

Auditors' professional and organisational identities and perceived commercialisation in audit firms

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Structured abstract

Purpose: The purpose of this paper is to explain how professional and organisational identities influence auditors' perception of commercialisation in audit firms.

Design/methodology/approach: The paper is based on a survey distributed to 3588 members of FAR, the professional institute for authorized public accountants, approved public accountants and other highly qualified professionals in the accountancy sector in Sweden, and answered by 374 of the professionals surveyed.

Findings: Findings of the study indicate that commercialisation in audit firms is a three-dimensional construct consisting of market-, customer- and firm process orientations. The results of the study show that the stronger the auditors' organisational identity, the more influence it has on auditors' perception of all three dimensions of the increasing commercialisation of their firm. The increasing strength of that professional identity is shown to be reflected in the perception of their firm to be firm process oriented, while no effect is shown on the other two dimensions of commercialisation (market and customer orientations).

Originality/value: The paper presents a new conceptualisation and set of measures of audit firms' commercialisation and shows how professional and organisational identities influence perception.

Key words: auditor, commercialisation, professional identity, organisational identity, Sweden.

Introduction

Much of the audit literature claims that the auditing profession is in the process of constant change (e.g. Willmott, 1986) and that the last 25 years have entailed rapid and significant changes (Knechel, 2007; Öhman, 2007). For example, most countries in the European Union have abolished statutory auditing for smaller firms, Sweden being the latest one to do so in 2010, with only one country – Malta – keeping the statutory audit for all firms. Consolidation in the audit industry is another factor often discussed in the literature as both the outcome of changes in economic conditions as well as a driver for further changes in the auditing profession (Grey, 1998; Suddaby *et al.*, 2009). Introduction of non-audit services (NAS) into audit firms' product portfolios has been identified as yet another factor that accelerated the change in the audit profession, and some researchers have gone as far as to describe the latter as a factor that led to a rebirth of the audit industry (Sharma and Sidhu, 2001; Citron, 2003; Broberg, 2013). This latter factor has been given special and increasing attention in recent auditing research since it is claimed that competing on the unregulated market for customers (rather than clients) on the same terms as non-audit firms not only embodies a shift from professional values but also compromises auditors' independence. (Sori *et al.*, 2010; Sharma and Sidhu, 2010; Wyatt, 2004; Gendron *et al.*, 2006). Corporate scandals, where audit firms have often played a key role by misjudging the financial situation of their clients, have done nothing but turn the spotlight on the audit firms and have brought discussion of auditors' independence, auditors' trustworthiness, and the auditors' role as a defender of public interest into wide general public debate (e.g. Humphrey and Moizer, 1990; Hanlon, 1996; Sikka and Willmott, 1995; Power, 1999; Anderson-Gough *et al.*, 2002). These developments have raised concerns in the field since not only the expectations but also the perceptions of auditors' independence serve as an important basis of the legitimacy of the auditing profession (Citron, 2003; Sori *et al.*, 2010).

Very often in the attention paid to audit firms and the auditing profession one hears and reads the term commercialisation. For example, a number of authors have raised a concern about how the focus on profitability and service to clients embodies commercialisation as opposed to professionalism (e.g. Sweeney and Pierce, 2004; Forsberg and Westerdahl, 2007; Sweeney and McGarry, 2011). Other authors have claimed that competitive environmental conditions as well as organisational pressure have left less room for ethical and independent values and simultaneously created room for commercial gain (Suddaby *et al.*, 2009). Dominance of commercial goals in the audit firms and intensive client–auditor relationships have been

identified as an embodiment of commercialisation and an evil force bringing audit quality down and increasing the degree of profit (Gendron, 2002; Sweeney and Pierce, 2004; Tackett *et al.*, 2004; Sweeney and Pierce, 2006; Sweeney and McGarry, 2011). A number of researchers highlighting the drivers of commercialisation in audit firms have acknowledged that these drivers are the contextual/environmental factors (Suddaby *et al.*, 2009; Carrington *et al.*, 2011), an emphasis on the NAS offered in combination with audit services (Humphrey and Moizer, 1990; Chesser *et al.*, 1994; Sharma and Sidhu, 2001; Citron, 2003; Suddaby *et al.*, 2009; Sori *et al.*, 2010) as well as internal auditing firm structures and culture (Broberg, 2013; Broberg *et al.*, 2013). Another and larger stream of research has directed attention to the outcomes of commercialisation, which can be generally divided into two sub-streams: one investigating how commercialisation drives profit maximisation and efficiency (e.g. Chesser *et al.*, 1994; Sharma and Sidhu, 2001), the other investigating how the same phenomenon drives unethical behaviour and loss of independence (Humphrey and Moizer, 1990; Citron, 2003; Suddaby *et al.*, 2009; Sori *et al.*, 2010).

