

**Effects of Differential Experience on Auditors' Intended Usage of  
Negotiation Strategies: Methodological & Practice Concerns**

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### **SUMMARY**

The most serious auditor client management (ACM) negotiations typically occur between audit partners and the most senior levels of client management. In order to increase experimental efficiency, some studies have used surrogates for audit partners in their experimental designs. In addition, research has shown that audit managers often attempt to resolve (i.e., negotiate) issues with client management before bringing them to the audit partner's attention for a variety of reasons, including, efficiency and image management. Hence, two sets of related concerns arise. First, from a research perspective, inappropriate participant surrogation may compromise the internal validity of ACM research design. Second, from a practice perspective, any differences between how the partner and manager might approach the issue to be negotiated may be of concern since the generic negotiation literature shows that the negotiation strategies employed can affect the negotiated outcome. Hence, we study two classes of partner surrogates: 1) distant surrogates (i.e., master's students who are audit novices) and 2) close surrogates (i.e., audit managers). Results from our baseline comparison of novices to practitioners (managers and partners) suggest that audit novices' intended use of negotiation strategies is different from those of audit partners. However, audit novices' intentions to use integrative negotiation strategies are similar to audit managers for the "adding to the agenda" strategy's tactics, whereas, the managers' strategy is comparable to audit partners and different from the novices for the "problem solving" strategy's tactics. When we focus on the comparison between audit partners' and managers' intended distributive strategies usage, we find limited support for our prediction that audit managers are less likely to use the contending strategy's tactics as compared to audit partners. However, we find strong support for our hypothesis that audit managers are more likely than partners to use both concessionary and compromising strategies' tactics. Implications for practitioners and for research design regarding ACM negotiation are discussed.

**Keywords:** negotiation; strategy; experience; surrogate; auditor;

**Data Availability:** Contact the authors.

# **Effects of Differential Experience on Auditors' Intended Usage of Negotiation Strategies: Methodological & Practice Concerns**

## **INTRODUCTION**

Auditor-client management (ACM) negotiations have gained attention in the audit research literature in recent years due to the increased realization that financial reporting is not clear cut and often requires judgment to determine the proper accounting for a transaction. While it has been clearly documented that the most serious issues are almost always dealt with at the audit partner to Chief Financial Officer level (Gibbins et al. 2005), there is also evidence that sometimes audit managers attempt to negotiate resolutions to issues in order to increase audit efficiency or to increase the manager's image of competence with the partner (Gibbins et al. 2007a). A wide array of participants have been used as surrogates for audit partners in ACM studies, including students (e.g., Kleinman et al. 2003), practitioners with different levels of experience (e.g., Tsui and Gul 1996), and combinations of audit managers and audit partners (Bame-Aldred and Kida 2007; Brown and Johnstone 2007). Hence, there is a two-fold issue considered in this paper: 1) the costs in terms of audit effectiveness when non-partner staff take it upon themselves to negotiate issues with client management when partners might have different approaches leading to different negotiation results; and 2) the benefits from increased sample size (i.e., experimental efficiency) versus the drawing of inappropriate experimental conclusions (i.e., experimental effectiveness) from employing managers and indeed other auditors down to the level of novices, instead of partners in this type of research.

These concerns are not trivial, as the underlying generic negotiation literature (e.g., Thompson 1990) has found some significant differences between experienced (sometimes expert) negotiators and inexperienced negotiators with regard to their negotiation behavior and outcomes. However, given the difficulty that generic research has in defining "expert" or

“experienced” subject pools, research in this area is not extensive. As such, this paper seeks to examine the issue of participant surrogation on two levels. First, we examine a “distant” surrogate, co-op masters’ students with audit experience (denoted audit novices), so as to study the full range of possible surrogation in auditing. If such surrogation proves effective in our study, large gains could potentially be made in experimental efficiency. However, based on the surrogate literature, we hypothesize that professional experience matters; that is, practitioners (i.e., audit partners and managers) will behave differently than audit novices. In particular, prior negotiation expertise literature has suggested that more experienced negotiators (i.e., practitioners) would utilize integrative negotiation strategies more often than novice negotiators (i.e., audit novices).

