relationship and the services delivered. In line with the definition of Johnson *et al.* (2008), satisfaction is considered to be the outcome of the service provider's ability to fulfill the goals and needs of their client. It has also been ascertained that satisfaction normally translates into a long-term relation when parties are committed, which is why satisfaction has a strong impact on the durability of relationships (Johnson *et al.* 2008). The following questions will be asked: How do you ensure that the *exempted firm* is satisfied with the services that you deliver? Has the abolition of statutory auditing translated into a greater focus on making sure that the *exempted firm* is satisfied with the relation and the services provided? Do you believe that the satisfaction of the *exempted firms* enhances the clients' commitment to the relation? How do you make sure that the expectations of the *exempted firm* are being met in terms of the services delivered?

4.8 Reliability

The reliability and consistency of the empirical information depend on the techniques used and the procedures undertaken to analyze the findings. According to McKinnon (1988), the reliability of data is reduced when the response of the respondent is based on accidental circumstances. In order to achieve consistency in the rate of responses in the questionnaire when conducting quantitative studies the questionnaire has to be constructed with questions that minimize these accidental circumstances (Ihantola & Kihn, 2011). Robson (2002) points out several threats to reduced reliability. Subject participation is believed to be among the greatest threats of weakening the reliability of the findings as the respondent's answer may be colored by the respondent's perception of what the interviewer would like the participant to answer. Closely correlated to this is the observer error participation which refers to impairment of the findings due to multiple observer influence. By thoroughly preparing the interviews and conducting them in a structured manner, the reliability of the findings becomes higher, especially in qualitative studies (Robson, 2002).

In order to eliminate observer error participation in the qualitative part of this dissertation, the interviews were clearly structured where one of us took the role as the interviewer and the other one observed while taking notes. Furthermore, the sensitive nature of the information made it necessary to anonymize the respondents' identities, since the lack of such assurance may impinge on the willingness of the respondent to provide honest answers, hence, reducing the reliability of the findings. In order to reduce the uneven consistency and accidental circumstances in the rate of responses of the *exempted firms*, the survey based questionnaire was tested on a handful of firms. The questions were consequently improved with regards to the criticism brought forward.

The reliability of the data gathered is highly dependent on the internal consistency of the measured concepts. High level of internal consistency indicates that the measured items or factors in are actually measuring what was intended. The internal consistency of the measured items can be ascertained by applying Cronbach's Alpha statistical analysis. Internal consistency according to Pallant (2010) is achieved when the correlation of factors generate values as high as 0.5 - 0.7. This would imply that the internal consistency of the measured items are reliable and can thus be accepted. An important and interesting aspect mentioned by Nunnally (1978) when discussing internal consistency is the fact that the amount of factors used may affect the

value generated. A scale that includes fewer factors may generate lower values, beneath the minimum recommended level of 0.5-0.7. Nevertheless, this scale may still be highly reliable. Consequently, one must be aware of the fact that the number of factors included may impinge on the values generated which is why these recommended levels need to be applied with caution.

The statistical analysis concerning each measured concept indicated high overall internal consistency, giving weight to the reliability of the studied concepts. The concepts that included three factors were consequently analyzed to test their internal consistency. The concept of trust and satisfaction provided the highest internal values, corresponding to 0.906 and 0.958. Affective commitment also indicated a higher level of internal consistency at 0.896. The measured concepts of calculative and normative commitment also displayed reliable values each at 0.676 and 0.663.

4.9 Validity

Validity and reliability are two closely related constructs when discussing research methods. The validity of research raises questions regarding the phenomenon that is being researched according to Mckinnon (1988). Generally, the validity of research is considered to be impaired when one is studying an unintentional phenomenon which reduces the credibility of research (Mckinnon, 1988). Bryman and Bell (2011, p.44) define validity as “the integrity of conclusions that are generated from a piece of research”. Research that is considered to be valid and credible, has measured intentional concepts which enables the researchers to draw conclusions of the interdependence of factors and make some generalizations of the findings (Saunders *et al.* 2009).

The conceptual model proposed in this dissertation is based on scientific concepts relating to Relationship Marketing and the construct of relational commitment and factors of trust, social bonds and satisfaction as well as long-term orientation. The measures used to investigate the concept of commitment, and the impact of relational factors on long-term orientation, were chosen on the basis of previous research done by the likes of Cader and Zabkar (2008). The ecological validity of the interviews was considered as the meetings took place in the natural environment of the respondent, thus minimizing the influence of artificial and unnatural research (Bryman & Bell, 2011).

4.10 Generalization

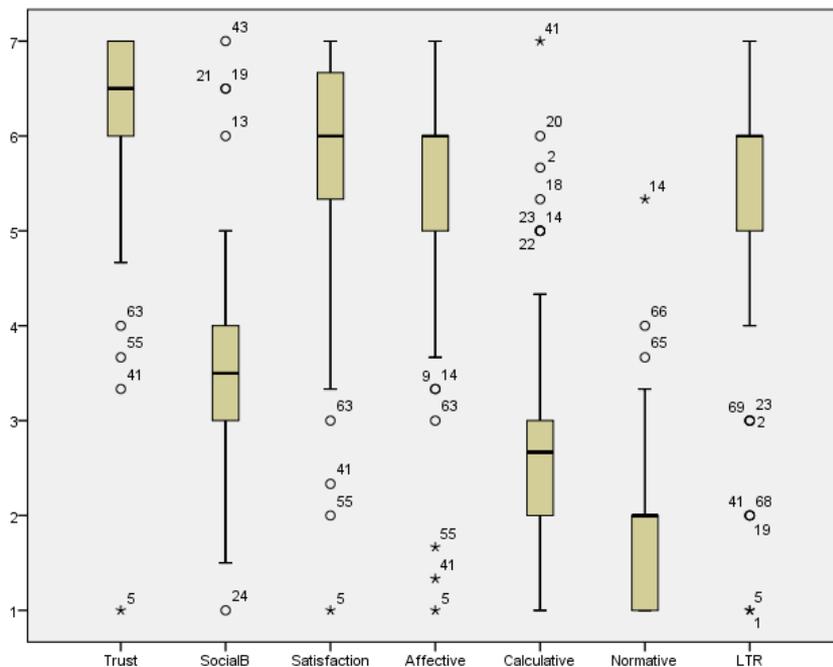
As mentioned in the previous paragraphs, one of the goals of a researcher is to be able to make broad generalizations of the findings and apply them on different sample populations (Bryman & Bell, 2011). However, this requires a large representative sample to be gathered, which limits our ability to make any broader generalizations. With the rather limited response rate procured, any broader generalizations of the findings become troublesome. To state that the findings from the gathered sample are representative of the population concerning *micro-firms* in Sweden has to be done with caution (Frivision, 2012). Additionally, there is no statistical evidence confirming the actual number of micro-firms in Sweden as such an examination of prescribed requirements would be almost impossible to compile. In December 2011, there were approximately 409 000 registered limited companies in Sweden, and approximately 72 000 of these had up until then decided to cease to hire an auditor. This means that the number of micro-firms in Sweden at this moment was somewhere between 72 000 and 409 000. The ability to generalize is constrained by fact that the total sample of micro-firms is unknown. However, most of the answers by the respondents were relatively congruent. Thus one could make the careful assumption that a study involving all micro-firms would have displayed results close to those of this study. Additionally, the three in-depth interviews with Swedish auditors cannot be compared to a study involving all 3700 active auditors in Swedish, thus, limiting our ability to make any broader generalizations based on the answers from these case studies (Frivision, 2012).

Below follows a table of the total amount of targeted respondents and the number of responses acquired. Note that the total amount of targeted respondents is not merely micro-firms. So it becomes troublesome to evaluate how many of these would actually fall in the category of exempted firms without knowing their turnover, total assets and average number of employees. The micro-firms were parted from the other firms based on the requirements mentioned above.