Thus, what appears to be at issue is not only that researchers disagree whether the commercialisation drivers are of an external or internal organisational nature, but more that the tendency of the research is to theorize about the drivers while empirically investigating and thus putting the spotlight on the outcomes of commercialisation. This paper instead, in addressing this void, argues that to understand the commercialisation of the audit firm, one needs to empirically investigate the forces that shape it. Capitalizing on the discussion of external and internal influences on commercialisation, we propose that one way of empirically investigating the influences is by looking at auditors' professional and organisational identities as potential drivers of commercialisation.

Audit firms are professional organisations where the operating core consists of professionals who shape it; in Mintzberg's (1980) terms, audit firms constitute a professional bureaucracy where power rests in the hand of professional operators. These individuals shape an organisation that simultaneously shapes them, thus creating a strong sense of organisational identity through the interplay; on the other hand, belonging to the profession shapes the emergence of a professional identity in auditors. This duality of identity at the individual auditor's level has been highlighted in a large number of studies (e.g. Settles, 2004; Johnson *et al.*, 2006) which have also argued that these identities serve as proxies for influences of external and internal forces shaping the individual auditor. We thus argue that the

organisational and professional identities of individual auditors, representing internal and external forces respectively, shape the commercialisation of audit firms (looked at from the perception of commercialisation by auditors). Thus, the question this paper attempts to answer is *how professional and organisational identities influence auditors' perception of commercialisation in the audit firm*.

The remainder of this paper is structured as follows: we first present related literature from which hypotheses are drawn. The paper continues with a presentation of method and analysis; it ends with discussion, conclusions and suggestions for future research.

Literature review

Commercialisation of the audit firm

Professionals have certain knowledge advantages and their professions have entry barriers preserving their exclusiveness (Brante, 2005). Traditionally, professionals reason that it is not their duty as a profession to participate in specific business developments because they are experts, and it is seen as unethical behaviour (Kotler and Connor, 1977). Research refers to professionals as reactive rather than proactive, and instead of participating in market activities, the attraction of clients should be driven by auditors' reputations. However, the competitive market and tightening of the audit industry has been observed to result in increasing awareness of commercialisation (Humphrey and Moizer, 1990) and adoption of different market-oriented strategies (Reid, 2008). To highlight the increasing commercialisation of audit firms, authors have chosen different proxies to empirically prove this development. For example, in the recent study by Broberg *et al.* (2013), the marketing activities of auditors and their view of marketing as an integral part of the auditing profession have been argued to be one such indicator. These results resonate well with studies on professions in general, where a number of authors have argued that commercialisation expressed by marketing activities has become a norm and a given in professional service firms, and that it is on these activities that firms build their competitive advantage (Hodges and Young, 2009).

Instead of exploring marketing activities, as an indication of increasing commercialisation, other researchers have chosen to concentrate on the offering of non-audit services (NAS) by

audit firms as a proxy. Offering of NAS is argued to be a response to increased demand from clients to get ‘just-in-time’ service from the audit firms (Jarowski *et al.*, 2000). Inclusion of NAS into the audit firms’ portfolios has been argued to contribute to an intense service-oriented approach towards customer needs (e.g. Clow *et al.*, 2009) as well as shown to increase the profitability of the audit firms (Sweeney and Pierce, 2004). Taking into account increasing customer orientation and focus on profitability, a number of researchers have suggested that NAS are the embodiment of the commercialisation of the audit industry (Sori *et al.*, 2010; Sharma and Sidhu, 2001). While marketing activities of the audit firms appear to be a less controversial and heated issue in the auditing industry and in research (Broberg *et al.*, 2013), the offering of NAS as an embodiment of commercialisation has often been argued to be a potential driver of unethical behaviour and loss of independence by auditors (Humphrey and Moizer, 1990; Citron, 2003; Suddaby *et al.*, 2009; Sori *et al.*, 2010) as well as drivers of profit maximisation and efficiency (Chesser *et al.*, 1994; Sharma and Sidhu, 2001) which in turn might reduce audit quality and contribute to de-professionalization.

Studies on commercialisation in the auditing profession have primarily looked at the outcomes of commercialisation, and have done so both theoretically and empirically, yet the studies exploring the factors influencing commercialisation have primarily been explorative and/or theoretical in nature, vaguely referring to contextual (e.g. Suddaby *et al.*, 2009; Carrington *et al.*, 2011) and internal organisational (Broberg, 2013; Broberg *et al.*, 2013) forces driving it. Not diminishing the importance of outcome-oriented studies, this paper emphasises the importance of better understanding of the drivers of commercialisation and the need for conceptual clarity and precision that goes beyond vaguely defined contextual and organisational factors. The next section thus presents and later argues for potential drivers of commercialisation in audit firms.

Professional and organisational identity as drivers of commercialisation

Auditing research usually either concentrates on the individual (auditor) or organisational (audit firm) level of analysis. Not diminishing the importance of the latter, and in line with the behavioural theory of the firm (Cyert and March, 1963) and some writing in auditing (e.g. Johansson *et al.*, 2005), we however pose that organisations are the reflections of decisions made by individuals within the firm, and in the case of audit firms, being professional bureaucracies, by professional auditors comprising the operating core of these organisations. These individuals’ identities, however, are believed to be constructed in interaction or even

through clash of external and internal forces represented by the profession and the organisation respectively (Pratt and Foreman, 2000; Lui *et al.*, 2001). In other words, the organisational and professional identities of auditors (Settles, 2004; Johnson *et al.*, 2006), widely investigated in auditing research, represent the forces of the internal and external environment which, we argue, influence the commercialisation of the audit firms.

