

Trust and Professional Skepticism in the Relationship between Auditors and Clients: Overcoming the Dichotomy Myth

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ABSTRACT: This study empirically investigates the relationship between auditors' identification-based trust in client firms' managers (CEOs/CFOs) and their perceptions of auditors' professional skepticism. We employ a multimethod approach broken down into two studies. First, in Study 1, we approached auditors and clients using narrative interviews in order to identify the working definitions of interpersonal trust and professional skepticism and also to develop an empirical and testable hypothesis against the backdrop of the current literature. Second, in Study 2, an ordinary least squares regression based on data collected from 233 real auditor-client dyads in Germany reveals that auditors' identification-based trust is positively associated with their clients' perception of the auditors' professional skepticism. The identified coexistence of trust and professional skepticism in auditor-client dyads implies that regulatory measures that impede the evolution of trust between auditors and their clients will fail to enhance professional skepticism. Instead, regulations should give auditors and their clients sufficient leeway to establish identification-based trust.

Keywords: auditing; trust; professional skepticism; coexistence.

JEL Classifications: M42.

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INTRODUCTION

When auditing clients, auditors are obliged to maintain their professional skepticism (e.g., [IFAC 2012; PCAOB 1997](#), AU 230), which is the propensity of an auditor to defer drawing conclusions until the evidence provides sufficient support for one alternative/explanation over others ([Hurtt 2010](#)). A prominent discourse in auditing literature warns of a so-called trust threat and argues that close relationships that breed interpersonal trust between auditors and the client firms' managers (here referred to as clients) threaten auditors' maintenance of their professional skepticism ([Fearnley, Beattie, and Brandt 2005; Kerler and Killough 2009](#)). Some empirical studies have identified a negative effect of interpersonal trust on auditors' skepticism (e.g., [Beaulieu 2001; Rose 2007](#)), and consequently scientific and public discourse has focused on a dichotomy of interpersonal trust and professional skepticism that implies impeding interpersonal trust relationships by tightening regulations (e.g., [European Commission 2010; PCAOB 2011](#)).

At the same time, management research has identified interpersonal trust as a key factor that has numerous positive effects on inter-firm relationships ([Barney 1990; Bromiley and Harris 2006](#)). Interpersonal trust may reduce behavioral uncertainty and conflict ([Luhmann 2000; Ring and Van de Ven 1992; Sitkin and Roth 1993; Zand 1972](#)). Moreover, auditing research has identified the positive effect interpersonal trust has on professional skepticism ([Quadackers 2009](#)), and other studies have failed to identify the negative effect postulated in the trust threat argument (e.g., [Kerler and Killough 2009](#)). Interestingly, in their qualitative studies [Richard \(2006\)](#) and [Rennie, Kopp, and Lemon \(2010\)](#) report a coexistence of interpersonal trust and professional skepticism in auditing processes. While opposing results do not allow for a clear assessment of the role of interpersonal trust, the use of different concepts and understandings of interpersonal trust by prior research (e.g., [Quadackers, Groot, and Wright 2014; Rose 2007](#)) even generates additional ambiguity for the assessment of the association between interpersonal trust and professional skepticism.

Given this lack of clarity, a more fine-grained and contextualized look at the role of interpersonal trust in auditor-client relationships is warranted. We apply a qualitative approach to assess practitioners' concepts of interpersonal trust and professional skepticism (Study 1), and by reconstructing the concrete meanings of the two, we follow the recommendation of [Fink and Kessler \(2010\)](#). The second step (Study 2) is based on the insights of Study 1 and the results from a survey of actual auditor-client dyads, as called for by [Rennie et al. \(2010\)](#), among others. It investigates the relationship between auditors' (i.e., the audit partner and audit manager) identification-based trust in their clients (i.e., the client firm's CEO/CFO) and the clients' perception of the auditors' professional skepticism. As suggested by the existing literature (e.g., [Shah and Corley 2006](#)), the combination of rigorous qualitative research and robust quantitative research enhances the power of a proposition.

In line with interpersonal trust literature and the practitioners' understandings revealed in Study 1, interpersonal trust is defined here as identification-based trust ([Lewicki and Bunker 1996; McAllister 1995](#)), which is conceptualized as the auditors' perceptions of the clients' benevolence and is an intrinsically motivated consideration of the trustor's needs and integrity, which is the adherence to a set of maxims shared with the trustor ([Mayer, Davis, and Schoorman 1995; Tinsley 1996](#)). The concept is operationalized according to the well-established scale proposed by [Mayer and Davis \(1999\)](#). Regarding the dependent variable, the study employs a reflective psychometric scale ([Hurtt 2010](#)) to measure clients' perceptions of auditors' professional skepticism. We also incorporate controls for factors that are frequently proposed to be relevant to professional skepticism in close relationships: auditor/client age and gender, audit/client firm size, audit partner, audit firm tenure and the provision of non-audit services (NAS), and auditors' confidence in auditor-client relationships. The current research employs ordinary least squares regressions to test this hypothesis based on 233 auditor-client dyads in Germany, surveyed in 2012.

The results show that the level of auditors' identification-based trust in their clients is positively related to clients' perceptions of their auditors' professional skepticism, thus implying coexistence rather than a dichotomy of identification-based trust and professional skepticism. This finding remains robust against an alternative operationalization of professional skepticism.

The present work contributes in several ways. First, its findings enhance the theoretical understanding of identification-based trust in the auditing context and add an interdisciplinary and contextualized perspective. Second, it relies on validated scales, which ensure comparability of the findings with earlier studies. Third, it presents a feasible approach to collecting data from both sides of the auditor-client dyad, which mitigates the threat of common method bias. On a practical level, the insight that identification-based trust and professional skepticism are not a dichotomy but coexist should encourage auditors to develop a strong ethical posture of integrity and benevolence, which should be supported by their industry's regulatory framework. The findings suggest that identification-based trust relationships between auditors and their clients do not lead to lower professional skepticism. Thus, efforts of regulators to separate the auditor from the client do not seem to further auditors' professional skepticism. While safeguarding against collusion is necessary, regulation must allow enough leeway to establish identification-based trust between auditors and clients.

STUDY 1: DEVELOPING AN UNDERSTANDING OF INTERPERSONAL TRUST AND PROFESSIONAL SKEPTICISM

Theory

Interpersonal Trust

Interpersonal trust is highly relevant in interpersonal relationships (for a general review, see [Nooteboom 2002](#)) and has been shown to have a positive influence as it reduces agency problems (e.g., [Ring and Van de Ven 1992](#)), cuts transaction costs (e.g., [Macaulay 1963](#)), reduces the expense of monitoring and control (e.g., [Zand 1972](#)), decreases the use of legal actions ([Sitkin and Roth 1993](#)), improves relationships (e.g., [Fisman and Khanna 1999](#)), supports cooperation (e.g., [Doz 1996](#)), and helps decision making in situations where information is scarce (e.g., [Luhmann 2000](#)). In addition, previous auditing literature revealed that auditors view interpersonal trust between themselves and their client as highly important ([Rennie et al. 2010](#); [Richard 2006](#)). The study by [Richard \(2006\)](#) involved 60 interviews with auditors and financial directors and aimed to characterize the interpersonal relationship between the two, finding that almost all of the people questioned indicated from the very start that trust is the most important characteristic of the relationship between the auditee and the auditor and an important antecedent for good audit quality. [Rennie et al. \(2010\)](#) also showed that auditors view trust as highly important to the audit, and although they did not investigate the understanding of interpersonal trust, [Richard \(2006\)](#) showed that there are different meanings of interpersonal trust.

Prior trust research already elaborated the different forms of interpersonal trust (for an overview, see [Li 2007](#)). The weakest form is calculus trust, which is based on a continuing, economic calculation of costs versus benefits ([Lewicki and Bunker 1996](#); [Williamson 1993](#)): governance devices will be prevalent and may include detailed contracts ([Barney and Hansen 1994](#)). On this level, interpersonal trust is rooted in the actors' disposition (i.e., dispositional trust; see [McAllister 1995](#)). Where relationships are established ([Ring and Van de Ven 1992](#)), interpersonal trust may evolve into knowledge-based trust ([Lewicki and Bunker 1996](#)) that is based on relationships and reciprocal testing, and grows with the frequency and intensity of communication. On this level, it is rooted in the experience with the interaction partner (i.e., it is experience-based trust; see [McAllister 1995](#)).

The strongest form of interpersonal trust is identification-based trust, which implies identification with and a strong reciprocal understanding of others' values and standards of behavior ([Lewicki and Bunker 1996](#); [McAllister 1995](#)). Here, the psychological contract replaces formal contractual safeguards ([Barney and Hansen 1994](#); [Ring and Van de Ven 1992](#)). On the level of identification-based trust, actors make themselves dependent on their interaction partners' future and thus contingent behavior. The step into a state of vulnerability to the contingent behavior of the other, which [Möllering \(2001\)](#) called a "leap of faith," is seen as the starting point of identification-based trust ([Lewicki and Bunker 1996](#); [Nooteboom 2002](#)), and requires a trustor to perceive the trustee as trustworthy.

According to [Mayer et al. \(1995\)](#), trustworthiness is based on three factors: ability, benevolence, and integrity. The level of identification-based trust depends on the strength of those three factors. Ability looks at aspects such as skills and competence, and because it is domain specific it cannot necessarily be generalized to other situations. Benevolence is the extent to which a trustee is believed to do good voluntarily for the trusting party, and is relationship specific. Integrity refers to perception by the trustor that the "trustee adheres to a set of principles considered acceptable to the trustor" ([Mayer et al. 1995](#), 729). [Mayer et al. \(1995](#), 712) define identification-based "trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party."