Table 1 – Target rate of respondents

Target	Respondents	Respondents in percent
Total respondents targeted	4000	100 %
Respondents failed to answer	3852	96,3 %
Total answers	148	3,7 %
Total answers from micro-firms	92	2,3 %

An illustration is presented below, describing the distribution of answers through a boxplot, one for each indicator. Each boxplot consists of four parts. The yellow box represents the mid 50 % of the answers, indicating the distribution of answers. Each side of the box represents 25 % of the distribution. The purpose of the illustration is to demonstrate the unambiguity in the answers given by the respondents. One could make the careful assumption, with regards to the results in the table below, that a larger sample would more or less present the same rate of distribution in answers, which would provide broader grounds for generalization. Even when considering the rate of distribution in answers of the 56 firms that were not micro-firms in the sample, there were clear similarities in the distribution of answers which implies that a study covering these firms would produce similar results.



Furthermore, a descriptive failure analysis was conducted, incorporating the variable of industry affiliation. By reviewing the firms from the business directory that did not choose to participate in the survey, it became clear that these firms were more or less active in the same industries as the firms that did participate. The relatively broad distribution of firms in the sample concerning micro-firms reflects the same broad distribution of firms in the business directory. A careful assumption could therefore be made, stating that these firms would have answered similarly.

5. Empirical Analysis

This part of the dissertation presents the analysis of the study with regards to the theoretical framework presented in chapter 3. It incorporates an analysis of the quantitative findings from the survey questionnaire as well as an analysis of the qualitative findings from the interviews.

5.1 Introduction

The analysis is divided into two parts. The first part is an analysis of the findings from the quantitative study conducted and incorporates a review of the hypotheses outlined in chapter three. The questionnaire that was used can be found in appendix 1. The second part is an analytical summary of the findings from the case studies.

5.2 Analysis of the survey findings

The analysis of the survey findings consists of three parts. Firstly, the findings from the correlation analysis are presented in the first table below, explaining the strength of each proposed direction and the acceptance or rejection of the hypotheses. The second table below represents the compiled mean value of each factor. Secondly, an analysis is made with regards to each hypothesis, providing arguments for the proposed directions. Thirdly, the chapter is concluded with a final model, presenting an overview of the results from the correlation analysis.

5.2.1 Pearson's Correlation Findings

Table 1 represents the directions of the proposed hypotheses and the outcome of the correlation analysis conducted. The correlating value (r) represents the strength of the relationship between factors whereas the significance value (p) indicates if the hypothesis is statistically significant. The hypotheses are tested at a significance level of 5 %.

Table 2 - correlating values (*r*) of proposed directions and significance value (*p*)

Path	Proposed Direction	Pearson's Correlation (<i>r</i>)	<i>p</i>-Value	Result
H1: Trust→Affective Commitment	+	0.677	0.000	Supported
H2: Trust→Calculative Commitment	-	-0.283	0.007	Supported
H3: Trust→Normative Commitment	+	0.029	0.786	Not supported
H4: Social bonds → Affective commitment	+	-0.003	0.978	Not supported
H5: Social bonds → Calculative commitment	0	0.022	0.836	Supported*
H6: Social bonds → Normative commitment	+	0.050	0.645	Not supported
H7: Satisfaction → Affective commitment	+	0.859	0.000	Supported
H8: Satisfaction → Calculative commitment	-	-0.428	0.000	Supported
H9: Satisfaction → Normative commitment	+	-0.052	0.633	Not supported
H10: Affective commitment → LTR	+	0,23	0.000	Supported
H11: Calculative commitment → LTR	-	-0.336	0.001	Supported
H12: Normative commitment→ LTR	+	0.168	0.117	Not supported

*Supported as the proposed direction was 0 (=no effect) and the *p*-value indicating non-significance.

Table 2 displays the compiled mean value of the questions asked. The mean value of each construct corresponds to either a low, moderate or high agreement rate. The mean value has been measured by adding the values of the questions of each factor and then divided by the number of questions. Thus, three questions were asked regarding the factor of trust. The answers were added together and then divided by three to extract the mean value. The mean value of corresponding factors was calculated similarly.

A mean value of 1.0-3.0 indicates a low agreement of the statement among the respondents whereas a mean value between 3.1-4.9 indicates a moderate agreement rate among the

respondents. A mean value between 5.0-7.0 indicates a rather high agreement of the statements among the respondents.

Table 3 - Mean value of relational factors and construct of commitment

Factor	Mean value
Trust	6.2
Social Bonds	3.4
Satisfaction	5.8
Affective Commitment	5.5
Calculative Commitment	2.8
Normative Commitment	2.2
Long-Term Relationship	5.5

5.3 Hypotheses Testing

H₁: Trust will positively influence the level of affective commitment.

The Pearson's Correlation provided evidence that 9 of our 15 hypotheses could be acknowledged as supported. The impact of trust on affective commitment entailed one of the strongest positive correlations (*r*) of all the hypotheses, at 0.677 and a *p-value* of 0.000. The high positive correlation between trust and affective commitment entails that respondents exhibit strong positive feelings of attachment towards their service provider. Reflecting upon what Venetis and Ghauri (2004) concluded in their study, the trustworthiness of a partner will increase the likelihood of the client committing to the relation which is evident for affective commitment. The high mean values of trust (6.2) and affective commitment (5.5) further adds to the notion that trust is a highly important factor that also aligns the exempted firm with the auditor based on strong positive feelings of attachment (Cader & Zabkar, 2008; De Ruyter *et al.*, 2001; Ganasan, 1994; Morgan & Hunt, 1994). In conclusion, H1 is therefore accepted.

H₂: Trust will negatively influence the level of calculative commitment.

The negatively proposed direction for trust when it came to calculative commitment indicated a relatively high negative correlation at -0.283 with a *p-value* of 0.007 which further adds to the notion that the principle of rationalization based on benefits and costs will negatively impact the level of trust in the relationship according to Cader and Zabkar (2008) and De Ruyter *et al.* (2001). The exempted firms are consequently not evaluating the relationship with their auditor

based on switching costs as they value trust as an important factor. When weighting the mean of trust (6.2) against the mean of calculative commitment (2.8) it becomes rather evident that higher levels of trust will consequently lead to lower level of calculative commitment indicating that the exempted firms are not bound to their auditor by calculative reasons (Jones *et al.* 2010). In conclusion, H2 is accepted.

H₃: Trust will positively influence the level of normative commitment.

As accounted for in the theoretical frame, the conceptualization of commitment through a three component model incorporating normative commitment has presented empirical evidence of positive correlations between trust and normative commitment (De Ruyter & Semeijn, 2002). Trust has been believed to increase the moral obligation of parties to further the relationship based on past benefits received. However, our study indicated differently. A high mean of trust (6.2) resulted in a significant low mean of normative commitment (2.2), which implies that the exempted firms are not tied to their auditor based on normative grounds, even though the correlation is slightly positive ($r=0.029$) yet not significant ($p=0.786$). There is, thus, weak empirical evidence suggesting that high levels of trust will invariably lead to normative committed clients which challenges what is said in the theoretical framework concerning the impact of trust on normative commitment. In conclusion, H3 is rejected.

H₄: Social bonds will positively influence the level of affective commitment.

Marketing literature concerning commitment between service providers and clients has indicated tendencies towards strong positive relations between social bonds and affective commitment (Cader & Zabkar, 2008; Venetis & Ghauri, 2004). Strong social ties are believed to enhance attachment between the client and the service provider as they induce parties to commit to each other (Mavondo & Rodrigo, 2001). Considering the positive proposed direction of hypothesis, the correlation between social bonds and affective commitment presented evidence of very weak bindings. The correlating value (*r-value*) merely reached -0.003 which resulted in a significance value (*p-value*) of 0.978. By examining the mean values of social bonds (3.4) and affective commitment (5.5), it indicates that social bonds have rather moderate impact on the propensity of clients to actually commit to their auditor based on affective commitment. In conclusion, H4 is rejected.

H₅: Social bonds have no effect on calculative commitment.