Professional identity refers to the extent to which a professional employee experiences a sense of oneness with the profession (Heckman *et al.*, 2009). The individual feels commitment to the profession and accepts the independence requirements (Freidson, 2001; Carrington *et al.*, 2011) and ethical values (Brante, 2005) of the profession. Professional identity is characterised by lack of profit maximisation as an objective; instead, the focus is put on the provision of high quality service to stakeholders (Freidson, 2001). Organisational identity refers to the extent to which an individual experiences a shared identity with an organisation and where the organisation's failures or successes are experienced as one's own (Mael and Ashforth, 1992). Additionally, organisational identity becomes apparent when a member of an organisation makes automatically or instinctive decisions based on the best interests of the organisation (Ouchi and Price, 1993) and what the organisation wants (Pierce and Sweeney, 2005; McGarry and Sweeney, 2007; Broberg, 2013). While a professional identity that de-emphasises profit maximisation and puts the focus on stakeholders might thus be assumed to have a negative influence on commercialisation, the organisational identity, inheriting the assumption that organisations (audit firms in particular) are profit-driven (Freidson, 2001), will thus have a positive influence on commercialisation.

It might have been natural to assume that the set of hypotheses with more pointed arguments of two identities' influence could have been drawn here. Yet this will not be the case since the major issue remains: What constitutes commercialisation? As previously stated, marketing activities as well as the offering of NAS have been generally put forward as plausible proxies for commercialisation. Not diminishing the importance of these proxies and their use in auditing research, this article sees a need of developing the commercialisation concept further by exploring its perceptual aspects among auditors. As we will further highlight, not only is commercialisation individually constructed but it can be found on different levels of analysis that previous studies have not addressed. This paper thus continues by presenting three distinct aspects of the commercialisation of audit firms, drawn from the marketing literature

and found on different levels of analysis. We then conclude this section by presenting arguments for our hypotheses.

Conceptualizing commercialisation in terms of orientations

Concepts of market orientation, customer orientation, and firm process orientation are in no way new and have been investigated both separately and in combination in a large number of articles in the field of marketing (e.g. Chen *et al.*, 2009; Kohli and Jaworski, 1990; Sinkovics and Roath, 2004). While the label of commercialisation has not been explicitly placed on the combination of these concepts, marketing literature is rather in agreement that those orientations, either separately or in combination, have an effect on firm performance and thus not only drive organisational development but also influence organisational survival (e.g. Kohlin and Jaworski, 1990). Auditing literature, in contrast to marketing literature, does not usually attempt to combine the orientation concepts and sees interrelations between them, instead focusing on the outcomes of these orientations, which are often presented in a negative light; for example, NAS services and their development as diminishing professionalism and raising issues associated with unethical behaviour. Yet, while not explicitly focusing on different orientations or explicitly defining the term commercialisation, a number of authors repeatedly use such terms as ‘profitability’, ‘efficiency’, ‘market strategy’, ‘customer driver’, ‘fimalization’, and ‘business process’ (e.g. Sweeney and McGarry, 2011; Sharma and Sidhu, 2001; Citron, 2003; Clow *et al.*, 2009; Broberg *et al.*, 2013; Broberg, 2013) in relationship to auditors, audit firms and their commercial practices. Since these terms are closely associated with the marketing science idea of performance (i.e. commercialisation). we therefore adopt three orientations as different sides of the commercialisation of audit firms, where they are often mentioned but seldom elaborated on. These three orientations are market orientation, customer orientation and firm process orientation.

Professional and organisational identities and market orientation

Market orientation is a position on the firm’s strategy level and represents the extent to which and the manner in which the firm addresses the market. Marketing researchers have argued that market orientation often is a combination of a market-driven strategy (i.e. reactive, adapting to market needs) and a market-driving strategy (i.e. proactive, telling the market what it needs) (Jaworski *et al.*, 2000). Often the combination and pursuit of both strategies is

considered to be the way towards superior performance. As early as 1961, Mautz and Sharaf suggested that a profession must continuously modify its relationship with its clients. To be able to adapt in a more market-oriented environment (the ‘market-driven’ strategy), the profession must address the market needs and expectations of clients and must handle (e.g. Danielsson, 2011; Grahn, 2011) that auditors, for example, must develop their range of products and make them more explicit (the ‘market-driving’ strategy). To correspond to both strategies, audit firms and auditors must be ‘commercially aware’ (Hanlon, 1996) and must now, for example, engage in marketing activities (e.g. Hodges and Young, 2009; Broberg *et al.*, 2013) and use pure business skills (Jönsson, 2005) to keep clients and gain new ones. This also indicates that market orientation is an ongoing phenomenon that the auditing profession and, to a lesser extent, auditing research has been dealing with. We argue that the process of market orientation is driven by external and internal forces vis-à-vis organisations, namely by professional and organisational identities of the auditors, who on an individual level represent these internal and external forces. We argue that professional codes of conduct, independence requirements and ethical standards, representing the traditional values upon which the profession is built, would have a negative effect on perception of market orientation. At the same time, we argue that increasing strength of organisational identity, where belonging to a firm and to people representing it, as well sharing of organisational culture and often profit-oriented goals of the firm, would have a positive effect on the perception of market orientation.