Professional Skepticism

Professional skepticism is fundamental to the performance of high-quality audits ([Hurtt, Brown-Liburd, Earley, and Krishnamoorthy 2013](#)). Researchers and regulators have emphasized the importance of exercising the appropriate level of professional skepticism when conducting an audit ([Nelson 2009](#)). Moreover, regulators such as SEC and PCAOB have referred to a lack of professional skepticism as a major factor in recent accounting scandals ([Messier, Kozloski, and Kochetova-Kozloski 2010](#)).

Although professional skepticism is one of the central concepts in auditing, there is neither unanimous understanding nor a single definition of professional skepticism ([Knechel, Krishnan, Pevzner, Shefcik, and Velury 2013](#)), with the discourses centering around two questions: (1) Is professional skepticism a trait (trait concept) or a temporary state of the auditor (contingency concept)? (2) Does professional skepticism require a presumptive doubt attitude of the auditor or is it a neutral concept?

Regarding the first discourse, professional skepticism has been viewed as both a stable trait of the auditor (Hurtt 2010; Quadackers et al. 2014) and a temporary state that is affected by several other determinants (Nelson 2009). Popova (2012) posits that participants differ in trait skepticism as a result of personal life experiences, attitudes, and personality traits. In the same vein, Carpenter and Reimers (2013) find that professional skepticism is not malleable by a partner's emphasis on professional skepticism or by the presence of fraud. However, the extant literature reveals that there is only a weak effect of higher trait professional skepticism on skeptical behavior. While some find no effect (e.g., Carpenter and Reimers 2013; Shaub 1996), others find some evidence of higher trait skepticism to induce moderately more skeptical behavior (e.g., Hurtt et al. 2013; Popova 2012; Quadackers et al. 2014). Indeed, it seems that the actual level of professional skepticism is more strongly driven by other factors than the traits and attitudes of the auditor (Chen, Kelly, and Salterio 2012; Hurtt et al. 2013; Nelson 2009), such as turnover intentions (Cohen, Dalton, and Harp 2014), budget and client pressure (Westermann, Cohen, and Trompeter 2014), the auditor's expertise (Bratten, Gaynor, McDaniel, Montague, and Sierra 2013; Toba 2011), the tone at the top (Dennis and Johnstone 2014), and other situational factors (Peecher, Solomon, and Trotman 2013; Shaub 1996). Theoretical models on auditor professional skepticism (Hurtt et al. 2013; Nelson 2009) also assume that both factors (auditor traits and environmental factors) are accountable for auditors' real skeptical behavior. However, prior research almost exclusively relies on experiments (e.g., Carpenter and Reimers 2013; Peytcheva 2013; Quadackers et al. 2014) that largely ignore the environmental factors and social dynamics of real audit situations.

Regarding the second discourse, some authors understand professional skepticism as a presumptive doubt attitude (e.g., Bell, Peecher, and Solomon 2005; Nelson 2009), and this school of thought calls for auditors who assume an *a priori* level of dishonesty of the client unless evidence indicates otherwise. An alternative school of thought understands professional skepticism as a neutral concept (e.g., Cushing 2003; IAASB 2009, ISA 200.15; PCAOB 1997, AU 230), suggesting that the auditor enters into the auditing procedure with an assumption regarding the client's honesty. The presumptive doubt attitude corresponds with a mindset that refers to mistrust and is therefore frequently operationalized as the opposite of interpersonal trust (e.g., Quadackers et al. 2014; Shaub 1996). Conversely, it is the neutral concept of professional skepticism that is advanced, for example by Hurtt (2010). According to this, professional skepticism is a multidimensional construct that comprises six auditor traits: (1) a questioning mind, (2) suspension of judgment, (3) the search for knowledge, (4) interpersonal understanding, (5) autonomy, and (6) self-esteem. Quadackers et al. (2014) report that the presumptive doubt attitude explored in their experiment is more strongly related to auditors' judgment, and they argue that this attitude leads to more skeptical judgments and decisions.

Method

In order to root our study in the context of auditor-client relationships, we develop our working definitions of interpersonal trust and professional skepticism and the hypothesis on the interpersonal trust-professional skepticism link, not only in previous literature but also on the findings of a qualitative study conducted during the second half of 2011 and early 2012.

This qualitative study follows an "interpretative qualitative" (Gephart 2004) approach of narrative interviews (Lieblich, Tuval-Mashiach, and Zilber 1998; Schütze 1977) and focuses on the general mechanisms that can be understood through the in-depth analysis of specific situations (Moulaert and Nussbaumer 2005). We used semi-structured interviews with open-ended questions to gather participants' views and experiences. The interviews focused on the interviewees' understanding of the core concepts (trust and professional skepticism), descriptions of the relationship with the auditor/client, and examples of a "good relationship." For an overview of the topics covered in the interviews, see Table 1.

By comparing the narratives of clients and auditors, we reconstruct the concrete meaning of interpersonal trust and professional skepticism (Mayring 2008) and condense the data down to a cross-case understanding of the relationship between interpersonal trust and auditors' professional skepticism (Eisenhardt 1989; Moulaert and Nussbaumer 2005).

We account for the qualitative nature of the approach by using the terminology suggested later by Shah and Corley (2006), and thus test for transferability, credibility, dependability, and confirmability (analogous to external and internal validity, reliability, and objectivity in the quantitative paradigm).

Transferability as a quality criterion addresses the challenge of establishing the domain to which the study's findings can be generalized. The goal of case study analysis is to concentrate on the uniqueness of the case, to develop a deep understanding of it (Piekkari, Welch, and Paavilainen 2009), and to make the phenomenon of interest "transparently observable" (Eisenhardt 1989). To ensure transferability, the analysis should be replicated in similar cases where the same results should occur (Yin 2009).

To account for transferability, together with an expert from the Chamber of Chartered Accountants, we selected a sample of auditors from their member list. As the sample is heterogeneous, we paid attention to the following characteristics that were identified as relevant in auditing relationships: auditor gender (Breesch and Branson 2009; Chung and Monroe 2001; Niskanen, J. Karjalainen, Niskanen, and J. Karjalainen 2011), auditor age (Gul 1983; Johnson 1995; Reckers and Schultz 1993), and audit

TABLE 1
Topics Covered in the Semi-Structured Interviews and Sample Questions

Topics	Interview Questions
Interpersonal trust	What does trust mean for you? How does trust evolve in an auditor-client relationship? Do you have examples of a trust relationship? What is the effect of trust for the auditor-client relationship? What is a good auditor-client relationship? Can you describe your experiences on the differences between diverse auditor-client relationships? Have you ever been in a trust relationship with a client/auditor? What role does the integrity of your auditor/client play?
Professional skepticism	What does professional skepticism mean to you? What is the opposite of professional skepticism? Do you have examples where professional skepticism is apparent/is lacking in an auditor-client relationship? Which role should the auditor have in the auditor-client relationship? What impact does professional skepticism have on the auditor-client relationship? What is the consequence of a lack of professional skepticism in auditor-client relationships?
Link between interpersonal trust and professional skepticism	What is the effect of trust on an auditor's professional skepticism? Is there a limitation for trust? Does trust threaten an auditor's professional skepticism? Does trust threaten an auditor's independence? Does trust impact an auditor's discretion? Have you been disappointed with a trust relationship? Has a client ever used a trust relationship to push you in your decisions as an auditor? Do you have any recommendations for younger auditors to bear in mind when dealing with clients?

firm size ([Becker, DeFond, Jiambalvo, and Subramanyam 1998](#); [Behn, Carcello, D. Hermanson, and R. Hermanson 1999](#); [DeAngelo 1981](#); [Dopuch and Simunic 1980](#); [Khurana and Raman 2004](#)). While audit firm size and gender were available in the database, we checked the approximate age online. The selected auditors received an invitation by email explaining the research project. We followed an analogue procedure for the selection of interview partners among clients accounting for gender, age, and industry. Based on the preliminary information collected, the original list was refined into a group of seven auditors and five clients willing to participate in the research project. In line with methodological suggestions (e.g., [Eisenhardt 1989](#)), this sampling strategy enabled us to collect diverse perspectives on and interpretations of interpersonal trust and its relationship with auditors' professional skepticism. At the same time, the rigid sampling allows for systematic cross-case comparison and thus ensures transferability of the studies' findings within the boundaries defined by the selection criteria. Table 2 provides information on the interviewees.

Credibility as a quality criterion deals with the need to develop a sufficiently operational analytical strategy in order to limit subjective judgments. [Shah and Corley \(2006\)](#) suggest peer debriefings to ensure the credibility of case study findings. To

TABLE 2
Characteristics of the Interviewees

	Gender	Hierarchy	Industry	Age	Interview Length
A1	Male	Partner	Auditing	41–50	1:52
A2	Male	Manager	Auditing	30–40	1:51
A3	Male	Manager	Auditing	41–50	1:12
A4	Male	Partner	Auditing	41–50	1:06
A5	Female	Manager	Auditing	30–40	1:17
A6	Male	Manager	Auditing	41–50	1:34
A7	Female	Partner	Auditing	50+	1:36
C1	Male	CEO	Aviation	50+	1:34
C2	Male	CFO	Insurance	41–50	1:05
C3	Male	CFO	Energy and Infrastructure	41–50	0:53
C4	Male	Financial Expert	Oil and Gas Exploration	41–50	1:34
C5	Female	Head of Group Accounting	Pharmacy	41–50	0:51

make our interpretations of the qualitative data credible, in the first step the interviews were interpreted independently by both the three authors who conducted the interviews and the two authors who otherwise were not involved in the qualitative study. In a second step, the two interpretations were merged in a discursive process (peer debriefing). Further, [Malsch and Salterio \(2015\)](#) suggest a strategy that they call “member checking” to improve the credibility of the interpretations. To follow this strategy, we presented and discussed the findings of Study 1 at a professional workshop and found broad support for the interpretations.