Cader and Zabkar (2008), mention that there is no blatant connection between social bonds and calculative commitment. Parties that are socially bound to one another have, thus, not indicated any tendencies towards being calculative committed. Calculative grounds are consequently believed to remove the linkage between social bonds and calculative commitment (Meyer & Herscovitch, 2001). In line with the theoretical framework concerning the impact of social bonds on satisfaction, the bivariate correlation analysis proved to strengthen the argument made by the authors. However, the Pearson's Correlation indicated some positive influence (*r-value* 0.022), yet as already stated, not even close to being significant (*p-value* 0.836). The mean values of social bonds (3.4) and calculative commitment (2.8) did not indicate any relatively strong alignment between the two factors. In conclusion, H₅ is accepted.

H₆: Social bonds will positively influence the level of normative commitment.

In line with previous argumentation concerning the correlation between social bonds and affective commitment; normative commitment is furthermore believed to be impacted positively by strong social bonds. Research has indicated that strong social ties will induce the client and the service provider to commit to the relation based on moral grounds (Geyskens *et al.* 1996). The correlating coefficient (*r*=0.050) provides grounds of positive correlation between social bonds and normative commitment. However, this positive correlation is basically insignificant considering the relatively low correlation. There was a moderate agreement among the exempted firms that social bonds is an important factor that aligns the client and the auditor (=3.4). However, put in relation to the mean value of normative commitment (=2.2), it becomes apparent that social bonds are not inducing the firms to commit to their auditor based on normative grounds. In conclusion, H₆ is rejected.

H₇: Satisfaction will positively influence the level of affective commitment.

The result on whether or not satisfaction has a positive influence on commitment has been ambiguous. Some researchers have argued that the correlation between satisfaction and commitment is strong. It has been ascertained to be the “*client's affective state resulting from an overall appraisal of the service experience*” (Dagger & O'Brian, 2010; Garbarino, 2008; Ganasan, 1994). Others like Morgan and Hunt (1994) remain doubtful about the supposedly positive influence. Nevertheless, satisfaction is believed to be the result of the service provider's ability to fulfill the client's expectations. The result of this accommodation of needs will align the client with the service provider based on affective grounds (Johnson *et al.* 2008).

The result of our study concerning the positive direction of satisfaction on affective commitment was, thus, much in line with the theoretical argumentation. The correlation between satisfaction and affective commitment actually proved to be the strongest among all proposed directions. A resulting *r-value* of 0.859 and a probability value of $0.000 < 0.05$ entails that the hypothesis is very much supported. The mean values of satisfaction (=5.8) and affective commitment (=5.5) further adds to consensus among the exempted firms that satisfaction will align partners by the mean of affective commitment. In conclusion, H7 is accepted.

H₈: Satisfaction will negatively influence the level of calculative commitment.

In this case, a parallel can advantageously be made to what is said above concerning the negative influence of trust on calculative commitment. Much in line with this direction, satisfaction is believed to negatively affect the level of calculative commitment as satisfaction will naturally eliminate the consideration of benefits and costs (Cader & Zabkar, 2008). Calculative commitment is believed to align the client to the service provider based on significant switching costs. The correlating *r-value* of -0.428 undoubtedly proves the negative direction of satisfaction on calculative commitment. A strong negative correlation can be explained by the fact the exempted firms' are not bound by their auditor based on calculative grounds. When putting the mean of satisfaction (=5.8) in relation to the mean of calculative commitment (=2.8), it seems that there is a reasonable compliance among the exempted firms' that a high level of satisfaction will thus not align the client and auditor on the grounds of calculative commitment. Reviewing the *p-value* also entails that the proposed direction is highly significant as $0.000 < 0.05$. In conclusion, H8 is accepted.

H₉: Satisfaction will positively influence the level of normative commitment.

A higher level of satisfaction with the relationship and services provided is believed to enhance the client's commitment to the service provider based on normative grounds according to Cader and Zabkar (2008). Satisfied clients are, thus, morally bound to their service provider through normative commitment as they feel obligated to honor their relationship. The proposed positive direction of the hypothesis actually resulted in a negative correlation which in this study disproves the notion that satisfaction is positively correlated to normative commitment. A correlation value of -0.052 testifies to fact that there is in fact a negative correlation. What is more is that the probability value of 0.663 entails that the hypothesis is far from significant which leads to the apparent rejection as it could not be supported. In addition the mean value of

satisfaction (=5.8) indicates a reasonable consensus among the respondents that they are satisfied with the relationship and services provided by their auditor. However, put in relation to the mean of normative commitment (=2.2), the result indicates that the exempted firms that are satisfied with their auditor are less committed based on normative grounds. In conclusion, H9 is accordingly rejected.

H₁₀: Affective commitment will positively influence the level of long-term orientation.

The orientation of the relationship between the service provider and the client is very much dependent upon the type of commitment exhibited. Affective commitment has been ascertained to be positively correlated to long-term staying intentions. Positive feelings of attachment are believed to influence the client's attitudinal behavior towards his service provider, increasing the likelihood of the relationship to be labeled as long-term oriented (Cader & Zabkar, 2008; Gounaris, 2005; Kumar *et al.* 1994). The proposed positive direction of affective commitment on long-term orientation undoubtedly proved the notion that affective commitment is strongly correlated to the staying intentions of a client. It was the third strongest positive correlation at 0.623 which resulted in a significance value of 0.000. The mean values of affective commitment (=5.5) and affective commitment (5.5) furthermore proves that the interconnectedness between the constructs. Exempted firms that are aligned to their auditor by the means of affective grounds are most likely long-term oriented according to the empirical evidence brought forward. In conclusion, H10 is accepted.

H₁₁: Calculative commitment will negatively influence the level of long-term orientation.

In comparison to what is argued in the hypothesis above, calculative commitment is believed to have significant negative impact on the staying intentions of parties. A client that is using trade-off analysis to evaluate the potential benefits and costs associated with the relationship has a propensity to be short-term oriented. Calculative commitment will, thus, translate into a negative influence on the intentions of parties to further the relationship (Cader & Zabkar, 2008; Gounaris, 2005; Kumar *et al.* 1994). The proposed negative direction in hypothesis 11 was strongly negative, corresponding to an *r-value* of -0.336. Additionally, the *p-value* was significant at 0,001. An increase in calculative commitment will thus result in a corresponding decrease in long-term staying intentions which is in line with the theory on calculative commitment. The mean of long-term orientation (=5.5) indicates that parties are relatively unanimous when it comes to their staying intentions and furthering their relation with their auditor. Put in relation to the mean of calculative commitment (2.8), it becomes blatant that

clients that are long-term oriented are less committed and the basis of calculative grounds. In conclusion, H11 is accepted.

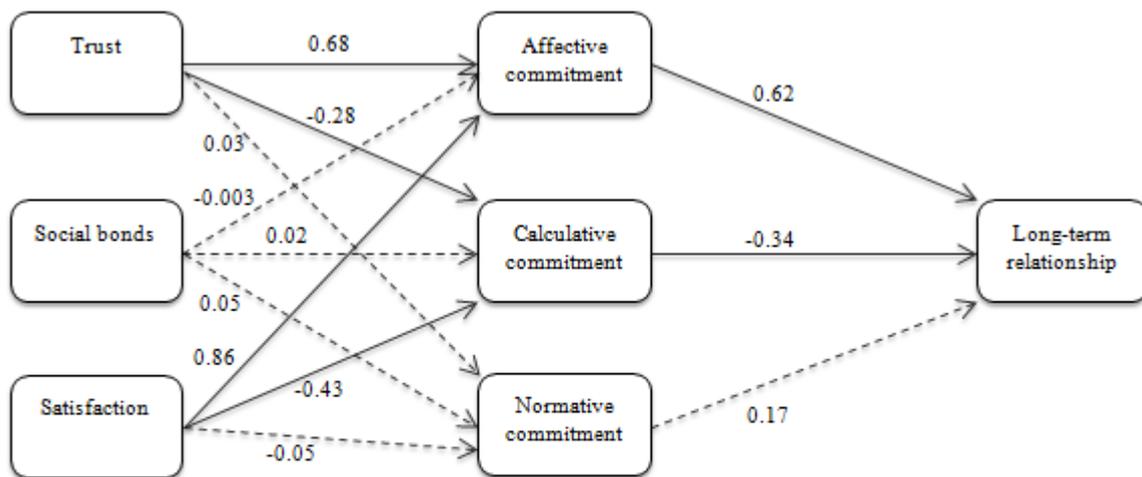
H₁₂: Normative commitment will positively influence the level of long-term orientation.