Hypothesis 1: A stronger identification with the audit profession has a negative influence on how an auditor perceives market orientation in the audit firm.

Hypothesis 2: A stronger identification with the audit firm has a positive influence on how an auditor perceives market orientation in the audit firm.

Professional and organisational identities and customer orientation

Customer orientation represents individual auditors’ orientation towards customers rather than the more traditional client orientation (e.g. Broberg, 2013). Arguably, the globalization of the accounting profession and the subsequent increase in competitiveness has forced many audit firms to diversify into NAS (Sori *et al.*, 2010). NAS has contributed to a more intense service-oriented approach towards customers (Clow *et al.*, 2009). One reason for its introduction is as a response to customer demand. Since offering NAS and other services, audit firms have seen the need to compete for customers and recognise the importance of a customer-oriented

approach to attracting and retaining them. Recent research findings have also indicated that through their auditing work, auditors spend most of their time on communication with the clients, and that is the most important part of a customer-oriented approach) (Broberg, 2013). According to Sweeney and McGarry (2011), when auditors perform less auditing and get involved in other type of activities (e.g. communication, marketing, public relations, networking – all parts of customer orientation) they tilt towards becoming more commercial and thus less professional. Auditing researchers often name familiarity with customer business activities (e.g. Marton *et al.*, 2010) as an important issue in client retention and relationship building with the client (Carrington *et al.*, 2011); it is in these terms that research in the marketing of professional firms often describes customer orientation (Hodges and Young, 2009). Recent research (Broberg, 2013) has also found indications of customer orientation in how auditors emphasise ‘adding value for the client’ as an important part of audit quality and thus of auditor work. As in the discussion on market orientation, we argue that customer orientation is an important strategic issue for firms and often an integral part of the factors leading to the achievement of competitive advantage (Huber *et al.*, 2001). Thus, the stronger the auditors’ organisational identity, the more the auditors associate themselves with the firm and its goals, the more positive will be their perception of customer orientation. At the same time, an increasing identification of auditors with the auditing profession, where ‘clients’ (indicating neutrality in the relationship) should not be considered or treated as ‘customers’ (indicating close relationship), will result in negative association with customer orientation.

Hypothesis 3: A stronger identification with the audit profession has a negative influence on how an auditor perceives customer orientation in the audit firm.

Hypothesis 4: A stronger identification with the audit firm has a positive influence on how an auditor perceives customer orientation in the audit firm.

Professional and organisational identities and firm process orientation

Firm process orientation captures the socialisation process within the firm (Chen *et al.*, 2009) as well as the efficiency and effectiveness of business processes within the firm. The latter is somewhat of an oddity for auditors as ‘making business’ could often be seen as being in conflict with ‘serving the public interest’, which is the core issue of a profession: ‘The professional man ... does not work in order to be paid, he is paid in order that he may work.

Every decision he takes in the course of his career is based on his sense of what is right, not his estimate of what is profitable' (Brante, 1988:119).

It has been claimed that auditing has always included business aspects and has been about serving the paying client (Anderson-Gough *et al.*, 2000) but such aspects have gained greater importance due to the greater competition, requiring a need to manage audit more as a business activity (cf. Power, 2003). Also, current auditing literature often discusses auditing in terms of, for example, profit orientation (cf. Kaplan, 1987; Hanlon, 1996; 1998; Gendron, 2002; Boyd, 2004; Forsberg and Westerdahl, 2007; Broberg, 2013), costs and time efficiency and effectiveness (e.g. Mullarkey, 1984; Cushing and Loebbecke, 1986; Bamber *et al.*, 1989; Fischer, 1996; Hanlon, 1996; Myers, 1997; Manson *et al.*, 2001; Power, 2003; Broberg, 2013), which in the marketing and management literature are often associated with internal and external performance orientation arising in the relationships among employees of the firm. Recent research has indicated a 'fimalisation' of auditing, meaning that auditors and audit work are strongly influenced by (and to a large extent even determined by) the audit firm (Broberg, 2013). For individual auditors, this firmalisation involves a strong conviction that audits carried out according to the audit firm's system (manual, division of work, organisation of work, etc.) are of high quality and how auditors trust that 'the firm's way' of carrying out audits meets all obligations required (irrespective of using a profession or business perspective). It involves how auditors do not see a conflict between being professional and following the audit firm's system or between serving the public interest and serving the paying client/customer (as the representatives of the audited company). Firmalisation also involves emotional aspects such as feelings of comfort and of belongingness. In line with our other hypotheses, we argue that strong organisational identity of the auditors and of being a 'company man' sharing the goals and culture of the firm will result in a more favourable view on the firm's process orientation, yet professional identity where high ethical standards and non-financial goal orientation will ultimately result in a negative influence on the perception of firm process orientation by the auditor.