As a quality criterion of case study research, *dependability* deals with the problem of making inferences based on spurious relationships. Case study researchers need to pay specific attention to verifying causal relationships. Some of the tactics suggested are pattern matching and the use of a logic model ([Yin 2009](#)). We use the latter by assessing the connections between the variables identified in our cases against the backdrop of the theoretical arguments put forth in the literature, and then summarize evidence confirming or challenging these theoretical connections. Additionally, we took measures suggested by [Shah and Corley \(2006\)](#) to enhance dependability in that we carefully selected the cases based on theoretical considerations, assured the informants of full anonymity, and explained that we are only interested in their views and opinions and that there are no “right or wrong answers” ([Cohen, Ding, Lesage, and Stolowy 2013](#)). As a further measure to enhance dependability, most of the interviews were conducted in locations away from the interviewees’ workplaces to facilitate a relaxed atmosphere.

Confirmability as a quality criterion addresses the challenge of demonstrating that the operations of the study, such as the data-collection procedures, can be repeated with similar results ([Yin 2009](#), 34). As suggested by [Shah and Corley \(2006\)](#), we developed a detailed case study protocol recording all steps and decisions taken in the research process. All interviews were audio recorded and transcribed.

Results

Interpersonal Trust

Looking at the ways in which the practitioners interviewed defined interpersonal trust when talking about their auditor-client relationships shows that it is predominantly identification-based trust that they perceive as relevant. Some participants presented definitions of interpersonal trust that revealed similarities with other concepts of interpersonal trust, such as experience-based trust (“trust means the person is able to comply with accounting standards” A7) and calculative-based trust (“trust can also be seen as a strategy to get sensitive information” A3). These individuals showed in their definitions of “good relationships” the central dimensions of identification-based trust (“when you like someone, it is easier to say that something is wrong and must be corrected” A7; “a good relationship becomes apparent in conflict situations, when I can still rely on their word” A3). Overall, the interviews reveal a good match between the informants’ understanding of interpersonal trust and the prominent definitions of identification-based trust in the trust literature (see Table 3). The constitutive elements can be identified as follows.

First, clients and auditors stress mutual expectations regarding the contingent behavior of the interaction partner when they talk about interpersonal trust. A client, for example, states that “Trust means that the auditor’s behavior is predictable. That he behaves as promised” (C1). In a similar vein, another client states that interpersonal trust means knowing “what to expect from the other and what the other expects from you” (C5). From the auditors’ perspective, interpersonal trust refers to “how the others behave in difficult situations. Do they stick to their word, or not?” (A3). Thus, interpersonal trust is seen as an expectation regarding the contingent behavior of a specific interaction partner. This aspect is a constitutive element of numerous definitions of interpersonal trust (e.g., [Bhattacharya, Devinney, and Pillutla 1998](#); [Rotter 1967](#)).

Second, the interviewees stress that interpersonal trust means making oneself vulnerable to the opportunistic behavior of the interaction partner. One client puts it as follows: “For me trust is the ability to make plans together with the auditor. That we can say, ‘this is how we’ll do it’ and that both sides stick to it. Thus, it means being even-handed; however, it also implies risk” (C3). For one of the auditors, “trust is simply the result of mutually refraining from cheating each other” (A6). The vulnerability of the trustor arising from the opportunistic threat can be found in many definitions of interpersonal trust (e.g., [Mayer et al. 1995](#); [Sabel 1993](#)).

Third, the practitioners’ narratives on interpersonal trust were focused on the interaction partners’ identification with each other’s norms and values. One auditor reports that “Trust means [...] that I know the client’s values and that he would not lie to me” (A4). Similarly, one of the clients refers to trust “in the sense of becoming brothers in mind: to be on the same wavelength” (C4). These statements suggest that in interpersonal trust relationships it is the identification with the needs and values of the interaction partner that reduces behavioral uncertainty and stimulates the acceptance of the risk of being vulnerable to that partner’s behavior ([Fukuyama 1995](#); [Larzelere and Huston 1980](#)).

Interestingly, in all interviews, the understanding of interpersonal trust referred to benevolence and integrity. The third dimension ability was associated with confidence rather than trust by the participants. A client stated “Confidence means that someone is able to do something” (C1), and an auditor stressed “When there are issues, where I am of the opinion that the

TABLE 3
The Concept of Trust from the Practitioners' Point of View

Selected Statements from the Interviews	Constitutive Elements	Theoretical Foundation in Trust Research
C1 "Trust means that the auditor's behavior is predictable. That he behaves as promised."	Mutual expectations regarding contingent behavior	"A generalized expectancy held by an individual that the word, promise, oral or written statement of another individual or group can be relied upon" (Rotter 1967, 651). "The reliance upon the behavior of a person in order to achieve a desired but uncertain objective in a risky situation" (Griffin 1967, 105). "The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995, 712). "The extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another" (McAllister 1995, 25). "Trust is an expectancy of positive (or nonnegative) outcomes that one can receive based on the expected action of another party in an interaction characterized by uncertainty" (Bhattacharya et al. 1998, 462). "An actor's expectation of the other party's competence, goodwill and behavior" (Blomqvist and Stahle 2000, 4). "The expectation that an actor (1) can be relied on to fulfill obligations, (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility for opportunism is present" (Zaheer, McEvily, and Perrone 1998, 143).
C3 "For me trust is the ability to make plans together with the auditor. That we can say, 'this is how we'll do it' and that both sides stick to it. Thus, it means being even-handed; however, it also implies risk."		
C5 "You know what to expect from the other and what the other expects from you."		
A3 "How the others behave in difficult situations. Do they stick to their word, or not?"		
C2 "For me, trust means allowing yourself to be vulnerable. This implies that I take the risk, that the behavior of my partner might have disadvantages for me."	Vulnerability due to opportunistic threat	"Actions that (a) increase one's vulnerability, (b) to another whose behavior is not under one's control, (c) in a situation in which the penalty (disutility) one suffers if the other abuses that vulnerability is greater than the benefit (utility) one gains if the other does not abuse that vulnerability" (Zand 1972, 230). "The mutual confidence that no party to an exchange will exploit the other's vulnerability" (Sabel 1993, 1133). "The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995, 712). "Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviors of another" (Rousseau, Sitkin, Burt, and Camerer 1998, 395).

(continued on next page)

management has to know this and I am confident that he/she can handle the problems and find solutions, I seek for face-to-face conversations" (A3).

In line with prior research (e.g., Rennie et al. 2010), the results of the qualitative study reported in this paper show that trust is seen as an important prerequisite of the start and the maintenance of the relationship between auditors and clients. For example, one auditor states that "For an audit, trust is indispensable" (A1), while another suggests that "The clients' trustworthiness is the basis for every audit. Without trust I would never accept the mandate" (A4). The same sentiments were

TABLE 3 (continued)

Selected Statements from the Interviews	Constitutive Elements	Theoretical Foundation in Trust Research
A6 “Trust is simply the result of mutually refraining from cheating each other.”		
C3 “Neither of the partners acts opportunistically at the expense of the other, all of a sudden. It always takes two, tit-for-tat.”		
C4 “Trust in the sense of becoming brothers in mind. To be on the same wavelength.”	Identification	“Trust exists to the extent that a person believes another person (or persons) to be benevolent and honest” (Larzelere and Huston 1980 , 596). “The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer et al. 1995 , 712). “The expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms on the part of other members of that community” (Fukuyama 1995 , 26). “An actor’s expectation of the other party’s competence, goodwill and behavior” (Blomqvist and Stahle 2000 , 4).
A4 “Trust means, for me, that I know the client’s values and that he would not lie to me.”		

also reported from the clients’ perspective: “I would not want an auditor, whom I don’t perceive as trustworthy, to be mandated” (C1).

Professional Skepticism

The qualitative study shows that clients delineate the same dimension of auditors’ professional skepticism as previously specified by [Hurtt \(2010\)](#) (see Table 4). Concerning the questioning mind dimension, one client, for example, states, “The auditor must have a skeptical attitude; he has to question things others tell him” (C4). The suspension of judgment dimension was conveyed in the following statement by another client: “The auditor does not act according to impressions, but gathers information until he can verify certain circumstances” (C1). The search for knowledge is suggested to be a further characteristic of professional skepticism, and is exemplified in the following statement: “The auditor has to be a snoop” (C2). In addition, interpersonal understanding is raised in client interviews: “The auditor needs empathy. She needs to understand why someone has done [something they did]” (C5). Clients also suggest autonomy as a further characteristic of professional skepticism: “The auditor must not succumb to pressure” (C4). Self-esteem was also conveyed, as exemplified in the following statement: “Only a strong personality is able to [apply] professional skepticism in all situations” (C3). Table 4 gives further examples of clients’ statements and the respective dimensions of professional skepticism.

The findings show that in current audit practice professional skepticism is understood as a neutral concept. There is a highly positive view of the role of auditor’s identification-based trust within the auditor-client relationship. A presumptive doubt attitude on the part of the auditor is not perceived as professional skepticism by the clients. For example, one client states that “For an auditor to be skeptical it does not mean to approach the client with a preset judgment, but rather to leave no stone unturned” (C5). Another client makes a very similar point by saying that “The opposite of professional skepticism is naivety and want of care. [Being] unprofessional would mean that the auditor is prejudiced” (C2). A mistrust of the auditor seems to exist only temporarily, since the auditor-client relationship is only viable when an auditor’s suspicion of a management’s misconduct is not confirmed or when exceptional misconduct is followed by intensive trust-rebuilding behavior. A1 summarizes this as follows: “Like soccer, I show him/her a yellow card. Once more, and he/she is out.”