The positive impact of normative commitment on long-term orientation has been affirmed, much like the positive impact of affective commitment on long-term orientation. Normative commitment is, thus, believed to bind parties together based on moral obligations in the long-term (Kumar *et al.* 1994). The bivariate analysis conducted affirmed a strong correlation between normative commitment and long-term orientation at the level of 0.168. However the hypothesis could not be supported as the correlation was not significant at 5 % ($p=0.117$). What is more is that there was a rather strong compliance among the exempted firms concerning their long-term staying intentions when reviewing the mean value (=5.5). Put in relation to the mean value of normative commitment (=2.2), it becomes evident that the exempted firms that are long-term oriented are less committed to their auditor based on normative commitment. In conclusion, H12 is rejected.

5.4 Summary of the correlating analysis

Figure 3 presents an overview of the result between the strength (r -value) of the correlations and the different constructs of commitment. Also, the results of the hypotheses are presented as well as each type of commitments impact on long-term orientation. The dotted lines represent those hypotheses that were rejected at 0.05. Conversely, the solid lines show the hypotheses that were accepted at 0.05. In line with the findings of Cader and Zabkar (2008) and De Ruyter *et al.* (2001), affective commitment proved to be the most influential construct of commitment. What is interesting when it comes to the impact of trust on normative commitment is that the proposed direction could not be supported even though it has been ascertained in different context by other researchers. In addition, another interesting observation is the fact that only one of the hypotheses concerning social bonds could be supported. The fact that social bonds have no impact on the calculative commitment between service providers and clients was made clear. What is contradictory to some of the theory presented is that social bonds will not align the auditor and the exempted firm based on affective commitment, which proves the notion that social bonding is a less influential factor when it comes to client commitment in this context. Furthermore, a high level of satisfaction with the relation will not induce the micro firms to commit to their auditor based on normative grounds which also contradicted some of the theory concerning commitment.

In conclusion, calculative commitment presents no indications of clients committing to their auditor in the long-term. Considering that the propensity among some of the clients, to terminate their relationship with their auditor had increased, indicates some form of rational thinking in terms of perceived benefits and costs. Also, normative commitment presented evidence of negative influence on the long-term staying intentions of the exempted firm. Consequently, affective commitment proved to be the strongest construct reflecting the commitment between the auditor and the exempted firm, where trust and satisfaction were the most significant indicators influencing this relationship.



Legend:

-----> Not significant at 0.05

Figure 3: Final model of commitment in the micro-firm-auditor relation

5.5 Analysis of the case studies

The analysis of the case studies consists of two parts. The first part describes the auditors' perception of the importance of trust creation, satisfaction and social bonds in the auditor-micro firm relation and how the auditor works to strengthen these factors. The second part is a summary analysis of the case studies discussed. Note that the analysis is a compilation of the answers given by all three respondents. The full in-depth interviews with the respective auditor can be found in appendix 3, as well as the questions used.

5.5.1 Trust

The abolition of statutory auditing has proved to have minimal impact with regards to the importance of strengthening factors of trust, social bonds and satisfaction in buyer-seller relations with exempted firms, this according to all three respondents. Still, the respondents underlined the relative importance of tending to these factors over time, which would provide incentives for the auditors to strengthen the relationship with their clients (Wetzels *et al.* 1988).

These factors are also mentioned by Hunt *et al.* (2006) as being the most influential in determining the commitment of clients and the duration of service relationships. There is a consistency in the answers by the respondents when it comes to the importance of trust in buyer-seller relations. As mentioned by Morgan and Hunt (1994) and Venetis and Ghauri (2004), greater levels of trust usually enhances the clients' commitment to the relationship and makes it progress. All of the respondents clarified the significance of trust as a prerequisite for relationship durability and long-term orientation. Since smaller firms are believed to be an extension of the owner according to one of the respondents, social bonding and trust creation with exempted firms has proven essential in maintaining spurious and long-term relationships (Liljander & Roos, 2002; Hunt *et al.* 2006).

The importance of trust as a factor influencing commitment cannot be underlined enough. Relational engagement connotes that a certain level of dependency between the client and the auditor is created in the short-term, thus exposing the client to actions taken by the auditor. As stated by the respondents, the risk exposure associated with dependency is not long-term as clients always have the opportunity to switch auditor. Trust becomes a vital component in reducing the exposure associated with dependency which all three respondents actively work on by frequent oral communication with the exempted firms (Venetis & Ghauri, 2004).

5.5.2 Social bonds

Moorman *et al.* (1993) stated that the strength of the relationship between a service provider and a client is highly characterized by the level of social bonding. Stronger social ties translate into higher commitment which means that the propensity of the micro-firm to switch or even terminate the relationship with their auditor diminishes (Seabright *et al.* 1992). The social bonds between business partners are believed to be strengthened when engaging in interpersonal relations according to Venetis and Ghauri (2004). The influence of social bonds on relationship commitment will directly affect the level of commitment of the exempted firm. Social bonding will consequently strengthen the overall relationship which is in line with the argument by Venetis and Ghauri (2004).

The respondents work towards strengthening social bonds with their clients by engaging in the relation, by communicating with the clients and through social bonding related activities. Actions taken are, thus, in line with how Venetis and Ghauri (2004) define the creation of social bonds as they claim social bonding to be strengthened through interpersonal relations

between business partners. In addition, respondent C claims that through communicating with clients on a less formal level, she has become fairly familiar with the personal lives of her clients. Respondent A, on the other hand, uses social bonding in order to level with clients. Thus, in their own ways, all respondents use social bonding as a mean to establish durable client relationships.

5.5.3 Satisfaction

An interesting observation made in all three interviews was the use of oral communication as a mean to influence the level of trust, social bonds and satisfaction in relationships. Oral communication becomes a mean of conveying and instilling trust in the relation with the exempted firm and increases the credence of the auditors work (Venetis & Ghauri, 2004). In addition, communication facilitates the auditor's perception of the client's satisfaction with the relationship and service offered and becomes an important tool in ensuring that the expectations of the exempted firm are being met. Expectations that are met are believed to directly influence client's satisfaction, thus, affecting the level of commitment the client exhibits towards the auditor (Johnson *et al.* 2008). However, as accounted for in the theoretical frame of this dissertation, the influence of satisfaction on commitment has been questioned by researchers like Morgan and Hunt (1994). The positive influence of satisfaction on commitment as argued by Ganasan (1994) was actually disproved in one of the interviews. A higher level of satisfaction does not necessarily lead to a deepened level of commitment, as satisfied clients might be perfectly fine with simply supplying the auditor with the information needed without necessarily exhibiting deepened commitment. Despite the questioning answer given by respondent B, all of the respondents still value satisfaction as a important prerequisite for committed in buyer-seller relationships. The answer given by respondent B is twofold as, one the one hand, satisfaction will positively influence the clients' commitment, and on the other hand, questions the actual effect of satisfaction on commitment which is in line with the argumentation made by Morgan and Hunt (1994) and Ganasan (1994). In clarification, the explanations given by respondent B are not contradictory as long as the contexts are not compared to each other and are regarded as two descriptions of separate client relationships.

Successful and prevalent relationships are believed to encompass higher levels of satisfaction, thus, giving weight to the argument by Cader and Zabkar (2008) and Wetzels *et al.* (1998) that satisfaction has a direct positive influence on the commitment of parties as well as the orientation of the relationship. The respondents argued that satisfaction is not something that is

created; it is something that is earned through consistent accommodation of the client's expectations. However, expectations incorporate perceptions of quality and delivery, thus, it is vital for the service provider, in this case the auditor, to ensure consistency in the delivery of quality. Satisfaction, according to Verhoef *et al.* (2002), is considered to be the outcome of the service provider's ability to consistently meet the client's expectations.