Second, we examine a more likely surrogate, both experimentally and in practice, the audit manager or “close” surrogate. Based on the negotiation expertise literature that documents key differences in the distributive negotiation strategies of “expert” and “less expert” negotiators, we hypothesize that the relatively more “expert” audit partners will be more likely to intend to use the contending strategy’s tactics and less likely to intend to use concessionary and compromising strategies’ tactics than the “less expert” managers.

We examine these hypotheses in two experiments where 73 audit partners, 105 audit managers and 56 audit students are asked to indicate their likelihood of using different negotiation strategies’ tactics in an upcoming negotiation with a client. While planning strategies for negotiation may seem remote from the ultimate outcome of the negotiation, negotiation research shows that choices made at this stage have profound effects on the negotiation outcomes (Brett et al. 1998; Greenhalgh and Chapman 1998; Lytle et al. 1999; Olekalns and Smith 2000), in addition, there is some initial descriptive evidence in auditing that supports this contention

(Bame-Aldred and Kida 2007). Hence, studying the effects of surrogation in this area seems important to us, given its use in research and practice.

Our results are generally consistent with our hypotheses. In our first experiment investigating distant surrogation, we find that audit novices' intended negotiation strategies are different from practitioners. Specifically, we find differential use of integrative negotiation strategies amongst the three levels of experience. In our second experiment comparing audit partner and manager use of distributive negotiation tactics, we find limited support for our prediction that audit partners will use the contending strategy's tactics more than managers. However, we find that managers intend to use the concessionary strategy's tactics more than audit partners and managers intend to use the compromising strategy's tactics more than audit partners but only when the client management is viewed as having an inflexible initial accounting position, a potentially problematic audit managerial plan.

Our audit manager results are noteworthy, as we find that in some situations managers intentions are similar to audit partners, while in others they are more similar to the audit novices. While managers may make both experimental design and actual negotiations more efficient, our results suggest that unquestioned use of audit managers as surrogates may compromise both experimental and substantive effectiveness. From a practice perspective, audit partners need to be aware of circumstances where audit managers negotiate with client management, since the tactics employed and potentially the outcomes obtained by the manager may be different than if the audit partner had been involved. From an experimental design perspective, the increased noise in strategy use and outcomes obtained may outweigh the benefits of the increased sample size from including managers; leaving the researcher worse off than he/she would have been with a smaller sample of appropriate participants.

The paper proceeds as follows. The next section discusses the relevant research and our research hypotheses. The third section contains the experimental method, including the experimental setting, design, variables, and participants. Our results are presented in the fourth section. We conclude, discuss limitations and implications of this research in the fifth section.

### **HYPOTHESES DEVELOPMENT**

Surrogation is a fundamental aspect of experimental research. The term surrogate has been previously defined as, "...things or phenomena that are used to represent other things or phenomena..." (Ijiri 1967, 4). Given that experimental research requires abstraction, criticisms of surrogation may occur at different levels including the research setting, task and choice of participants (Dickhaut et al. 1972). Applied research, such as marketing (e.g., Cunningham et al. 1974; Hawkins et al. 1977; Beltramini 1983), management (e.g., Remus 1986), accounting (e.g., Abdel-Khalik 1974; Houghton and Hronsky 1993; Liyanarachchi and Milne 2005), and auditing, has historically been more concerned about participant surrogation in contrast to the base psychology literature (Sears 1986; Wintre et al. 2001).

Gibbins and Swieringa (1995), however, note that it is the institutional setting that differentiates accounting and audit judgment research from the base discipline of psychology. As such, applied research fields continue to debate the surrogation issue (e.g., Gibbins and Salterio 1996). Libby et al. (2002) note that when, "...the experimenter is interested in how subjects' use of some type of knowledge learned in the real world causes treatment effects...they must use subjects with the requisite knowledge" (p. 802). Hence, the surrogation problem as it relates to participant selection illustrates the tradeoff that researchers confront between experimental efficiency and experimental effectiveness (Libby et al. 2002), and ultimately external validity after all internal validity concerns have been attended to (Dickhaut et al. 1972).