Regarding the discussion on professional skepticism being a trait concept or a temporary state concept, the qualitative study shows that clients exhibit support for both. On the one hand, the professional skepticism concept has been described by many clients as an auditor trait characteristic, including by C2 (“Much is up to the personality of the auditor”) and C3 (“It is the auditor’s basic attitude”). On the other hand, several environmental aspects have been exemplified as affecting auditor’s professional skepticism such as economic dependence (C1: “Greater leeway was given to the client because of the auditor’s economic dependence on the client”), audit firm characteristics (C2: “In auditor networks a conformity of the personalities and

TABLE 4
The Concept of Professional Skepticism from the Clients' Point of View

	Statements from the Interviews	Constitutive Elements	Theoretical Foundation in Auditing Research
C5	"For an auditor to be skeptical it does not mean to approach the client with a preset judgment, but rather to leave no stone unturned."	Questioning mind	"Professional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred" (AICPA 2002). "A questioning mind has some sense of disbelief or doubt" (Hurtt 2010).
C4	"The auditor must have a skeptical attitude; he has to question things others tell him."		
C5	"The auditor must not blindly accept the information he receives, but profoundly question it."		
C1	"That the auditor does not act according to impressions, but gathers information until he can verify certain circumstances."	Suspension of judgment	"Withholding judgment until there is an appropriate level of evidence on which to base a conclusion" (AICPA 1997). "The auditor should not be satisfied with less than persuasive evidence" (PCAOB 1997, AU 230). "Judgments must be suspended until sufficient evidence is obtained" (Hurtt 2010).
C4	"The auditor must not fall into the trap of drawing hasty conclusions, but he must back up his opinion."		
C1	"The inquisitiveness of the auditor: this means the auditor searches for clues until he can be sure that he has understood everything, that everything has been passed on to him."	Search for knowledge	"Search for knowledge is a sense of general curiosity or interest" (Hurtt 2010). "Ones who seek knowledge for knowledge's sake" (Bunge 1991 , 131). "Auditing compels a driving curiosity and urges auditors to adopt an attitude of curiosity when performing audits" (Mautz and Sharaf 1961 , 19).
C2	"The auditor has to be a snoop."		
C3	"When an auditor communicates well, he realizes quickly what it is all about."	Interpersonal understanding	"Understanding people's motivations and behaviors is a fundamental component of skepticism. Individuals' motivations and perceptions can lead them to provide inaccurate, biased, or misleading information. Unless the skeptic understands people, it is difficult to recognize the potential for bias that exists in information given by people, and it is difficult to detect when people might be intentionally providing misleading information. Once an individual's assumptions or motivations are identified and understood, the skeptic has a basis for challenging or correcting mistaken assumptions" (Hurtt 2010).
C5	"For an auditor to deliver high audit quality, empathy is needed [...] she needs to understand, why someone has done [something they did]."		
C4	"The auditor must not succumb to pressure."	Autonomy	"An auditor decides for him- or herself the level of evidence necessary to accept a particular hypothesis" (Hurtt 2010). The auditor "must have the professional courage not only to critically examine and perhaps discard the proposals of others, but to submit his own inventions to the same kind of detached and searching evaluations" (Mautz and Sharaf 1961, 35).
C5	"The auditor must have a firm position; he should not be dependent on the approval of others."		
C1	"The auditor needs to act out of conviction."	Self-esteem	"Self-esteem enables an auditor to resist persuasion attempts and to challenge another's assumptions or conclusions" (Hurtt 2010).
C3	"Only a strong personality is able to [apply] professional skepticism in all situations."		

the regulations is obtained”), auditor expertise (C4: “The high aspiration level affects auditor professional skepticism”), and audit partner tenure (C3: “Professional skepticism has been lost due to staleness of the auditor”).

Conclusion

We can conclude from Study 1 that the interpersonal trust definition that best reflects the practitioners’ subjective theories of interpersonal trust is the one provided by [Mayer et al. \(1995\)](#), whose integrative model of identification-based trust (see also [Schoorman, Mayer, and Davies 2007](#)) comprises all three constitutive elements identified in the practitioners’ narratives: (1) mutual expectations regarding contingent behavior, (2) vulnerability due to opportunistic threat, and (3) identification. Thus, we can be sure that by relying on this definition our study is not only related to previous interpersonal trust and auditing literature, but also accounts for the practitioners’ understanding of interpersonal trust. However, the study also supports [Tinsley’s \(1996\)](#) critique that ability—capturing the interaction partner’s ability to perform as promised—captures confidence, which is a different construct to identification-based trust. Integrity and benevolence—capturing the interaction partner’s willingness to perform as promised—do, however, reflect identification-based trust. This approach is also in line with [Nooteboom’s \(2002\)](#) recommendations and with the operationalization adopted in recent interpersonal trust studies ([Moro and Fink 2013](#)) and auditing studies ([Kerler and Killough 2009](#)). At the same time, our results advance earlier studies on the role of interpersonal trust in auditing as they extend the often-used conceptualization of interpersonal trust as a time invariant individual disposition toward others ([Quadackers et al. 2014; Rose 2007; Shaub 1996](#)), by accounting for the social dynamics of the relationship between auditors and their clients. The relevance of these social dynamics for the development of interpersonal trust in the auditor-client relationship has been highlighted by [Richard \(2006\)](#). However, this dynamic could not fully be captured in experimental research designs ([Beaulieu 2001; Kerler and Killough 2009; Quadackers et al. 2014; Rose 2007; Shaub 1996](#)), as it calls for real-life dyads of auditors and clients. Interestingly, earlier qualitative studies on interpersonal trust and professional skepticism ([Rennie et al. 2010; Richard 2006](#)) also rely on a more holistic definition of interpersonal trust that goes beyond individuals’ disposition to trust (e.g., [Rose 2007; Shaub 1996](#)).

Regarding professional skepticism, we can conclude that Study 1 supports a neutral concept of professional skepticism over a presumptive doubt attitude and that clients’ understanding of professional skepticism corresponds well with the dimensions comprised by the multidimensional conceptualization of professional skepticism proposed by [Hurtt \(2010\)](#). A presumptive doubt attitude, in which the auditor simply mistrusts the client, does not reflect long-term auditor behavior in real auditor-client situations. The definition of professional skepticism as a presumptive doubt attitude used by [Quadackers et al. \(2014\)](#) assumes a presumptive doubt attitude only unless evidence indicates otherwise, which also limits the view of a permanent presumptive doubt attitude. The finding that a neutral attitude of professional skepticism is prevalent in audit practice is also in line with prior research (e.g., [Rennie et al. 2010](#)).

Further, the results of Study 1 indicate that professional skepticism is mainly viewed as a trait concept by the clients. However, it came out that the skeptic behavior of the auditor is also determined by various contextual factors. Therefore, an integration of the trait concept and the contingency concept is needed. A powerful means of such integration is the change of perspectives. Thus, instead of asking auditors for their self-reported skeptical traits, knowledgeable others might report on their perception of auditors’ observed behavior, which according to embedded agency theory ([Giddens 1984; Sewell 1992](#)) is the result of both auditor traits and their behavioral context.

Finally, we can conclude that identification-based trust was viewed as an important characteristic of the auditor-client relationship, which is surprising against the backdrop of the discussion on a trust threat in auditing. The positive role of identification-based trust in auditor-client relationships is also motivation for Study 2, which investigates the association between identification-based trust and professional skepticism.

STUDY 2: LINKING INTERPERSONAL TRUST AND PROFESSIONAL SKEPTICISM

Development of the Hypothesis

Although previous literature stresses that interpersonal trust between auditors and their clients is necessary to develop commitment (e.g., [DeRuyter and Wetzels 1999; Rennie et al. 2010](#)), auditing research often views interpersonal trust as a potential threat to auditors’ professional skepticism (e.g., [Kerler and Killough 2009](#)). In fact, a large body of research approaches interpersonal trust as if it were the opposite of professional skepticism (e.g., [Latham, Jacobs, and Roush 1998; Öhman, Häckner, and Sörbom 2012](#)). This approach finds additional support from research on inter-firm relations that discusses the dark side of interpersonal trust ([Kautonen, Zolin, Kuckertz, and Viljamaa 2010](#)). The key argument for the negative impact of interpersonal trust is linked to the danger of manipulation ([McEvily and Tortoriello 2011](#)), reduced levels of skepticism ([Kahneman, Slovic, and Tversky 1982; Thorgren and Wincent 2011](#)), reduced monitoring ([Williams 2001](#)), the risk of fraud ([Shapiro 1987](#)), and being blind to changing circumstances ([Patzelt and Shepherd 2008; Thorgren and Wincent 2011](#)). Overall,

auditing research has empirically investigated the role of interpersonal trust between auditors and their clients mainly from the angle of its ability to threaten auditors' professional skepticism ([Fearnley, Beattie, and Brandt 2005](#); [Kerler and Killough 2009](#)), assuming a dichotomy of the two.