The central role of satisfaction in relationships has been pointed out by researchers like Dwyer *et al.* (1987), who claim that commitment between business partners to reflect their level of satisfaction with the relationship. The respondents repeatedly stated that when not satisfied, clients switch auditor. Also, according to the authors mentioned above, when a high level of satisfaction is reached, clients will naturally disregard offerings of similar services in favor of the present ones. However, the awareness of the presence of the other offerings is not set aside. Thus, satisfaction with the relationship is proven to be highly influential when it comes to the durability of the relationship between the auditor and the exempted firm and mirrors the commitment of the client (Dwyer *et al.* 1987).

5.5.4 Commitment

A figurative parable of commitment as a chain can be made with regards to the saying of the Scottish philosopher Tomas Reid in his essay on the Intellectual Powers of Man from 1786. He concluded that "in every chain of reasoning, the evidentness of the final conclusion can't be greater than that of the weakest link of the chain, however strong the other links are" (Reid, 1850, p.288). Which in this study can be translated to that a relationship can never be stronger than the least committed party. Thus, reciprocal commitment between involved parties mirrors their long-term staying intentions. Contrary to what the theory on commitment states, evidence was presented in the empirical findings indicating that uncommitted clients can also be long-term oriented, which, in a sense disproves the theory on commitment (Scanzoni, 1979; Morgan & Hunt, 1994). A central theme in the theory on commitment has been that high levels of commitment will naturally lead to long-term orientation. A discovery from the empirical findings has shown that even the lowest form of commitment can lead to long-term orientation, which is highly remarkable.

Conclusively, when respondent C was given the chance to characterize a preferable client, reciprocal commitment was her main argument and therefore the most desirable buyer-seller relationship feature. Reciprocity in commitment, in this case, means that there is a desire to

maintain the effectiveness of the relationship through consistent inputs by both parties. The absence of reciprocal commitment can hinder the potential for a long-term relationship. In line with the answer given by the respondent, Scanzoni (1979) argues that commitment engages parties in the relationship and creates prerequisites for long-term orientation. The respondents signify the importance of communication on a number of occasions. Communication provides valuable inputs to the relation between the client and the auditor which has an immediate impact on the commitment between parties. Lack of communication (input) will inevitably lead to deterioration of commitment as indicated in two of the case studies and reduce the opportunity of a long-term relation (Dwyer *et al.* 1987; Venetis & Ghauri, 2004).

Buyer-seller relations tend to be considered as long-term from the beginning according to one of the respondents, even though there has been some propensity lately among clients to more often switch auditor. The deliberateness in their staying intentions will, thus, mirror the level of commitment and give an indication of where the relationship is going. The fact that most micro-firms have chosen to remain as clients to their auditor entails that staying intentions have been quite strong in the aftermath of the abolition (Venetis & Ghauri, 2004, Cader & Zabkar, 2008; Bolton, Smith & Wagner, 2003; Woo & Ennew, 2004).

5.6 Purpose and aim of the survey questionnaire

Firstly, the survey questions were to a large extent based on the model created by Cader & Zabkar (2008). During our process of writing, the article highlighted a number of interesting angles to the importance of value creating activities such as trust, satisfaction and social bonds in the individual-firm relation. The questions used in this study were modified and applied in the context of the auditor-firm relation with the purpose of uncovering what type of commitment binds the auditor and the client together and which were the most significant factors influencing this relation. As stated early on, the abolition of statutory auditing was mainly directed towards easing the financial and administrative burdens of micro-firms, which is why the perspective of these firms can be seen as primary in this study. Nevertheless, as we have argued for in the theoretical framework of this dissertation, prevalent relationships include reciprocity, wherein trust creation, satisfaction and social bonding become essential for the long-term staying intentions of the clients. To grasp the importance of how these factors influence the commitment and long-term orientation of the micro-firms, we decided to expand our perspective to comprehend how the auditors actively work to influence their clients through commitment related factors at a later stage in the dissertation.

The value of the twofold perspective cannot be emphasized enough. To some extent, irrespective that the answers given were very interesting, the interviews provided information valuable to answering the research questions. Several statements made by the auditors could later, when analyzing the data collected from the survey questionnaire, be linked to the answers given by the micro-firms. This clearly significance the interconnectedness of the two perspectives.

5.7 Concluding Analysis

As shown in the theoretical framework, trust, satisfaction and social bonds are three of the most influential factors in determining the commitment of the client and, thus, the orientation of the relationship. Trust was distinctly mentioned by the respondents as a key determinant for enduring relationships, or as one of the respondents put it, “without trust, there is no room for me to perform, trust is, thus, essential to the buyer-seller relation”. Considering the fact that micro-firms are usually regarded as an extension of the owner, the influence of trust becomes even more vital as it directly impacts the interpersonal relationship between the auditor and the owner. The consistency in the answers by the respondents signifies this importance. Even if the abolition of statutory auditing per se did not result in an increased focus on trust, satisfaction and social bonds, the relative importance of tending to these over time were believed to directly impact the commitment of the client.

It has furthermore been ascertained that strong social bonds reduce the propensity to switch service provider which consequently means that the social aspect of relationships is believed to strengthen the commitment between counterparts (Mavondo & Rodrigo, 2011). Respondent A made an interesting statement, saying that by engaging in social related activities, he is able to strengthen the trust in the relation with his client, which shows the relative connectedness between trust and social bonds. In addition, Cader and Zabkar (2008) argue that marketing research has shown that service providers and clients, who are connected by strong social bonds, tend to have further incentives to maintain a relationship than less socially committed counterparts. It has furthermore been made clear that the social aspect of relationships is vital in creating commitment in service relations (Mavondo & Rodrigo, 2011).

As accounted for in the theoretical chapter, there was some ambiguity among researchers concerning the impact of satisfaction on client commitment (Ganasan, 1994; Johnson *et al.* 2008; Morgan & Hunt, 1994). This was surprisingly enough also shared by respondent B who

questioned the link between satisfaction and commitment by illustrating two separate buyer-seller relationships. Satisfaction will not necessarily create committed clients but is still an important prerequisite for durable relationships. Satisfaction is ascertained by meeting or exceeding client expectations, which the auditors worked frequently at by the mean of oral communication, as any deterioration in satisfaction will most likely increase the propensity of the micro firm to terminate the relationship with their auditor.

A central notion in the theory on commitment has been that strongly committed counterparts are believed to be long-term oriented. However, as indicated in one of the interviews, commitment does not necessarily reflect the staying intentions of the client. Lack of input through oral communication does not mean that the client is not long-term oriented. Nevertheless, consistent input was still regarded as an important cornerstone in the buyer-seller relation. Consistent input by both parties creates reciprocal commitment which, as stated earlier, means that there is a desire to maintain the relationship in the long-term.

6. Conclusions

This part of the dissertation presents conclusions that are drawn from the empirical findings as well as managerial implications. The chapter is concluded by recommendations for future research.

6.1 Conclusions

The aim of our study was to investigate the impact of influencing factors on the multifaceted construct of commitment. The study was done in the context of the auditor-micro-firm relationship. As accounted for in the theoretical framework, the conceptualization of commitment has mostly covered affective and calculative commitment as constructs explaining buyer-seller relationships. By examining the impact of trust, social bonds and satisfaction and their influence on client commitment and long-term orientation through a three-component model, our contribution to the theoretical framework includes the construct of normative commitment.

However, despite the inclusion of normative commitment, the results clearly indicate that affective commitment is the most significant construct that influences the exempted firms' long-term staying intentions. Not only was the proposed hypothesis supported, it also indicated the strongest correlation in comparison to both calculative and normative commitment. In the proposed model, it is confirmed that the major factors influencing affective commitment is trust and satisfaction. Additionally, the positive influence of these factors on client commitment was also ascertained by all three auditors interviewed.

Nevertheless, the proposed positive direction of social bonds on affective and normative commitment could not be supported which contradicts what was stated by Wilson (1995) and Venetis and Ghauri (2004). Consequently, social bonds, in this study, did not have a significant impact the commitment of the exempted firm. This was consequently disproved when considering the correlation of social bonds on affective and normative commitment.