Hypothesis 5: A stronger identification with the audit profession has a negative influence on how an auditor perceives firm process orientation in the audit firm.

Hypothesis 6: A stronger identification with the audit firm has a positive influence on how an auditor perceives firm process orientation in the audit firm.

Method

The initial sample consisted of all authorized and approved auditor members of FAR SRS, the professional institute for accountants and auditors in Sweden. The total number of registered member email addresses in May 2013 was 3600. Out of these it was possible to obtain email addresses from 3588 auditors, to whom the survey was sent. A questionnaire was chosen for the study; it is an efficient method of collecting data from large samples and has been used by researchers in previous studies (e.g. Mael and Ashforth, 1992; Deshpandé *et al.*, 1993; Chen *et al.*, 2009; Broberg *et al.*, 2013).

From the initial sample, a total of 374 respondents submitted answers (a response rate of about 10%). The remaining 3183 auditors were considered as non-respondents. Table 1 presents demographic statistics for the final sample. A total of 369 respondents answered the question regarding gender, and of these 95 (25.4 %) were female and 274 (73.3 %) males. Five respondents did not state gender. On the question regarding position in firm, 194 auditors (51.9 %) answered that they were non-partners and 171 auditors (45.7 %) answered as partners. The average age of respondents was 47.58, with a range between 26 and 75 years. The average number of years in the profession among respondents were 21.29, ranging from 3 to 52 years. The average number of years in the firm were 14.71 with a maximum of 45 years.

 Insert Table 1 about here

Operationalisation

All items in the questionnaire were in Swedish to avoid misinterpretations, an issue that would otherwise decrease the measurement validity of the results (the English translation of the questionnaire is provided in Appendix 1).

Three regression models each tested a set of two out of the six hypotheses derived in this paper. The first model's (Model 1) dependent variable was *market orientation*; the second model's (Model 2) dependent variable was *customer orientation*; and the third model's (Model 3) dependent variable was *firm process orientation*, each of these variables representing a specific dimension of commercialisation. Each model then included two

independent variables – *professional* and *organisational* identities as well as five control variables: auditors' gender, age, years in the firm, position and whether 'Big 4 or not' (year in profession was the sixth variable, which we excluded from further analysis, but provide further information on in the results and analysis section). The operationalisation of dependent and independent variables is presented below.

The dependent variables were operationalised as follows:

- *Market orientation* measures were adopted from different studies on the subject. The concept of market orientation was represented by multiplicative interaction between market-driven – which is a proactive approach (Deshpandé *et al.*, 1993) – and market-driving – which is a reactive approach (Narver *et al.*, 2004; Tarnovskaya *et al.*, 2008), based on the assumption that these two approaches are non-substitutable and interdependent. A total of six statements were adapted from previously mentioned studies, three from each approach of market orientation. The statements were slightly changed to match our study and to be suitable for the audit profession. Adequate reliabilities were found for both market-driven ($\alpha=0.774$) and market-driving ($\alpha=0.692$). Summative scores of market-driven were multiplied by summative scores of market-driving to form the market orientation variable. The multiplicative measures interaction representing market orientation had a reliability of $\alpha=0.727$.
- *Customer orientation* was based on a previous study in the subject by Deshpandé and Farley (1998); a selection of five statements were used in our study to measure customer orientation. The customer orientation measure had not been used before in audit research, and small changes were made to match the purpose of our study. The measure of customer orientation had a reliability of $\alpha=0.801$.
- *Firm process orientation* was measured through six previously developed statements from a study by Chen *et al.*, (2009). These statements were adjusted to fit the purpose and context of this study. The measure of firm process orientation had a reliability of $\alpha=0.806$.

The independent variables were operationalised as follows:

- *Professional* and *organisational* identities were measured through the question inquiring about auditor identification with the audit profession and auditor identification with the audit firm, respectively. The measure of identity was based on
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previous studies by Mael and Ashforth (1992) and Carrington *et al.*, (2011). Both concepts were measured with four questions each (the number of questions was reduced compared to the original measure, to reduce the length of the questionnaire and to potentially increase the response rate). Adequate reliability on measures of both concepts were achieved, where professional identity had $\alpha=0.774$ and organisational identity had $\alpha=0.809$.

Results and analysis

The analysis of the data was conducted using a Pearson correlation test and multiple linear regressions. The correlation matrix in Table 2 presents means, standard deviations and correlations of the variables.