## **Distant Surrogation: Practitioners versus Novices (Students)**

One of the first studies to empirically examine the surrogation issue in auditing was Ashton and Kramer (1980). Based on prior research, they decomposed the surrogation issue into two categories, attitudes and decision making. With regards to the former category of attitude, a broad range of research has shown that student surrogates are different from practitioners (e.g., Alpert 1967) because attitudes are malleable.<sup>1,2</sup> For example, Bean and D'Aquila (2003) found that student ethical behavior deviated significantly from practitioners and was not a function of technical ability or gender.

Ashton and Kramer's (1980) review of the literature suggests that students (i.e., novices) have similar information processing abilities as practitioners (i.e., experts) and may be reasonable surrogates when examining decision making tasks.<sup>3</sup> Their experimental study supports prior research as they show that student participants performed similarly to auditors when evaluating internal controls. Hamilton and Wright (1982) replicate and support Ashton and Kramer's (1980) conjecture that differences in experience between students and practitioners did not improve performance, and as such students appeared to be reasonable surrogates for practitioners, at least with regard to that experimental task. However, subsequent research (e.g., Bonner 1990) indicates that the task of internal control evaluation utilized by both Ashton and Kramer (1980) and Hamilton and Wright (1982) was novice in nature, which would suggest that extensive experience was not a necessary precondition to the internal control evaluation experimental task.

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<sup>1</sup> For early accounting surrogation research and controversy regarding attitude, see Copeland et al. (1973); Watson (1974); Copeland et al. (1974).

<sup>2</sup> For example, Ashton and Kramer (1980) in their review identify wealth and age as being important factors in addition to experience.

<sup>3</sup> For a review of the differences between novices and experts, see Davis and Solomon (1989) and Choo (1989).

In negotiations, Walton and McKersie (1965, 1991) note, in their development of a theoretical framework for labor negotiations, that, “[a]ttitudes, feelings, and indeed the tone of the relationship represent an extremely important dimension of labor negotiations” (1991, 3). Hence, the differences noted above between students and practitioners in both attitude and decision making studies must be considered in a negotiation task. Prior research has also shown that experience differentially affects different subsets of negotiation strategies. The negotiation literature (e.g., Bazerman 1986) defines distributive negotiation strategies as those strategies dividing a “fixed pie” (or amount) of resources among the negotiating parties, whereas integrative negotiation strategies involve expanding the “pie” of resources by making mutually beneficial tradeoffs or joint problem solving. Furthermore, the literature finds that parties typically enter negotiations with “fixed pie” perceptions, in that they presume that the negotiation will be distributive in nature (e.g., Bazerman 1986).

Reviewing studies that found fixed pie perceptions, Carroll and Payne (1991) note that, “...it takes significant experience for subjects to transcend the fixed pie and recognize the integrative potential in the situation” (p.12). Using an experimental market study with student participants, Bazerman et al. (1985) found that negotiators tended to use distributive tactics early in the market setting, however, as participants gained experience in the market, they were able to overcome this fixed-pie perspective and become more integrative, as evidenced by joint profit. Neale and Northcraft (1986) compared students to professional real estate negotiators finding that experts and the students became more integrative, as measured by dyadic joint profit, with experience in the task. However, the experts moved to the integrative behavior more quickly than the students.<sup>4</sup> Thus, we expect that:

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<sup>4</sup> Northcraft and Neale (1987) extend the series of experiments to an information rich setting. However, the analysis focuses on participant susceptibility to judgment bias rather than negotiation strategy.