As we accounted for in the theoretical framework, researchers have proposed a positive direction between satisfaction and normative commitment. In this study, this was actually disproved and contradicts the proposition by Cader and Zabkar (2008) that satisfaction will positively influence normative commitment. The proposed influence of satisfaction on normative commitment could, thus, not be supported. One can assume that exempted firms are not morally bound to their auditor based on normative grounds when satisfied. This was, furthermore, supported in one of the case studies where one of the respondents stated that

satisfaction has no significant impact on the commitment of the client as the client always has the opportunity to switch. Exempted firms are more likely to further their relationship with their auditor based on affective grounds, which is evident when considering the strong correlation between satisfaction and affective commitment found in this study. As for the influence of satisfaction on calculative commitment, the results by Wetzels *et al.* (1998) indicated positive influences. However, according to the results presented in this study, satisfaction was actually proven to negatively impact calculative commitment, in accordance with our proposed hypothesis. An increase in satisfaction will most likely result in an evaluation of the relationship based on benefits and costs, which would mean that the exempted firms are less engaged in the relationship with their auditor based on calculative grounds.

In conclusion, the findings of our study present clear evidence that trust and satisfaction are two strong influencing factors in determining the commitment of the exempted firm, mainly based on affective grounds. Affective commitment has, thus, been ascertained to be the most significant construct in determining the long-term staying intentions of the micro-firm. Both calculative and normative commitment indicated low influence on the staying intentions of micro-firms. One careful assumption could therefore be made, stating that the micro-firms in this sample have decided to stay with their auditor based on affective grounds.

6.2 Managerial Implications

Commitment in the auditor-micro firm relation is one of the key constructs for long-term service relationships. During the interviews, one of the respondents mentioned that the propensity of micro-firms to switch or even cease to hire an auditor had started to increase. The results in this study imply some practical implications for auditors when it comes to the importance of trust creation and meeting the expectations of the micro-firm. Contemplating the fact that only 15 % of the limited companies in Sweden have ceased to hire an auditor entails that the majority of the firms, to a greater extent, value the services provided by their auditor. Creating committed clients becomes essential in maintaining long-term relationships. Affective commitment proved to be the most significant construct in explaining the characteristics of the auditor-micro firm relation in this study. Increased trust and satisfaction clearly leads to committed clients based on positive feelings of attachment. Satisfied clients stay committed based on affective grounds and not because the moral obligation induces them to or the fact that there are significant switching costs associated with terminating the relationship. Auditors need to redirect their attention and develop strategies for managing individual-firm relationships by

tending to each component individually. The results of the study show that in the context of auditing, and especially in the micro-firm relation, the impact of trust and satisfaction are critical to the interpersonal relation between parties. By critically evaluating the relationship, the auditor can assess to which degree trust, social bonds and satisfaction can be implemented to strengthen the commitment of the exempted firm, thus, influencing their long-term staying intention.

6.3 Validity and Reliability of the questionnaire

The reliability and validity of the acquired data is highly influenced by the structure and formulation of questions used in the questionnaire. Saunders *et.al*, (2007) stresses not only internal reliability and validity, but also the importance of the respondent's perception of the formulation of the questions. The given answer by the respondent has to be congruent with the intention of how the researcher would like the respondent to answer the specific question. Vague, long and confusing formulations consequently act as a barrier to valid and reliable data.

To raise the reliability and validity of this study, the questionnaire was based on a modified model created by Cader & Zabkar (2008). The formulation of each question was carefully tended to in order to eliminate low internal consistency. The questions were formulated with multiple including questions. This might have an effect on what the respondent actually answers because they have now been given multiple questions to answer. However, when analyzing the formulation, we found that each separate question generated the same answer, irrespective of how the respondent would have interpreted the question. For instance, the question "*the lack of superior alternatives makes it tedious for me to switch auditor, which is why I continue to hire my auditor, had this not been the case, I would have switched auditor*". If we were to separate this question into three sub questions, each one would have generated the same answer. If the respondent would have answered 7 on the first question, naturally he would have answered similarly to the following two questions as each sub question targets the same issue. Consequently, the validity and reliability of the answers received was not attenuated by the complex formulation of the questions. Nevertheless, careful consideration needs to be taken to the formulation in order to ensure that the validity and reliability of the gathered data is not impaired.

6.5 Critical review and recommendations for future research

As stated previously, the purpose of this study was to investigate commitment influencing factors and their impact on different constructs of commitment, mainly from the exempted firms' perspective. Consequently, data was predominantly gathered from the exempted firms. One of the strengths of this study is that it incorporates the auditors' and the exempted firms' perspective which gives a more complete view on the importance of trust creation, satisfaction and social bonds in the auditor-micro firm relation. Even if this twofold perspective is considered as a strength, there are some limitations that need to be addressed and can, thus, act as guidelines for conducting future research in the context of individual-firm commitment. As stated in the introductory lines of this paragraph, the aim of this study focused on the client perspective. The perspective of the auditor was considered as a complementary view, explaining how they work on instilling trust, forming social bonds in the relation with the exempted firm and meeting client expectations, to give an overview of the importance of these factors and their impact on client commitment. Consequently, only three auditors were chosen, which provides grounds for extending the perspective of the auditor, including a larger sample to depict if there are any differences in their perception on how to create committed clients. What is more is that the auditors were mainly chosen on the basis of geographical proximity, which further gives weight to the argument to extend, not merely the number participating auditors, but the geographical reach as well. This would increase the possibilities to make broader generalizations. Also, the limited response rate also acts as a hinder for making any extended generalizations.

A concrete proposition would be to conduct a European cross-national quantitative study, including auditors from all nations within the European Union and investigate how the auditor actively works to create committed clients that are long-term oriented through creation of trust, social bonds and satisfaction in the auditor-micro-firm relation. The fact that the abolition of statutory auditing was passed in late 2010, we have yet to experience the full effect and implications of it, in comparison to the rest of Europe where the effect is more progressed.

However, one must bear in mind that the classification of micro-firms in Sweden is considerable different from other European nations, as the requirements for turnover, number of employees and total assets are different.

In addition, the applied model in this study only incorporated three factors affecting the commitment of the exempted firm. Although these were among the most cited and influential factors in determining the commitment in buyer-seller relations, there are a number of other antecedents to commitment, like the influence of service quality and communication which have been known to affect commitment in service relations. Consequently, a second proposition would be to conduct a larger quantitative survey investigation, extending the number of micro-firms and indicators of commitment to see if the answers would be as normally distributed as in this study.

Lastly, there are some societal and ethical aspects of this study that needs to be addressed. As already mentioned in the introductory chapter of this dissertation, the auditors must ascertain that their commitment to the client reflects their own professional objectivity. After all, auditors are set out to serve the society and keep the society's interest at first, and are, therefore, expected to keep a high level of morality and ethical stance. Whereas professionalism is located on one end of the scale, commercialism is located on the other. In today's society, the distance between professionalism and commercialism has been reduced as the abolition of statutory auditing has created pressures on auditors to assume a more commercial role. However, this provides grounds for an entirely different investigating, one where the auditors' professionalism and ethical consideration needs to be balanced out with the toady's commercial pressures. To further this reasoning, one would have to put together an entire new thesis. We gladly pass this challenge on to the next year's bachelor graduates. As for us; we are now done.

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Appendix 1

Enkätundersökning - Förhållandet mellan kunden och revisorn

Anlitar ditt företag en revisor för att granska ditt företags årsredovisning?