While researchers frequently draw on interpersonal trust when explaining the relationship between auditors and their clients ([King 2002](#)), empirical evidence on its effect on auditors' professional skepticism remains ambiguous ([Bamber and Iyer 2007](#); [Beaulieu 2001](#); [Kerler and Killough 2009](#); [Quadackers 2009](#); [Rennie et al. 2010](#); [Rose 2007](#); [Shaub 1996](#)). Most studies have addressed auditors' disposition to interpersonal trust ([Quadackers 2009](#); [Rose 2007](#); [Shaub 1996](#)), although this has been identified as a weak predictor ([Rennie et al. 2010](#)). Others use experimental designs to induce interpersonal trust by the provision of information on prior satisfying experiences (i.e., experience-based trust). However, they offer contradictory results, since although some find a negative effect of auditors' interpersonal trust on auditors' risk judgment (e.g., [Beaulieu 2001](#)), others conclude that auditors are capable of maintaining their professional skepticism in interpersonal trust-based client relationships ([Kerler and Killough 2009](#)).

To the best of the authors' knowledge, the relationship between interpersonal trust and professional skepticism was investigated in a real-world setting in only two quantitative studies to date. [Bamber and Iyer \(2007\)](#) investigate the actual level of auditors' identification with their clients and its effects on the auditors' objectivity, and the results show that client identification has a positive impact on the auditors' acquiescence with the client's preferred treatment. While [Bamber and Iyer \(2007\)](#) used Big 4 auditors, [Svanberg and Öhman \(2015\)](#) showed that the findings also hold for non-Big 4 auditors. Although client identification may link to interpersonal trust ([Rennie et al. 2010](#)), auditors' client identification might characterize a situation of excessive familiarity, where auditors adopt the client's perspective and concede their own position. While it is obvious that such excessive familiarity poses a danger to auditors' professional skepticism, it is unclear whether an auditor's perception of their clients' integrity and benevolence (which is at the heart of the working definition of identification-based trust adopted here) is negatively associated with the auditor's professional skepticism. It has been shown that shared values and norms (integrity) and a general positive attitude toward an interaction partner (benevolence) can enhance the effectiveness and efficiency of inter-firm relationships without hampering the independence of the goals pursued ([Fink and Kessler 2010](#)).

Qualitative evidence questions the negative relationship between interpersonal trust and professional skepticism. [Richard \(2006\)](#) found that auditors maintain a balance between independence and interpersonal trust, and concluded that the two are not mutually exclusive but coexist in the auditor-client relationship. [Rennie et al. \(2010\)](#) explain how auditors' practices of keeping professional distance, auditors' social role in the auditing procedure, audit regulation, and internal control can effectively negate the negative impacts of interpersonal trust on professional skepticism.

Our qualitative Study 1 also revealed that the interviewees did not view interpersonal trust as endangering the level of professional skepticism. One client, for example, states that "If an auditor has a certain level of professional skepticism, he does not lose his professional skepticism because he trusts the client" (C2). Likewise, an auditor posits that "Trust and professional skepticism do not contradict one another. If there is something wrong in the books, the client needs to fix it. Nevertheless, he can talk to me about all his worries" (A2). Another auditor argues that "Just because one is on good terms with the client, one doesn't lose one's independence" (A5). A similar point is made by another auditor: "You must not confuse trust with a lack of a critical distance. When you lack the critical distance, the level of trust does not matter" (A1). In this vein, an auditor also stresses the fact that "one should not become friends, since it is still a business relationship" (A2). Beyond the strategy to keep a critical distance, other reasons have been forwarded as to why the level of interpersonal trust does not impede an auditor's professional skepticism. An auditor put it as follows: "I can't imagine an auditor, who goes against audit regulations just because of trust, because I don't trust someone who tries to persuade me from doing the right thing" (A2). Further, auditors explained that there is a high standard on internal controls that ensures that professional principle skepticism does not get compromised: "Throughout the audit there is dual control and there are reviews of the decisions that were taken during the audit. Those measures ensure high quality" (A1). Beyond that, "auditing is a highly structured process, guided by external and internal standards. A deviation from these standards by virtue of the good client relationship would put more at risk than the audit fees of this single client" (A3).

One auditor (A3) responded that an interpersonal trust relationship with a client is not reconcilable with the audit task, yet later explained in the interview that a "good relationship" enhances communication between the auditor and the client, stressing that "It is easier to say everything to the client's face."

Three rationales can be identified supporting the claim of a positive relation between identification-based trust and professional skepticism. First, identification-based trust in the auditor-client relationship might lead to compensating behavior on the part of the auditors ([Quadackers 2009](#)). In the interviews one auditor states, "In cases where I am faced very openly with touchy topics and where I am very much involved in the client firm, I have to run extra checks on every piece of information I get, so as not to lose my critical distance" (A1). Another auditor states, "I can only allow for trust to evolve in relationships, where the client does not question my professional integrity" (A7). Bearing in mind the call for professional skepticism, auditors might feel an uncomfortable imbalance between the formal requirements and their practice in identification-based trust

relationships with their clients (Karasek and Theorell 1990), and thus compensate by being even more skeptical of the information the clients provide. McKnight and Wright (2011) revealed that higher-performing auditors show both stronger interaction skills and demonstrate a more professional attitude and behavior. In addition, Quadackers (2009) found more senior auditors to demonstrate high levels of identification-based trust and professional judgment. He ascribed this finding to the training of auditors to compensate for interpersonal trust by utilizing skeptical judgments and decisions. Bamber and Iyer (2007) reported that auditors who exhibited higher levels of professional identification were less likely to acquiesce to their clients' positions. The study by Rennie et al. (2010) identified several strategies employed by auditors in practice to compensate for placing their interpersonal trust in clients and to ensure they retained their professional skepticism. These strategies include rigorous internal standards of independence, *ex ante* planning of the audit process, regular *ex post* reviews of their decisions with colleagues, and a strict focus on the shareholders' perspective during the audit. Thus, in high identification-based trust relationships, compensating auditors would be perceived as demonstrating high levels of professional skepticism by their clients.

Second, identification-based trust fosters information exchange between auditors and clients (Mohr, Fisher, and Nevin 1996; Mohr and Sohi 1995) and improves the level of the auditor's knowledge of the client firm. One client states, "I can directly address any touchy issues I am aware of in my books during the audit, and I get constructive answers, without fearing the auditor will use the information against me. This is because there is trust between us" (C5). An auditor comments that "the more open the communication, the more I know about the client firm and the less I have the feeling that they are keeping secrets from me" (A2). On a more operational level, one auditor states that "The better the company prepares the documents for the audit, the more profoundly I can conduct the audit, since I will still be within the estimated time frame for the audit" (A7). In the words of one of the clients, "The stronger the trust, the better the audit, because it is deeper and more honest. Such an audit process is more efficient, because neither side needs to play games" (C3). Also, auditing standards emphasize the importance of an auditor having in-depth knowledge of the entity's business in order to identify areas that may warrant special consideration, to assess conditions under which accounting data are produced, to evaluate the reasonableness of estimates and management representations, and to judge whether the appropriate accounting principles have been applied (PCAOB 2010, AU 311). The need to become familiar with the client in order to obtain a deep understanding of the client's firm has also been acknowledged in auditing research (Bamber and Iyer 2007). In accordance with Doz (1996) and Squire, Cousins, and Brown (2009), a recent review of interpersonal trust literature by Welter (2012) concludes that a high level of interpersonal trust supports sensitive information disclosure. Armed with more complete information and a strong understanding of the client firm, the auditor can perform a more skeptical audit procedure (Gulati 1995). Trusting auditors also report a positive effect of having knowledge of the critical aspects in the client firms' books (Quick 2012), and having a better chance of identifying audit risks because of improved information exchange (Anderson and Weitz 1992). According to Richard (2006), the reduced information asymmetry in an interpersonal trust relationship helps auditors' fine tune their independence. Thus, in high interpersonal trust relationships, well-informed auditors who focus their attention on relevant aspects would be perceived as demonstrating a high level of professional skepticism by their clients.

Third, there is less opportunism found in relationships rooted in interpersonal trust than in less trusting relationships, and both clients and auditors are more likely to take their interaction partners' standpoints into account (DeRuyter and Wetzel 1999; Fink and Kessler 2010; Provan and Skinner 1989). Trust-based understanding of the other party's position helps to reduce the level of conflict and enhances the efficiency of negotiation (Gibbins, McCracken, and Salterio 2010; Rennie et al. 2010). In one experiment, auditors improved their communication after they had adopted the perspective of clients (Trotman, A. Wright, and S. Wright 2005). An interpersonal trust relationship also allows the auditors to articulate their skepticism more openly, and resolve conflict more quickly (Dyer and Chu 2003). Time-budget pressure has been found to result in trade-offs between audit efficiency and audit effectiveness and, in turn, to increase the likelihood of reduced audit quality (Bobek, Daugherty, and Radtke 2012; Knechel et al. 2013). Thus, interpersonal trust enhances the efficiency of the audit, since it prevents time-consuming dysfunctional communication (McNair 1991) that can impair the efficiency of an audit (Braun 2000; ICAS 2012). In high interpersonal trust relationships, efficient auditors who devote more time to relevant aspects and who are less inclined to reduce audit quality due to time or budgetary pressures would be perceived by their clients to exhibit strong professional skepticism. One auditor, for example, states, "the clients are more likely to follow my recommendations [...] if there is a trusting relationship between us. Most issues can be resolved before they become serious problems" (A1).

The rationales of (1) auditors' compensation behavior, (2) audit effectiveness through enhanced information exchange, and (3) audit efficiency through reduced conflict support a positive relationship between auditors' interpersonal trust in the client and clients' perceptions of their auditors' professional skepticism. Thus, we propose the following hypothesis:

H: There is a positive relationship between interpersonal trust and auditor skepticism in well-functioning dyads of auditors and their respective client management.