*H1: Audit practitioners will intend to use different negotiation strategies' tactics than audit novices (surrogates for practitioners).*

*H2: Audit practitioners will intend to use more integrative strategies' tactics than audit novices (surrogates for practitioners).*

These first two hypotheses test for a basic experience effect – that is, how audit novices might differ from practitioners in their selection of negotiation strategies. While this “distant” surrogate provides the largest possible expansion of available experimental participants and, hence, the largest increase in experimental efficiency, the most common surrogate for audit partners in ACM negotiation research has been the audit manager (e.g., Brown and Johnstone 2007; Bame-Aldred and Kida 2007). The advantage of using managers in this type of research is that prior research has documented that managers are often present and typically undertake at least some ACM negotiations on their own (Gibbins et al. 2007a). Hence, they are strong candidates for audit partner surrogates in experimental research, especially given that there are many more managers than partners (e.g., in the firm we study there are almost twice as many). Thus, a substantial increase in experimental efficiency could be achieved, provided the managers are an appropriate surrogate.

### **Close Surrogation: Partners versus Managers**

Prior research in the general negotiation literature (Pruitt and Carnevale 1993) and ACM negotiation literature (Gibbins et al. 2001, 2007b) demonstrates that negotiators most commonly use distributive negotiation tactics. As such, it is important to assess auditor experience effects on the most common and easiest to use negotiation tactics, distributive tactics, as these are the tactics the less experienced professionals are most likely to use. Further, as noted above, distributive tactics are used most often early in negotiation, even by “expert” negotiators (Neale

and Northcraft 1986). Distributive negotiation strategies include contending, compromising, and conceding.

Contending tactics attempt “to make the other party make concessions or to resist similar (contending) efforts by others” (Pruitt and Carnevale 1993, 30). At an extreme, contending negotiation tactics may include insisting that the other party comply. Prior research suggests that experience influences the use of contending tactics; for example, Lewis and Fry (1977) and Carnevale and Isen (1986) have examined how dominance or the perception of dominance affects negotiation behavior and outcomes. Both of these studies found that individuals who perceive themselves as being dominant in a negotiation will utilize contending negotiation tactics.<sup>5</sup> Potentially escalating this effect, research has also shown that overconfidence in one’s abilities also encourages contentious negotiation behavior (Neale and Bazerman 1985). Michener et al. (1975) found that in a bilateral conflict, participants in a stronger power position relative to their confederate made more threats as compared to participants that were in a lower power position relative to their confederate. Furthermore, focusing on power differences between negotiators, De Dreu (1995) found that a negotiator communicated more threats when the negotiator’s coercive power was high.<sup>6</sup> Thompson (1990) also investigated how differences in experience between negotiators impacted negotiation behavior and outcomes and found that, “[h]ighly experienced negotiators tended to claim more resources at the expense of their naïve opponents... Highly experienced bargainers made high initial demands, offered few concessions, and made offers that were low in value to the other party” (p.88). Hence, the results of the above studies suggest that greater audit partner experience and power relative to audit managers would

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<sup>5</sup> Related research (e.g., Loewenstein et al. 2005) has examined conversation dominance on negotiation outcomes.

<sup>6</sup> De Dreu (1995) defined coercive power as a negotiators, “...possibility to levy costs on the opposing negotiator” (p.646).

support a greater planned use of contending negotiation tactics by the partners relative to the managers, when preparing for negotiation with the same client personnel. Stated formally:

*H3: Audit partners are more likely to intend to use the contending strategy's tactics than audit managers (surrogates for partners).*