 Insert Table 2 about here

A number of highly significant correlations were detected. The matrix result shows a first indication of a positive relationship between professional and organisational identity. Between professional and organisational identities is a statistically significant positive correlation (0.625^{***})¹ and indicates that auditors have a commitment towards both identities. Professional identity has a statistically significant positive correlation with all three orientations: market orientation (0.361^{***}), customer orientation (0.291^{***}) and firm process orientation (0.336^{***}). These results indicate that auditors with stronger professional identification have a positive perception of commercialism. Organisational identity has a statistically significant positive correlation with all three orientations: market orientation (0.406^{***}), customer orientation (0.288^{***}) and firm process orientation (0.308^{***}). This indicates that auditors with stronger organisational identification have a positive perception of commercialism.

Further, age has a statistically significant negative correlation with customer orientation (-0.152^{**}), indicating that younger auditors tend to be more customer-oriented than older auditors. Variable position has a statically significant positive correlation with organisational identity (0.172^{***}), meaning that partners identify themselves with the organisation more

¹ *** p < 0,001; ** p < 0,01; * p < 0,05; † p < 0.10

than non-partners. Further results indicate that partners are less customer-oriented than non-partners, because the variable *position* has a statically significant negative correlation with customer orientation (-0.158**). Not surprisingly there is a high correlation between *age* of auditors and *years in profession*. In further testing, we used first age and later years in profession as control variables, but since the results of the further tests did not differ from each other, we retained only age as a variable, thus excluding years in profession from any further tests.

Before the regression analysis was performed, models were tested for multicollinearity by checking the tolerance and VIF values in each model. These ranged between 0.550 and 0.945 (T), 1.058 and 1.818 (VIF), indicating that all models passed the test for multicollinearity.

 Insert Table 3 about here

Model 1 (n=329) shows that while organisational identity has a significant positive effect on market orientation, professional identity is not shown to have any effect on market orientation. While our Hypothesis 2 is thus supported, Hypothesis 1 is not supported. In Model 1, only one of the control variables – Big 4 or Not – is significant, indicating that respondents from Big 4 companies tend to perceive their firms to be more market-oriented compared to the non-Big 4 firms. The variations of the independent variables in Model 1 explain 23% of the variation of the dependent variable ($R^2 = 0.233$).

Model 2 (n=332) shows similar results to Model 1, where the dependent variable is customer orientation. In Model 2, while organisational identity has a significant positive effect on customer orientation, professional identity is not shown to have any effect on customer orientation. Thus while our Hypothesis 4 is supported, Hypothesis 3 is not supported. In Model 2, similar to Model 1. only one of the control variables – Big 4 or Not – is significant, indicating that respondents from Big 4 companies tend to perceive their firms to be more customer-oriented compared to the non-Big 4 firms. The variations of the independent variables in Model 2 explain 22% of the variance of the dependent variable ($R^2 = 0.223$).

Findings in Model 3 (n=330) differ somewhat from Models 1 and 2, while the same control variable –Big 4 or Not – is shown to be significant, indicating that respondents from Big 4 auditing firms perceive their companies to be more firm process-oriented. We observe that both organisational and professional identities appear significantly positively correlated to firm process orientation. This supports Hypothesis 6 but not Hypothesis 5. The variation of the independent variables explains 18% of variation in the dependent variable, firm process orientation ($R^2 = 0.184$).

Discussion and conclusions

The traditional view of the auditor, as a guardian of public interest, has been questioned because the audit industry seems to be in a process of becoming more commercial. Evidence from history has led to critical concerns about auditors being less professional and more commercial due to the profit-maximisation goal in audit firms (e.g. Sweeney and McGarry, 2011). Research also indicates that the level of professional values has to give way to commercial gain, and this trend is generally associated with NAS (Sori et al., 2010). Since studies often seek to explain the outcome of commercialisation, less research is done about what influences commercialisation. The external environment has been identified as one factor. Building on the idea that professional individuals have dual identities, where one identity is committed to the profession and the other to the organisation (Freidson, 2001), this study suggests that the professional and organisational identities of auditors are other such factors.

Our study set out to explain *how professional and organisational identity influences auditors' perception of commercialisation in the audit firm*. The empirical result of our study suggests that both professional and organisational identity positively influence auditors' perception of commercialisation in audit firms.. We draw this conclusion since our result indicates that the stronger auditors identify with the audit firm, the more they perceive commercialisation positively (all dimensions of commercialisation), but more interestingly, the more strongly auditors identify with the audit profession, the more they perceive commercialisation positively (when it comes to the firm process orientation dimension of commercialisation). The latter contradicts the findings of, for example, Gendron and Spira (2010).

Our findings show that organisational identity seems to influence perceived commercialisation more than professional identity, which could be explained through a greater organisational pressure. Moreover, this indicates that auditors' professional identity might have transformed to some extent, since earlier research reasoned that professional identity had a negative attitude towards commercialisation (Sori *et al.*, 2010; Sweeney and McGarry, 2011; Broberg *et al.*, 2013). One explanation could be that auditors' professional identity has transformed to an extent where professional identity has emerged with commercialisation. Consequently, our result indicates that auditors identify themselves with both the profession and the audit firm. Our result confirms previous research in the Swedish context, which suggests that auditors could be committed to both the profession and the audit firm (Carrington *et al.*, 2011; Broberg, 2013). The observed result might imply that there is no clash between these two identities – that they interact rather than conflict with each other. This result is in line with earlier research by Wallace (1993) and Broberg (2013).