Data and Methodology

To build up a broad empirical basis for the hypothesis tests of Study 2, we collected data from the relevant actors on both sides of the auditor-client relationship in an omnibus survey conducted in Germany sequentially to Study 1 in 2012. Doing so involved employing a multistage approach. First, we contacted a random sample of 6,500 of the 13,000 listed auditors via telephone to inform them about the project and encourage them to take part in the survey together with one of their clients. In order to avoid a selection bias, the telephone conversations followed a strict guide that did not disclose information to the contacted auditors regarding the research question or the hypothesis underlying the study. We only told them that the study would investigate the relationship between auditors and clients, and that we aimed to advance the current discussion on auditors' independence with empirical evidence. We also told them that the aim was to gain a better understanding of the relationship between auditors and clients. Next, the 1,642 individuals who indicated their willingness to participate in the project received an email with detailed information about the research. This information included further details about the process of data collection. Additionally, the email stressed the anonymity of the survey and that the information collected would not be disclosed to the other party in the dyad. Third, the sample of auditors received a hardcopy questionnaire, which we asked them to complete and return directly to the researchers. The questionnaire was accompanied by a letter that also requested the auditors to send a sealed envelope containing a letter and a separate questionnaire to the client listed first alphabetically on their client list within the following six weeks. In this letter, we informed them that filling out the questionnaire would take their client just five minutes. The instructions enclosed in the signed letter to the clients provided similar information as the letter to the auditors and asked them to return the completed questionnaire directly to the researchers. However, in order to enhance return rates, we adjusted the framing of the study in a way that enabled us to address the key concern of the survey target group without mentioning the variable measured in order to avoid social desirability bias. We used the issue of independence for the auditors and the issue of audit quality for the clients.

In addition to general information such as socio-demographics, the questionnaire encouraged the participants to evaluate the specific auditor-client dyad relationship. Because the auditors and clients returned their completed questionnaires directly to the researchers, they would not have been able to access any information about each other. We matched the dyads via an anonymous code printed on the questionnaire in order to ensure individual anonymity, and as such we were able to match the returned questionnaires to 254 dyads originally. From the 1,642 auditors who received a questionnaire, the survey yielded an effective overall response rate of 15.47 percent. Due to missing data, the smallest analyzable dataset comprised 233 dyads.

While we implemented several safeguards proposed in the literature to reduce the incidence of nonresponse (e.g., careful design, management of length, and establishment of survey importance [Yu and Cooper 1983]), it is not possible to rule out nonresponse bias (Rogelberg and Stanton 2007). Consequently, we controlled the sample for potential nonresponse bias. First, we employed the archival approach to assess passive nonresponse bias in the sample by comparing the gender and firm size distribution of the auditors and clients who participated in the survey against the respective populations. Second, we conducted wave analysis to check for active nonresponse bias (Rogelberg et al. 2003), comparing the properties of early and late replies. The assessment did not indicate any relevant bias in the sample. Thus, we can rule out problems with nonresponse bias, although the current research could still potentially suffer from common method bias (CMB), or false conclusions resulting from "variance that is attributable to the measurement method rather than to the constructs the measures represent" (P. Podsakoff, MacKenzie, Lee, and N. Podsakoff 2003, 879). This risk applies to cross-sectional survey studies and especially to those relying on data consisting of cognitive measures collected in self-report surveys (Harrison, McLoughlin, and Coalter 1996). If methodological triangulation is not feasible, then researchers can use a range of *ex ante* and *ex post* measures to reduce the risk of CMB (Podsakoff et al. 2003). Because *ex post* measures to assess and correct data for CMB are unreliable and often misleading (Spector 2006), we focused on *ex ante* CMB reduction strategies, as recommended by Podsakoff et al. (2003). We protected the anonymity of the respondents to reduce evaluation apprehension, counterbalanced the question order in the questionnaire, and, most importantly, collected data on the independent and dependent variables from different informants (Chang, Witteloostuijn, and Eden 2010).

After describing the operationalization of the constructs and assessing the quality and independence of the measurement models, the dependent variable was produced by factorizing the items measuring professional skepticism. We estimated the scores by using Bartlett regression since this approach avoids any bias when the scores are used as values of the dependent variable (Skrondal and Petter 2001). In addition, the dependent variable *Trust* was generated by factorizing identification-based trust items. We estimated the scores for inclusion in the regression using the traditional regression approach. The hypothesis was then tested by regressing the controls and the auditors' identification-based trust in their clients (factor) against the clients' perceptions of their auditors' professional skepticism (factor). In line with previous research, the regressions were estimated using ordinary least squares regression analysis. Four cases that proved to be outliers in terms of a firm dimension (number of employees) were subsequently winsorized.

Operationalization

Dependent Variable

Professional Skepticism. In line with the results of Study 1, we use the reflective scale on professional skepticism designed by [Hurtt \(2010\)](#) for use by auditors to measure their professional skepticism, and condensed it to the items with the highest loadings ([Chin 1998](#)). In order to deal with the common method bias if auditor's both report on their professional skepticism as well as the degree of interpersonal trust with client management, we use the client management's perspective about the auditor's professional skepticism. [Chen et al.'s \(2012\)](#) study shows that clients perceive their auditor's skeptical behavior so intensively that they even adjust their own behavior. By using the clients' perceptions within real auditor-client dyads, we acknowledge that auditor professional skepticism is not only a trait but also a behavior of the auditor ([Chen et al. 2012](#)) driven by multiple determinants within the specific situations. The selected items were rephrased to suit the clients' view. The clients were asked to evaluate each item on a seven-point Likert scale ranging from *totally disagree* (1) to *totally agree* (7).

We assessed the reflective measurement models of the latent variables in terms of their internal consistency, and their convergent and discriminant validity. The Cronbach's alpha of the six items (on 253 observations) that measure professional skepticism is 0.6750. Confirmatory factor analysis supports the validity of the construct and its capability of measuring the perceived professional skepticism. Indeed, the first factor is the only one with an eigenvalue greater than 1 (2.4763) and explains 41 percent of the variance. The Kaiser-Meyer-Olkin measure of sampling adequacy proved acceptable (0.7613). The results indicate that the measurement model employed is valid, and the factor is capable of representing professional skepticism (see Table 5 for a summary). The scores were then estimated using Bartlett regression and were included in the regression.

Independent Variable and Controls

Perceived trustworthiness is the perception that the interaction partner is willing to stick to the formal and informal rules of social exchange. In the model proposed by [Mayer et al. \(1995\)](#), identification-based trust is affected by three trustworthiness factors: ability, benevolence, and integrity. We rely on the three item scales proposed by [Mayer and Davis \(1999\)](#) for ability, integrity, and benevolence. The auditors were asked to evaluate the individual items on a seven-point Likert scale anchored with *totally disagree* (1) and *totally agree* (7). As previously discussed, some authors question the real role of ability in identification-based trust formation, arguing that ability affects the confidence of the trustor in the trustee but not their identification-based trust (e.g., [Telser 1980](#)), and empirical research provides support for this argument (e.g., [Moro and Fink 2013](#); see also Study 1). In order to examine the relevance of that argument to the study's dataset, we first implemented an exploratory factor analysis. This procedure examines whether the items that measure ability, benevolence, and integrity do in fact generate two latent variables (namely confidence and identification-based trust). More precisely, according to [Telser \(1980\)](#) perceived integrity and perceived benevolence should result in identification-based trust in an interaction partner, while ability should result in the confidence construct. In fact, even if our focus is on identification-based trust, in the auditing context confidence is also very important since it describes auditors' perceptions of their clients' knowledge and understanding of the rules and regulations regarding financial reporting for firms. The auditor's confidence in the client is a crucial part of the audit risk assessment ([McKinley, Ponemon, and Schick 1996](#)), and a lack of it prompts auditors to pay greater attention during the procedure than they might otherwise do. In addition, a number of previous empirical studies find that auditors rely more on their clients when they perceive them to be competent, and are more critical when they think clients are ineffective or lack knowledge ([Asare and McDaniel 1996; Gibbins and Trotman 2002; Shaub 1996](#)). Thus, when researching identification-based trust it is very important to control for the role of confidence.

The reflective measurement models of the latent variables were evaluated in terms of their internal consistency, and their convergent and discriminant validity. The Cronbach's alpha of the nine items that measure *Trust* is 0.8334. The factor analysis generates two factors with eigenvalues greater than 1, which explain around 58 percent of the overall variance. The Kaiser-Meyer-Olkin measure of sampling adequacy is high (0.8177). In order to orthogonalize the factors, varimax rotation with Kaiser normalization was subsequently applied. The results depicted in Table 6 clearly indicate that the measurement models employed are valid, and *Trust* and *Confidence* are different and distinct constructs.

The items related to *Trust* loaded on the first factor while the items related to *Confidence* loaded on the second factor. The results provide strong support for [Tinsley's \(1996\)](#) argument that *Trust* and *Confidence* are different constructs. Thus, we extracted two factors named *Trust* and *Confidence*. The scores were then estimated for inclusion in the regression.

Auditor Gender was included as a control variable in the model because female auditors have been shown to make more accurate decisions, be more conservative, uncover more misstatements, and be more risk adverse than male auditors ([Breesch and Branson 2009; Chung and Monroe 2001; Niskanen et al. 2011](#)). Analogously, we included *Client Gender* as a control.