- Ja
- Nej

Ange företagsform

- Aktiebolag
- Handelsbolag
- Kommanditbolag
- Enskild Firma
- Ekonomisk förening

Bakgrundsfrågor

Ange ditt företags bransch

Ange din befattning

Har ni i för vart och ett av de två senaste räkenskapsåren i genomsnitt haft fler än 3 anställda? Frågan är avgörande för huruvida ni är undantagna revisionsplikten eller ej

- Ja
- Nej

Har ni för vart och ett av de senaste två räkenskapsåren haft mer än 3 miljoner SEK i omsättning? Frågan är avgörande för huruvida ni är undantagna revisionsplikten eller ej

- Ja
- Nej

Har ni för vart och ett av de två senaste räkenskapsåren haft mer 1,5 miljoner SEK i balansomslutning? Hittas i Er balanräkning; summan av tillgångar eller summan av skulder och eget kapital, både summorna är lika stora. Frågan är avgörande för huruvida ni är undantagna revisionsplikten eller ej

- Ja
- Nej

Tillit

Följande tre frågor avser fastställa din tillit till din revisor

Jag anser min revisor ha tillräcklig erfarenhet för att leva upp till mina förväntningar

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Jag litar på min revisor att denne följer lagar och gällande förordningar

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Jag anser min revisor vara trovärdig i sin yrkesutövning

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Sociala band

Följande två frågor avser fastställa ditt sociala band till din revisor

Samtal med min revisor är endast av arbetsrelaterad karaktär

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Relationen till min revisor har gjort mig bekant med dennes privatliv

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Tillfredsställelse

Följande tre frågor avser fastställa huruvida du är tillfreds med din revisor

Generellt sett är jag väldigt nöjd med relationen till min revisor

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Generellt sett lever min revisor upp till mina förväntningar

1 2 3 4 5 6 7
Instämmer inte alls Instämmer helt

Jag tog ett korrekt beslut när jag anlidade min nuvarande revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Emotionella aspekter

Följande tre frågor avser fastställa till vilken grad emotionella aspekter påverkar ditt/din åtagandet/engagemang/hängivenhet (engelska commitment) i relationen till din revisor

Jag finner vår arbetsmässiga relation vara tillfredsställande, varför jag gärna fortsätter anlita min revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Attraktionskraften till min revisor ökar baserat på de värderingar som denne står för, varför jag gärna fortsätter anlita min revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Jag vill fortsätta anlita min revisor eftersom jag är genuint nöjd med denne

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Rationella och ekonomiska aspekter

Följande tre frågor avser fastställa huruvida rationella och ekonomiska aspekter påverkar ditt/din åtagande/engagemang/hängivenhet (engelska commitment) i relationen till din revisor

Bristen på bättre alternativ gör det för omständigt för mig att byta revisor; därför fortsätter jag anlita min revisor, hade så inte varit fallet hade jag bytt revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Den ekonomiska kostnad ett byte av revisor innebär, hindrar mig från att genomföra ett sådant byte; därför fortsätter jag anlita min revisor, hade så inte varit fallet hade jag bytt revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Baserat på övervägande av kostnad och nytta, har jag övervägt att sluta anlita min revisor (och samtidigt inte anlita en ny revisor)

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Sociala, moraliska och hedersrelaterade aspekter

Följande tre frågor avser fastställa till vilken grad sociala, moraliska samt hedersrelaterade aspekter påverkar ditt/din åtagandet/engagemang/hängivenhet (engelska commitment) i relationen till din revisor

Jag upplever en viss skyldighet att även fortsättningsvis anlita min revisor (m.a.o. inte byta revisor)

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Även om jag blir erbjuden ett mer fördelaktigt erbjudande från en annan revisor, känner jag mig ändå förpliktigad att fortsätta anlita min nuvarande revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Även om det innebär nackdelar att fortsättningsvis anlita min nuvarande revisor, skulle min heder hindra mig från att anlita en annan revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Långsiktiga relationer

Den sista frågan avser fastställa din inställning till ett långsiktigt arbete med din revisor

Jag tror på ett långsiktigt samarbete med mitt företags revisor

1 2 3 4 5 6 7

Instämmer inte alls Instämmer helt

Interview guide - Auditor perspective

Tillit

I din roll som revisor, hur viktigt tycker du det är att dina kunder litar på dig?

Hur arbetar du för att skapa tillit i din relation till de kunder som är undantagna revisionsplikten? (Varför?)

Generellt sett, arbetar du annorlunda för att skapa tillit i din relation till olika sorters kunder (micro-firms vs övriga firms)?

Efter avskaffandet av revisionsplikten, anser du tillit ha blivit en viktigare del i relationen till dina kunder?

Hur viktigt är tillit för en långsiktig relation till dina kunder och hur stärker du tilliten i relationen?

Sociala band

Hur viktigt är det med en social och informell relation till dina kunder?

Hur arbetar du med att stärka den informella relationen till dina kunder?

Hur viktig är en informell relation till dina kunder för att skapa långsiktighet i relationen?

Tillfredsställelse

Hur säkerställer du att dina kunder är tillfreds med de revisionstjänster du levererar?

Har revisionspliktens avskaffande inneburit ökat fokus på tillfredsställelse av dina kunder?

Anser du att kundens tillfredsställelse med relationen och revisionstjänsterna som tillhandahålls ökar kundens åtagande och engagemang?

Hur arbetar du för att möta kundens förväntningar på de tjänster du levererar?

Hur ser en bra kundrelation ut, med hänsyn till engagemang/hängivenhet?

Hur ser en dålig kundrelation ut, med hänsyn till engagemang/hängivenhet?

Känner du att de kunder som är undantagna revisionsplikten, jämfört med övriga kunder, påvisar olika nivå av engagemang/hängivenhet i relationen till dig som revisor?

Hur har revisionspliktens avskaffande påverkat kundernas engagemang/hängivenhet i er relation?

In-depth interviews

5.1 Case study 1

Respondent A is a middle-aged male, an approved public auditor since 2004 and working in Kristianstad. The auditing firm, which he is representing, is known as one of the “Big Four”, referring to the four largest auditing firms in the world. As one of the relatively younger employees of the firm, he considers himself to be what he describes as a new-school auditor, corresponding to the younger generation of auditors that are more consultant oriented and not as focused on numbers and typical auditing assignments, in contrast to the senior auditors of the firm.

The respondent was asked to evaluate the effect of the abolition of statutory auditing and if it has had any influence on how he creates trust, social bonds and satisfaction with the *exempted firm*. With respect to the creation of these three factors in buyer-seller relationships, the abolition has according to respondent A, not had any substantial effect on the importance of strengthening these factors, nor has a higher client demand for these factors arisen. Overall, respondent A confirms that trust, social bonds and satisfaction are essential components in a functioning and long-term relationship. Consequently, the abolition of statutory auditing has not implied an increased focus on the creation of these factors. Instead, the respondent carefully underlines the relative importance of tending to these factors over time, irrespective of the abolition. Additionally, when evaluating the importance of trust and social bonds between *micro-firms* and larger firms, there are certain evident differences according to the respondent. The *micro-firms* are often considered to be an extension of the individual owner and therefore have different needs when it comes to trust and social bonds. The respondent states that the *micro-firms* may not have the knowledge or experience to question the auditor’s advice or decisions. He mentioned the difference in knowledge and resources in accounting and business administration between larger firms and *micro-firms*.

When asked to separately evaluate the importance of trust, social bonds and satisfaction in client relationships, starting with trust, the respondent valued the importance of trust as high. He stated that, “Without trust, there is no room for me to perform, trust is, thus, essential in the buyer-seller relation”. Lack of trust usually results in an elimination of the relationship, and when this occurs,

“It is usually a decision made based on my advice as I try to be honest with my clients, in this case telling them that ending the relationship is probably for the best”.

As for the importance of social bonding with clients, the respondent answers from two different perspectives. Firstly, he confirms that having a social bond with clients is important. Especially with the *exempted firms*, as the relationship between them and their auditor is usually more engaging than the ones between the auditor and the larger firms. Secondly, the respondent underlines the importance of social bonds as an important factor for healthy and spurious relationships. Further on, he adds that social bonding with clients makes his job much more interesting, “Debit and credit are by no means the most exciting part of my job”. Social bonding is, according to respondent A, a great way of building and maintaining trust.

When asked about satisfaction, the respondent mentioned that the abolition of statutory auditing for *micro-firms* has not caused an increased focus on satisfying the needs and expectations of the client. The respondent’s main argument is that clients, if not satisfied, always have the opportunity to switch auditor. Thus, client satisfaction, as well as trust creation, has always been a main priority for him as an auditor.