According to Suddaby *et al.* (2009), partners tend to be more committed to the organisation than the audit profession, but when we interpret our results they indicate the opposite. According to our results, auditors tend to be less committed to the organisation and more committed to professional values when advancing from non-partner to partner. We may speculate that this attitudinal transform might occur because when auditors become partners, they interact with other high level professionals outside the firm and are more affected by them than by the values of the firm. Furthermore, partners are more restrained by regulations, national and international (Carrington *et al.*, 2011), and this might be another reason why the partners in our study tend to be more committed to the profession. Additionally, this finding implies that non-partners could be more influenced by firm values caused by organisational pressure. The result shows that younger auditors tend to be more positive towards commercialisation, which is also confirmed by earlier research (Sweeney and McGarry, 2011). This might indicate that the traditional view of being a professional, where serving the public interest rather than the paying customer is the core issue is changing or that it is not applicable to the professionals themselves (i.e. the auditors) – for them, being a professional includes serving the public interest as well as the paying customer. In a longer perspective, this positive attitude towards commercialisation should increase over time because of a natural generational shift in the audit industry.

The theoretical contribution of this study is a renewed and enhanced understanding of the relationship between the audit profession and commercialisation in audit firms within a Swedish context. Findings reveal that auditors who are committed to professional values also perceive commercialisation positively. Additionally, the results indicate a positive relationship between professional and organisational identities. This indicates that professional identity might have merged with commercialisation; thus, it supports the idea of firmalization (Broberg, 2013).

The methodological contribution of our study is the development of a new measurement instrument for commercialisation in audit firms. Throughout the marketing, management and process literatures, we recognise different business orientations that have been adopted and used to measure the concept of commercialisation through auditors' perceptions. Related to this is a limitation of our study: as commercialisation consists of several aspects, it is a complex subject and the measurement instrument we developed needs to be tested further.

As for practical contribution, this study provides audit firms, audit profession and regulators with an insight on how commercialisation is positively perceived by auditors. The positive relationship between professional values and commercialism should raise concerns and a priority for regulators to perform a thorough investigation about how professional values drive commercialisation.

In terms of an ethical contribution, our results indicate that professional and the organisational values are closely interlinked and that both identities perceive commercialism positively. Consequently, a concern could be raised as to whether the audit industry, as the defender of stakeholders' interests, is trustworthy. Since a professional identity perceives commercialisation positively, perhaps professional values are more about the quality of the service given to the client rather than about the quality of a given audit.

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Table 1: Descriptive Statistics

Variable		Frequency	Percentage
Gender	Female	95	25,4
	Male	274	73,3
	<i>Missing</i>	5	1,3
Position	Non-partner	194	51,9
	Partner	171	45,7
	<i>Missing</i>	9	2,4
Bureau	BDO	10	2,7
	Deloitte	16	4,3
	E&Y	41	11,0
	GT	29	7,8
	KPMG	46	12,3
	Mazars SET	11	2,9
	PwC	69	18,4
	Other	148	39,6
	<i>Missing</i>	4	1,1
	Mean	Minimum	Maximum
Age	47.58	26	75
Years in profession	21.29	3	52
Years in firm	14.71	0	45

Note: n=374

Table 2: Descriptive Statistics and Pearson Correlation Coefficients

Variable	Mean	Std.Dev	1.	2.	3	4.	5.	6a.	6b.	6c.	6d.	6e.	6f.	6g.	6h.	7.	8.	9.	10.	11.		
1. Gender	1.743	0.439	1																			
2. Age	47.584	11.038	0.139**	1																		
3. Years in profession	21.293	10.513	0.154**	0.919***	1																	
4. Years in firm	14.714	10.064	0.094†	0.581***	0.647***	1																
5. Position	1.469	0.410	0.145**	0.309***	0.338***	0.190***	1															
6a. Bureau	0.027	0.162	0.022	-0.072	-0.082	-0.088†	0.028	1														
6b.	0.043	0.203	-0.027	-0.210***	-0.200***	-0.121*	-0.167***	-0.035	1													
6c.	0.110	0.313	-0.048	-0.095†	-0.085	0.024	-0.136**	-0.058	-0.074	1												
6d.	0.076	0.268	0.126*	-0.012	-0.021	-0.101†	-0.44	-0.048	-0.061	-0.102*	1											
6e.	0.123	0.329	0.030	-0.058	-0.047	0.044	-0.269***	-0.062	-0.079	-0.131*	-0.109*	1										
6f.	0.029	0.169	-0.006	-0.038	-0.034	-0.009	-0.101†	-0.029	-0.037	-0.061	-0.050	-0.065	1									
6g.	0.185	0.388	-0.115*	-0.075	-0.046	0.057	-0.131*	-0.079	-0.101†	-0.167***	-0.138**	-0.178***	-0.083	1								
6h.	0.396	0.490	0.026	0.275***	0.245***	0.036	0.500***	-0.134**	-0.171***	-0.284***	-0.235***	-0.303***	-0.141**	-0.385***	1							
7. Professional identity	5.325	1.112	-0.093†	-0.059	-0.009	-0.008	-0.016	0.008	-0.033	0.067	0.135**	-0.007	-0.004	0.103*	-0.191***	1						
8. Organisational identity	5.832	1.087	-0.127*	-0.053	-0.001	-0.029	0.172***	0.053	-0.009	-0.067	0.076	-0.138**	0.024	0.047	0.028	0.625***	1					
9. Market orientation	30.358	9.901	-0.042	-0.095†	-0.072	-0.001	-0.116*	0.052	0.069	0.037	0.114*	0.027	0.037	0.237***	-0.358***	0.361***	0.406***	1				
10. Customer orientation	5.063	1.060	-0.061	-0.151**	-0.131*	0.015	-0.158**	0.104*	0.104*	0.173***	0.088†	0.071	0.041	0.202***	-0.471***	0.291***	0.288***	0.748***	1			
11. Firm process orientation	4.965	1.032	-0.107*	-0.053	-0.024	0.033	-0.075	0.057	0.059	0.083	0.132*	0.025	0.076	0.212***	-0.376***	0.336***	0.308***	0.663***	0.690***	1		