The second distributive negotiation strategy, compromising, seeks to find a mutually acceptable solution or middle ground.<sup>7</sup> Hence, when compromising, the goal of the negotiation exercise is accomplished (i.e., in the audit context, unqualified financial statements are issued); however, both parties are not really satisfied. Closely related to compromising, is the third distributive negotiation strategy, conceding, that involves changing one's position so that it provides less benefit to oneself, and therefore more benefit to the other party (Pruitt and Carnevale 1993, 28). Note that, although conceding may not sound useful, the timing of the concession, the amount of the concession, and the resistance offered before conceding, among other factors, have been shown to affect the outcome of a distributive negotiation (e.g., Komorita and Esser 1975; Olekalns and Smith 2000).<sup>8</sup> The results of Thompson (1990) show that less experienced negotiators (i.e., audit managers) would be more inclined to offer concessions than more experienced negotiators (i.e., audit partners). Furthermore, Michener et al. (1975) found that participants in the stronger power position relative to their confederate, "...did not concede in response to concessions initiated by the confederate...When subjects occupied the weak power position, their concession rate mirrored the concession rate of the confederate, in accord with the reciprocity hypothesis" (p. 62). Given audit partners would have a stronger power position within the audit firm relative to audit managers and given that the "confederate" (i.e., the CFO of the audit client) is the same, the managers should intend to concede more than the

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<sup>7</sup> See Druckman (1994) for a meta-analysis of compromising behavior in negotiation research.

<sup>8</sup> Indeed, some concessionary tactics over minor items have been shown to be helpful in negotiations in the ACM setting (Sanchez et al. 2007).

partners. Thus, in sum, prior research suggests that less experienced and relatively less powerful audit managers will concede and compromise more often than partners.<sup>9</sup> Stated formally:

*H4: Audit managers (surrogates for partners) are more likely to intend to use the compromising and concessionary strategies' tactics than audit partners.*

## **EXPERIMENTAL METHOD**

### **The Experimental Setting**

Our experimental case was based on a published case of an actual negotiation (Kleinman and Palmon 2000). We adapted it (with permission) for developments since the case was written and also to incorporate the explicit issues of the ACM setting that we wanted to capture for this study as well as another study that was interested in studying the appropriateness of audit partner initial negotiation strategies.<sup>10</sup> The case and experimental instrument were extensively pretested over a three year period involving several hundred participants including students, audit seniors and a dozen audit partners, none of whom took part in this study.<sup>11</sup>

The experimental materials required participants to assume the role of an audit partner preparing for a negotiation with an audit client over a disagreement with the client management regarding a potential overstatement of net income. The audit team believed that net income was overstated by a material amount, some of which was due to clear-cut errors and the remainder being due to differences in estimates, such as the amount of allowance for doubtful accounts, inventory obsolescence write-downs, and capitalization of interest costs. The nature of the ACM

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<sup>9</sup> Note that our H3 and H4 are consistent with the hierarchical position hypotheses advanced by Kleinman et al. (2003) in their H2. However, Kleinman et al. (2003) utilized student participants in a role playing task and found no support for their hypothesis. If our theoretical analyses are correct about inappropriate surrogation, Kleinman et al.'s result would be expected due to this inappropriate surrogation.

<sup>10</sup> The case used in this study was also used in Gibbins et al. (2007b). The purpose of that study was to determine how the state of the ACM relationship and the perception of the initial client position influence audit partners negotiation strategies and tactics. This paper is focused on research design and practical implication of employing surrogates for partners in ACM negotiation, both in the lab and in actual negotiations with client management.

<sup>11</sup> Refer to Gibbins et al. (2007b) for details on case development and pretesting.

relationship, the audit team's perception of the client's initial accounting position flexibility, and a brief history of the client company and audit firm were discussed in the case.<sup>12</sup>

The participants, randomly assigned to their specific treatment condition, were first asked to read the case and then to rate how likely they would be to use each of the five tactics related to the five negotiation strategies (expanding the agenda, problem solving, contending, compromising and conceding) in their upcoming discussions with the client (see Appendix).<sup>13</sup> Following that, participants completed demographic and extensive manipulation check questions.