TABLE 5
Descriptive Statistics at Item Level and Factor Analysis of Perceived Professional Skepticism (Ps)

Variable	Description	Obs.	Mean	Std. Dev.	Min.	Max.	Factor	Uniqueness	Ps1	Ps2	Ps3	Ps4	Ps5	Ps6
Ps1	The auditor thinks that learning is exciting.	253	5.8577	1.0744	2	7	0.5560	0.6909	1					
Ps2	The auditor takes his/her time when making decisions.	253	5.7866	1.2092	2	7	0.4768	0.7726	0.077***	1				
Ps3	The auditor tends to immediately accept what others tell him/her.	253	5.5494	1.0849	2	7	0.7070	0.5002	0.370***	0.156***	1			
Ps4	The auditor likes to understand the reasons for other people's behavior.	254	5.8307	0.9652	1	7	0.8301	0.3109	0.297***	0.352***	0.468***	1		
Ps5	The auditor has confidence in himself/herself.	253	5.9842	0.8590	3	7	0.7306	0.4662	0.299***	0.222***	0.405***	0.504***	1	
Ps6	The auditor frequently questions things he/she sees or hears.	253	5.6680	1.2346	1	7	0.4660	0.7829	0.128***	0.164***	0.149***	0.338***	0.213***	1

*, **, *** Indicate significant at the 0.10, 0.05, and 0.01 levels, respectively.

TABLE 6
Descriptive Statistics at Item Level and Factor Analysis of Confidence (Co) and Trust (Tr) and Correlation Matrix

Obs.	Mean	Std. Dev.	Factor 1			Factor 2			Tr1	Tr2	Tr3	Tr4	Tr5	Tr6	
			Min.	Max.	Trust	Confidence	Uniqueness	Co1							
251	5.4143	1.3190	2	7	0.2898	0.6940	0.4344	1.000							
251	5.4582	1.1564	2	7	0.0717	0.7877	0.3744	0.289***	1.000						
249	5.5339	1.1427	2	7	0.2183	0.8840	0.1708	0.630***	0.583***	1.000					
250	5.1406	1.2765	1	7	0.6927	0.2275	0.4684	0.295***	0.245***	0.357***	1.000				
250	5.6400	1.3733	1	7	0.7472	0.1469	0.4201	0.308***	0.188***	0.301***	0.495***	1.000			
250	5.8040	1.1002	1	7	0.7825	0.3725	0.2490	0.471***	0.342***	0.482***	0.599***	0.652***	1.000		
249	5.0080	1.4056	1	7	0.6775	0.0472	0.5388	0.268***	0.137***	0.216***	0.322***	0.314***	0.445***	1.000	
249	4.6787	1.3594	1	7	0.5053	0.2315	0.6911	0.271***	0.232***	0.286***	0.355***	0.283***	0.324***	0.323***	1.000
250	5.5800	1.3124	1	7	0.7151	0.2191	0.4406	0.309***	0.260***	0.334***	0.383***	0.444***	0.596***	0.437***	1.000

*, **, *** Indicate significant at the 0.10, 0.05, and 0.01 levels, respectively. The bold numbers indicate a value of >0.5.

Previous studies have also found the *age of an auditor* to affect his or her professional skepticism (Gul 1983; Johnson 1995; Reckers and Schultz 1993). So we therefore included auditor age and, analogously, *Client Age* as a control in our measurement model.

Moreover, *audit firm size* is argued to impact auditors' professional skepticism, since single clients are less important to large audit firms than they are to small audit firms (DeAngelo 1981) and big audit firms are assumed to have a higher level of reputational capital to protect (Dopuch and Simunic 1980). Analogously, we included *Client Firm Size* as a control, and measured this by the number of employees.

Prior research has reported that the duration of the relationship between the auditor and the client (for auditor tenure see, e.g., Carey and Simnett 2006; Chen, C. Lin, and Y. Lin 2008; Ye, Carson, and Simnett 2011) and the audit firm and the client (for audit firm tenure see, e.g., Johnson, Khurana, and Reynolds 2002; Lim and Tan 2010; J. Myers, L. Myers, and Omer 2003) affects auditors' professional skepticism. Accordingly, tenure was incorporated as control into the model. Both the length of the relationship between the individual auditor and the client and that of the audit firm and the client were measured in number of years with a direct question.

NAS are frequently suggested to affect an auditor's professional skepticism. Both positive effects, such as knowledge spillovers (Antle, Gordon, Narayananamoorthy, and Zhou 2006) and the strengthening of the auditor's position (Emby and Davidson 1998; Lennox 1999), and negative effects, such as the familiarity threat (Quick 2012), the self-interest threat, the self-review threat (Johnstone, Sutton, and Warfield 2001), and the advocacy threat (Firth 2002), are reported. To measure the impact of NAS on auditors' professional skepticism, the survey instrument directly asked the auditors what percentage of their total fees was generated from NAS.

The summary of the basic statistics is presented in Table 7. The correlation table does not show any unexpected results apart from the absent correlation between trust and professional skepticism. However, this relationship will be investigated further in the multivariate analysis.

Test of Hypothesis

To test our hypothesis, we employed an ordinary least squares regression that includes the controls and the auditors' trust in their clients (factor) against the clients' perceptions of their auditors' professional skepticism (factor). The results are reported in Table 8, Panel A.

The model is highly significant and has an adjusted R^2 of 0.0836. Most importantly, auditor's report of their level of interpersonal trust shows a highly significant positive association with clients' perception of auditors' professional skepticism ($p < 0.0000$; $\beta = 0.2429$). This result supports the proposed hypothesis. In our sample, none of the control variables are significant.

To ensure that our findings are not an artifact of the operationalization of professional skepticism employed, we ran a robustness check using an alternative operationalization for clients' perceptions of their auditors' professional skepticism (item formulation: "The probability of the auditor detecting a manipulation of the financial statement is high") and the responses were measured on a seven-point Likert scale anchored with *totally disagree* (1) and *totally agree* (7). The results of the robustness check (Table 8, Panel B) do not show any deviation from those obtained using a factor based on the Hurtt (2010) scale to measure professional skepticism. Only the control on the size of the client firm is weakly significant. The check indicates that the findings are robust.

As a further robustness check we mirrored the sources of data on trust within the auditor-client dyad and found that the results are robust against trust collected from the client side of the dyad.

DISCUSSION AND CONCLUSION

The main finding of this study is that auditors' identification-based trust in their clients is positively related to the clients' perceptions of the auditors' professional skepticism. This result challenges the view that interpersonal trust and professional skepticism are dichotomous; that is, identification-based trust and professional skepticism are mutually exclusive (Quadackers et al. 2014). It instead supports the coexistence argument (Richard 2006) that identification-based trust and professional skepticism may occur simultaneously in auditor-client relationships. The coexistence of identification-based trust and professional skepticism in auditor-client dyads implies that regulatory measures that impede the evolution of identification-based trust between auditors and their clients will fail to enhance professional skepticism. This is because in an auditor-client relationship, a lack of identification-based trust does not imply professional skepticism. At the same time, identification-based trust between auditors and their clients does not eliminate the threat of collusion. However, according to our findings, in cases of high identification-based trust, collusion is less likely because clients tend to perceive their auditors as more skeptical. In order to grasp the full implications of these findings, they have to be interpreted at the relationship and the individual levels.

TABLE 7
Descriptive Statistics and Correlation Matrix

Panel A: Part 1

Description	Obs.	Mean	Std. Dev.	Min.	Max.	1	2	3	4
1. Gender of auditor	251	0.06	0.2448	0	1	1.000			
2. Age of auditor	252	50.05	7.9809	30	71	0.132**	1.000		
3. Big 4/Non-Big 4	248	0.83	0.3793	0	1	0.034	-0.168***	1.000	
4. Age of client	252	50.73	8.3478	30	78	-0.048***	0.187***	-0.195***	1.000
5. Gender of client	244	0.23	0.4336	0	1	0.086	-0.063	0.059	0.058
6. Size of client firm	252	801	1,607	0	7,300	-0.036*	0.121***	-0.408	0.007
7. Audit partner tenure	248	8.27	5.6139	1	40	-0.019***	-0.363***	0.207*	-0.114
8. Audit firm tenure	248	10.96	11.4173	1	100	-0.045*	-0.113	-0.017	0.027
9. Non-audit services	252	0.15	0.1487	0	0.75	-0.064	0.078	0.048	-0.073
10. Skepticism (Item)	233	5.36	1.6764	1	7	0.073	-0.044	0.187*	-0.077
11. Auditor professional skepticism	249	0.00	1.01	3.36	1.69	-0.037	-0.123	0.136**	0.017
12. Auditor's trust in client	250	0.00	1.00	3.34	2.30	0.087**	-0.039**	-0.165**	0.051
13. Auditor's confidence in client	246	0.00	1.00	3.49	1.92	0.137	-0.154	0.124**	-0.001

Panel B: Part 2

Description	Obs.	5	6	7	8	9	10	11	12	13
5. Gender of client	244	1.000								
6. Size of client firm	252	-0.032	1.000							
7. Audit partner tenure	248	0.057	-0.101	1.000						
8. Audit firm tenure	248	0.027	0.017***	0.367	1.000					
9. Non-audit services	252	0.015	-0.001	0.077	0.073	1.000				
10. Skepticism (Item)	233	0.071	-0.175	-0.004	-0.015	0.113	1.000			
11. Auditor professional skepticism	249	0.129*	-0.075	0.120	0.095	-0.090	0.327	1.000		
12. Auditor's trust in client	250	0.062***	0.113**	-0.129	-0.030	-0.013	-0.012	-0.088***	1.000	
13. Auditor's confidence in client	246	0.185	-0.134	0.054	-0.011*	-0.081	0.210	0.281	0.000	1.000

*, **, *** Indicate significant at the 0.10, 0.05, and 0.01 levels, respectively.