*** p < 0.001

** p < 0.01

* p < 0.05

† p < 0.10

Table 3. Results of Regression Analysis for the Concept of Commercialisation

Variables	Model 1		Model 2		Model 3	
	Market orientation	Customer orientation	Firm process orientation	Std.B	Std. Error	Std.B
Professional identity	0.075	0.556	0.092	0.062	0.161**	0.062
Organisational identity	0.380***	0.598	0.258***	0.066	0.229	0.066
Gender	0.049	1.116	0.012	0.121	-0.052	0.122
Age	0.022	0.058	-0.033	0.006	0.077	0.006
Years in firm	-0.002	0.062	0.049	0.007	0.002	0.007
Position	-0.066	1.108	-0.067	0.120	-0.010	0.122
Big 4	0.281***	1.128	0.348***	0.121	0.276***	0.123
Constant	2.539	4.489	2.917***	0.491	2.479***	0.487
F-value	15.196***		15.601***		11.609***	
Adj. R ²	0.233		0.223		0.184	
VIF value, highest	1.773		1.762		1.818	
	n=329		n=332		n=330	

Note: *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10

Appendix 1: Questionnaire

1. Background

1.1 Gender	Female or Male
1.2 Age	Open
1.3 Active years in the profession	Open
1.4 Active years in the firm	Open
1.5 Position in the firm	Non-partner or Partner
1.6 Bureau affiliation	BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG, PwC, Mazars SET, Other

2. Please indicate how you think the following statements are consistent with your role as an auditor:

Explanation of the scale 1= strongly disagree 7= strongly agree

- 2.1 I am proud to tell my friends that I am an authorized/approved auditor
- 2.2 When someone praises my profession, it feels like a personal compliment
- 2.3 When I talk about my profession, I usually say “we” rather than “they”
- 2.4 The success of the profession is my success

3. Please indicate to what extent you think the following statements are consistent with your agency:

Explanation of the scale 1= strongly disagree 7= strongly agree

- 3.1 The bureau's strategy for competitive advantage is based on the understanding of customers' current needs
- 3.2 The bureau constantly try to improve current technologies or techniques to meet immediate needs of customers
- 3.3 The bureau constantly listen to our customers in order to be able to satisfy customers' needs
- 3.4 In the bureau, business processes are sufficiently defined so that most employees have a clear understanding of these processes
- 3.5 The bureau allocates resources based on business processes
- 3.6 The bureau sets specific performance goals for different business processes
- 3.7 The bureau measures the outcome of different business processes
- 3.8 The bureau clearly designates process owners to assume responsibilities
- 3.9 Employees of the bureau are rewarded based on the performance of business processes in which they are involved
- 3.10 The bureau's objectives are driven primarily by customer satisfaction
- 3.11 In the bureau we communicate information about our customer experiences across all business functions in the office
- 3.12 The bureau's strategy for gaining a competitive advantage is based on our understanding of the customers' needs
- 3.13 The bureau measure customer satisfaction frequently
- 3.14 The bureau regularly survey end customers to assess the quality of our products and service
- 3.15 The bureau constantly innovates and develops new technologies or techniques to find new solutions for our customers
- 3.16 The bureau's strategy for competitive advantage is based on uncovering and satisfying the customer' future needs through proving to customers that they need these new solutions
- 3.17 The bureau constantly think about new solutions and more valuable offerings that may fill needs those customers will have in the future

4. Please indicate how you think the following statements are consistent with your role as an accountant:

Explanation of the scale 1= strongly disagree 7= strongly agree

- 4.1 I am proud to tell my friends that I am part of my current bureau
- 4.2 When someone praises the bureau, it feels like a personal compliment
- 4.3 When I talk about the bureau, I usually say “we” rather than “they”
- 4.4 The bureau's success is my successes

Thanks for your participation!