Further on, the respondent was asked to reflect upon how he creates trust, social bonds and satisfaction in his relation with the *exempted firms*. As for trust, he claims that there is even from the beginning of every relationship, a certain level of trust present. The level of trust is, thereafter, strengthened by engaging and showing interest in the clients’ situation. The common belief that auditors invariably are reviewing figures is firmly dismissed by the respondent, as a lot of his work consists of in engaging relations and creating trust by being professional and an active adviser for his clients. Social bonds, on the other hand, are often created when inviting the clients to local sport events, arranging activities or informative and social engagement meetings. Also, social bonds are created when simply meeting clients, as conversation exclusively related to business are fairly rare. Finally, satisfaction is according to the respondent not something you can create; it is something you earn through delivering results that mirrors the clients’ expectations. When reflecting on how he ensures client satisfaction, respondent A declares that it is mostly ensured when meeting the client and then by trying to get the client to convey if there is anything missing in terms of expectations or needs. This also gives the auditor the opportunity to make extended sales to his clients. In addition, the respondent claims that a rising trend among clients when contemplating different offers from auditors is the fact that they more often require references when deciding upon which auditor to choose. Thus, the client is able to ensure that the auditor chosen is well spoken of.

Further on, ensuring client satisfaction is, on a firm level, examined by surveys sent to randomly selected clients.

The next part of the interview was directed towards the central part of the model presented in this thesis, namely the importance of relational commitment. The respondent was asked if client satisfaction increases the client's commitment towards the relationship. The answer given was in this case ambiguous. A higher level of satisfaction and trust could result in the client just dropping off all needed material at the auditor's office and refrain from making further inputs to the relationship. This is, according to the respondent, fairly common, and especially amongst elderly clients, who make no contact with him during the financial year and when facing times of financial statements, they arrive clueless yet excited and ready to be informed on how their firm is doing financially. In contrast, the younger generation is keener on keeping track of the financial balance of their firm.

The respondent was later on given the chance to reflect upon the characteristics of a well-functioning buyer-seller relationship. He describes a client that actively commits to the relationship by seeking and making contact with him, engaging in financials issues, keeping up with the economic situation of the firm and also appreciates good business advice.

On the contrary, bad clients are by the respondent defined as clients who always need that extra push to get things done. There are, according to the respondent, "of course a number of things that characterizes a bad client". However, respondent A believes that he has no bad clients and firmly states that a non-functioning relationship would be addressed immediately and if necessary terminated.

5.2 Case study 2

Respondent B is a male and an authorized public auditor, currently working in Hässleholm at an auditing firm below the size of the "Big Four", yet with offices located around the world. The respondent has extensive experience in auditing through many years of practice and is, therefore, categorized as a senior auditor.

Respondent B was asked to describe how the abolition of statutory auditing has impacted the importance of creating trust, social bonds and satisfaction in *micro-firm* client relations. The respondent's conclusion was that there has been no substantial effect in the specific matter, but he is not sure of what the future will hold as the implications of the abolition have so far been rather small, referring to the relative short time period since the abolition came into effect.

Although, he points out, that some clients have been questioning the value of keeping him as an auditor. He believes that this type of reasoning is one of the explanations as to why some clients have actually terminated their relationship with him.

However, he is careful to underline the overall importance of having trust, social bonds and satisfaction in buyer-seller relationships. When discussing trust, respondent B claims that “Trust is the single most important factor that auditors should prioritize, except for the knowledge in the services he provides, of course”. Social bonds are also important, thus, “We as auditors provide services which calls for a certain level of social skills when selling, marketing and providing”, says the respondent. In order to create long-term relationships, social bonding with clients is essential. Moreover, satisfaction is also needed in client relations. “If clients are not satisfied they will probably switch auditor”, states the respondent.

When comparing *micro-firms* to larger firms, the respondent can discern some differences in the importance of trust and social bonds. For example, “You work closer to *micro-firms* than the larger ones, as contact is often made more frequent in order to build the much needed trust”.

Further on, the respondent was asked how he actively works to influence these three factors in his *micro-firm* client relationships. As for trust, the auditor states that the creation of trust can be seen as a continuous process where he tries to uphold frequent communication with clients. Consequently, the relationship between him as an auditor and the client is strengthened when trust becomes the outcome of such communication. Social bonding is mainly done by inviting clients for events at the auditing firm’s office. These events are of shifting character. The respondent mentions that they usually invite their clients around Christmas and socialize, which according to the clients themselves is highly appreciated. Additionally, the auditor mentions that they invite clients for informational meetings where they highlight recent news that can be of value to them. These meetings also provide opportunities for strengthening the social bonds with clients according to the respondent. Furthermore, ensuring client satisfaction is mostly done whilst meeting clients or by memorandums that are sent via email.

Furthermore, the respondent was asked to evaluate the importance of satisfaction and the influence of satisfaction on client commitment. The auditor claims that “Satisfaction would normally lead to clients deepening their level of commitment and thus also display intentions towards a long-term relationship”. However, he also underlined that satisfied clients are not necessarily actively committed clients, even if their staying intentions are long-term oriented.

Furthermore, the respondent firmly claims that reciprocal trust and satisfaction are two main factors of long-term relationships. He concludes by stating that, in most cases, buyer-seller relations are considered to be long-termed even if there lately has been a rising propensity among clients' to switch auditor.

When finally asked to describe his outlook on the constituents of a well function buyer-seller relationship with regards to commitment, the respondent argued that the willingness of clients to engage in communication is an essential part of a functioning relation. By communicating with his clients, the respondent is given an opportunity address their needs and expectations. Consequently, expectations that are met result in committed clients according to the respondent.

The Respondent was, moreover, given the opportunity to reflect upon the constituents characterizing a non-functioning relation. He concluded that clients that do not understand the value of and need for communication are preferably avoided.

5.3 Case study 3

Respondent C is a female authorized public auditor and partner, working at a local auditing firm in Kristianstad. The respondent has extensive practice experience and labeled as a senior auditor.

As in case study 1 and 2, respondent C was also asked to reflect upon what impact the abolition of statutory auditing has had on the creation of trust, social bonds and satisfaction with *exempted firms*. In line with the other respondents, respondent C states that the effect of the abolition has been non-existing. According to the respondent, this is due to the fact that clients have always had the choice of switching auditors if not satisfied with their current one. The abolition has consequently played a minor role in terms of not having any impact on how auditors work towards creating these factors. Even when comparing buyer-seller relationships, there is little discrepancy between *micro-firms* and larger firms, when it comes to strengthening these three factors. This is explained by the respondent trough the overall importance of these factors, and especially trust, "As trust is a key factor which we always work actively to strengthen, irrespective of the client's firm size or if the firm has statutory auditing or not". Also, social bonding with clients is important, thus it is necessary when creating long-term relationships. Moreover, the respondent declares that social bonding is a way of attracting new

clients, especially when working at a local auditing firm where basically all clients are local firms active in nearby geographical surroundings.

However, the respondent claims that there are situations where convincing clients of what services to purchase is highly needed, not just in favor of her own firm but primarily because the respondent always tries to look out for her clients. Additionally, the importance of creating trust, social bonds and satisfaction are crucial for relationships to even exist, claims the respondent, “Trust is everything in buyer-seller relationships, if there is no trust, there is basically no relationship”.

Moreover, the creation of the three factors differs between auditors. The respondent was asked to answer how she actually works towards strengthening trust, social bonds and satisfaction in buyer-seller relationships. The creation of trust is done by “Being professional and convincing clients about your knowledge in auditing or whatever services they need”. As for social bonding, it is a part of meeting the clients, as conversations tend to cover more than work related matters. Helping clients with their tax return almost forces the respondent to get to know them on a more personal level. In addition, social bonding is created by arranging events for clients where the main focus is to inform them on new tax regulations or other important information, but the underlying motive is to further strengthen their buyer-seller relationship. When, creating satisfaction, or more so making sure of clients’ satisfaction, respondent C prefers simply to ask the client if satisfied or not. Also, whilst conversing with clients she tries to pick up indicators of whether they seem satisfied or not.

When contemplating between client satisfaction and client commitment, respondent C is sure that a higher level of satisfaction leads to a higher or deeper level of commitment. Finally, the respondent was given the opportunity to describe the characteristics of a committed buyer-seller relationship. The respondent stated that reciprocal trust and showing interest in the relation is essential. In contrast, a bad buyer-seller relationship is by the respondent defined as one where the client acts indifferently or lacks interest in maintaining a functioning relationship.