On the level of the relationship, the coexistence of identification-based trust and professional skepticism can be explained along three rationales anchored in auditing literature, as well as in the findings of the qualitative interviews with auditors and clients. First, auditors' identification-based trust in the client may make auditors feel uncomfortable and may lead to compensating behavior on their part (e.g., Quadackers 2009), while auditors who do not feel they are viewed as skeptical by the client would not engage in an identification-based trust relationship. Second, identification-based trust improves the information exchange between auditors and clients, allowing for an audit procedure that the client perceives as strongly reflecting the auditor's professional skepticism (e.g., Anderson and Weitz 1992; Dyer and Chu 2003; Rennie et al. 2010). Third, identification-based trust reduces opportunism in the auditing process by coordinating the clients' and auditors' individual utility functions and thus makes negotiations more efficient, which in turn enhances the application of professional skepticism (e.g., DeRuyter and Wetzel 1999; Rennie et al. 2010).

On the level of the individual actor, the findings imply that both identification-based trust and professional skepticism are rooted in the very same set of maxims yet still do not represent opposites (dichotomy) but occur simultaneously (coexistence). Such maxims are behavioral guidelines that the individual might wish were generally valid laws (Arntzen 1991), and they are behavioral constraints on the individual level and are domain specific. However, in contrast to natural laws, the validity of maxims is not dependent on any conditions (McNair 2000) and it is therefore valid across different situations. A strong ethical posture of the auditor in the auditor-client relationship positively affects both the level of identification-based trust (Fink and Kessler 2010) and the level of professional skepticism (Kurtz 1992). In support of this argument, prior research has documented that auditors are less likely to show professional skepticism in a low moral intensity setting (Bobek, Daugherty, and Radtke 2012; Svanberg and Öhman 2013; Brown-Liburd, Cohen, and Trompeter 2013) in which identification-based trust is also unlikely. The coexistence of identification-based trust and professional skepticism might be strengthened by the halo

TABLE 8
Regression Model

Panel A: Regressions with Dependent Variable Professional Skepticism Measured by the [Hurtt \(2010\)](#) Scale (Factor)

	Auditor Professional Skepticism (Factor)	Auditor Professional Skepticism (Item)
Number of Obs.	233	233
F(11, 221)	2.92	2.12
Prob. > F	0.0013	0.0200
R ²	0.1270	0.0955
Adj. R ²	0.0836	0.0504
Root MSE	0.9370	1.6336

Panel B: Professional Skepticism Measured by an Alternative Operationalization Using a Single Item (Item)

Auditor Professional Skepticism (Factor)	Coeff.	Std. Err.	<u>p</u> > <u>t</u>	Coeff.	Std. Err.	<u>p</u> > <u>t</u>
Age of auditor	−0.2736	0.2521		−0.0029	0.0155	
Gender of auditor	−0.0042	0.0089		−0.2115	0.4393	
Big 4/Non-Big 4	0.2486	0.1903		0.5198	0.3214	
Age of client	0.0040	0.0076		0.0139	0.0132	
Gender of client	0.1710	0.1445		0.1183	0.2639	
Size of client firm	0.0000	0.0000		−0.0001	0.0000	*
Audit partner tenure	0.0092	0.0138		−0.0182	0.0241	
Audit firm tenure	0.0071	0.0058		0.0036	0.0102	
Non-audit services (percent)	−0.5352	0.4109		−0.6568	0.6271	
Auditor's trust in client	0.2429	0.0636	***	0.2938	0.1121	***
Auditor's confidence in client	−0.0647	0.0627		0.0124	0.1123	
_cons	−0.1384	21.0860		26.3668	36.8033	

*, **, *** Indicate significant at the 0.10, 0.05, and 0.01 levels, respectively.

effect ([Nisbett and Wilson 1977](#)), a psychological phenomenon that describes cognitive spillover effects from a positive or negative perception in one area of a relationship (identification-based trust) to other areas (professional skepticism).

One might think of an alternative explanation for our findings. For example, it could be argued that more skeptical auditors select more trustworthy clients. However, auditors cannot freely choose their clients because of partner rotation and a lack of market transparency. This explanation also ignores the fact that identification-based trust only evolves over time ([Ferrin, Bligh, and Kohles 2008](#)). Second, it could be argued that auditors who are more skeptical tend to educate their clients toward more trustworthy behavior, although such behavioral adjustment would not affect the clients' level of benevolence and integrity—the dimensions of identification-based trust talked about in this study. We argue that it is the joint effect of all three rationales described above that results in the positive relation between identification-based trust and professional skepticism. Even if the findings from our qualitative study highlight the relevance of these rationales, further research might identify additional relevant explanations that further support our main finding: the coexistence of identification-based trust and professional skepticism in auditor-client relations.

The present work contributes in several ways. First, by integrating the insights of current interpersonal trust and auditing research, it adds an interdisciplinary perspective to the theoretical discourse on the under-researched role of interpersonal trust in the auditing context. Our study enhances the theoretical understanding of the effect of identification-based trust on the auditor-client relationship, as called for by, for example, [Johnstone et al. \(2001\)](#) and [Rennie et al. \(2010\)](#). The current study supports the coexistence between identification-based trust and professional skepticism ([Rennie et al. 2010; Richard 2006](#)) and rejects the dichotomy argument. Second, the findings of our qualitative study provide rich insight into the practical relevance of the research question, the phenomena in focus, and the appropriate theoretical concepts. These insights inform future research regarding the choice of the measurement models for interpersonal trust and professional skepticism. Third, for the first time, the empirical evidence is based on both a qualitative study and a large-scale survey of real auditor-client dyads; the qualitative study ensures validity while the quantitative study ensures reliability. Fourth, in employing well-established scales from

interpersonal trust and auditing literature, the current research will facilitate comparisons with the empirical findings of earlier research and any future research findings. This is important for scientific progress because it fosters the establishment of an empirically based common body of knowledge as called for by [Tranfield, Denyer, and Smart \(2003\)](#), for example. Fifth, the current research advances auditing research methods in terms of the robustness of survey data by presenting a feasible approach to collecting data from both sides of the auditor-client dyad, which helps to avoid issues such as CMB.

On the practical level, the findings have direct implications for practitioners and policy makers. Most importantly, the insight that identification-based trust and professional skepticism are highly relevant in auditing practice and are not dichotomous, but rather coexistent, opens a new perspective on auditing practice and regulation. The results show that trust is not a threat for professional skepticism. It follows that any regulation inhibiting a trust relationship between the auditor and the client will certainly not improve, and potentially even harm, professional skepticism. Instead, this study shows that regulators have to find the right balance between enabling identification-based trust between the auditor and the client in order to foster professional skepticism on the one hand and safeguarding against collusion on the other. The positive relationship between identification-based trust and professional skepticism arises from two countervailing effects that coexist in audit practice ([Rennie et al. 2010; Richard 2006](#)). First, the compensation effect leads to auditors having elevated levels of professional skepticism in client relationships based on high levels of identification-based trust. Regulators and auditors themselves have to ensure auditors are constantly aware of their public responsibilities and professional obligations. At the same time, regulators should tap the potential of the positive effects of identification-based trust. Therefore, regulations must give auditors and their clients sufficient leeway to establish identification-based trust. To do so, regulators should design a framework that provides both auditors and clients with as much leeway as possible in order to access the positive potential of identification-based trust and impose as many restrictions as required to deter misconduct. One example of regulation embracing this proposed balance might be to avoid the mandatory rotation of auditors away from their clients, and instead implement a systematic external review of auditors' work. At the same time, an independent institution, such as the German Financial Reporting Enforcement Panel or the Financial Reporting Council in the U.K., should assess the audits in order to avoid collusion. Alternatively, corporate governance mechanisms need to provide shareholders with the rights to control firms' management effectively.

The study design in the current research has the benefit of making it possible to research both sides of the auditor-client relationship and offers an effective way to assess the relationship between identification-based trust and professional skepticism in real auditor-client dyads. Nevertheless, readers have to interpret the findings in light of the limitations of both data acquisition and analysis. First, collecting data from both sides of the dyad avoided issues of CMB, but at the same time substantially reduced the response rate, incurring the danger of selection bias. This study only captures data on those auditors and clients engaged in an active auditor-client relationship at the time of data collection. However, while stronger identification-based trust only evolves over time, a minimum level is necessary for an auditor-client relationship to be established in the first place. On the one hand, the auditor would rather choose a trustworthy client offering a similar fee than an untrustworthy one. On the other hand, an auditor asking for a fee that compensates for the elevated risk emerging from perceiving the potential client as untrustworthy would encourage the client to approach another auditor who perceives the client as more trustworthy and therefore asks for a lower fee. Second, breaches of trust very likely result in a termination of the relationship ([Gambetta 1988](#)). This effect may potentially raise the average level of identification-based trust in the sample. Third, social desirability bias might affect the reported average values of trust and professional skepticism. However, our analytical strategy looks for aspects that are significant in explaining deviations in auditors' professional skepticism, rather than absolute values or absolute differences. Fourth, even though Germany represents a setting similar to many other continental European countries ([Quick, Turley, and Willekens 2008; Quick and Warming-Rasmussen 2009](#)), replications of this study in other contexts would be required to confirm the robustness and generalizability of the findings.

Notwithstanding its limitations, our study takes an important step in the direction of a more refined understanding of the role of identification-based trust in auditing. The findings presented make a case for adopting a more differentiated perspective on the relationship between identification-based trust and professional skepticism in the auditing setting. However, it is important to bear in mind that despite the symbiotic relationship of identification-based trust and professional skepticism, revealed by the statistical analysis across all of the cases surveyed, identification-based trust is no safeguard against unfair or collusive behavior in individual cases.

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