### **Experimental Design**

As noted previously, the case used in this study was also used for a previous study, Gibbins et al. (2007b), where the authors were interested in determining how different relationship types and initial client position flexibility influenced audit partner intended negotiation strategies and tactics. Thus, these manipulations are embedded in the case but are not of direct interest for this study, however, they must be controlled for in the analysis. Therefore, in our first experiment where we test H1 and H2, our hypotheses dealing with the most distant surrogates, we use a 3 X 2 between subjects factorial design with three levels of experience (partner, manager and audit novice) and two combinations of ACM relationship type and client position flexibility (cordial and inflexible, contentious and flexible). Only two ACM combinations are employed based on limited availability of audit novice surrogates with the same background.<sup>14</sup> In our second experiment, used to test H3 and H4, our hypotheses that deal

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<sup>12</sup> Refer to Gibbins et al. (2007b) for more details on the case.

<sup>13</sup> Two random orders of tactics were employed in unclassified lists of 25 tactics and no differences due to order were found.

<sup>14</sup> Due to the limited number of masters students (our audit novice surrogates) available to participate in our experiment, these two conditions were selected to be tested, given that they were expected to be the most difficult roles to assume. The case and instrument at the point of this decision had been extensively pretested with several hundred students, 50 audit seniors, and 12 audit partners. Thus, the selection of treatments was an informed one.

with close surrogates, we use a 2 X 2 X 2 between subjects factorial design, with two levels of experience (partner, manager), two forms of client management's initial accounting position flexibility (inflexible, flexible), and two types of ACM relationship (cordial, contentious). For these two experience levels, we have all four client management initial accounting position flexibility and ACM relationship combinations, thus we must control for the influence of ACM relationship type, client position flexibility, as well as the interactions of these with each other.

### **Independent Variable and Case Manipulations**

**Experience.** Given that we are interested in determining the appropriateness of using audit novices and managers as surrogates in an ACM negotiation setting, our independent variable of interest is differential experience. Thus, the focus of the study is to examine the effects of experience while controlling for the case manipulations. We have three distinct groups of participants: audit partners, audit managers and audit novices (masters' students with audit work experience). The audit partners and managers are all from one international accounting firm.

**Flexibility of client management's initial accounting position.** The case manipulation of the flexibility of the client management's initial accounting position is incorporated into the second-last paragraph of the case. In the *flexible* version, the audit team believes that the client management has a range of net income numbers that it would be able to "live with", although probably not as low as the audit team's initial preferred position. In contrast, in the *inflexible* version, the team reports that the client management is strongly committed to the unaudited net income number, and that it will be difficult to move client management from its initial accounting position.

**Nature of the ACM relationship.** The case manipulation of ACM relationship is woven into the case. In the *cordial* relationship version, the relationship is long term and has mutual respect; the chief financial officer is not a professional accountant and faces staff turnover; the internal audit department is considered competent; and the services provided by the audit firm are valued by the client management. In contrast, the relationship in the *contentious* version is only three years old and has consistently been difficult to manage; the chief financial officer is a professional accountant and has strong beliefs regarding GAAP interpretation; the internal audit department is relatively weak; and the services provided by the audit firm are not valued by the client management.

### **Dependent Variables: Auditor's Likelihood of Employing a Strategy's Tactic**

We asked participants to indicate their likelihood of employing each of 25 tactics that underlie the five major negotiation strategies (see Appendix) in the upcoming discussion with the client on an eight-point scale ranging from 0 ("Very **unlikely** to use") to 7 ("Very **likely** to use"). The ACM specific tactics are based on an inventory of tactics validated by Rahim (1983) as part of the development of an instrument for identifying individual differences in negotiating style (see also Goodwin 2002). Part of Gibbins et al.'s (2007b) pre-testing ensured that Rahim's five original strategies were reflected in the revised instrument (i.e., there was a five factor solution) and that the five tactics loaded onto the five strategies in the manner envisioned by the underlying theory.

### **Participants**

In total, 73 audit partners and 105 audit managers from one large international public accounting firm participated in this study, of whom 70 and 99 respectively provided a full panel of data (the 73 audit partners are a subset of the 140 audit partners in Gibbins et al. (2007b), all

other data is unique to this study). By using only one public accounting firm, we were able to control for cross sectional differences in human resource management policies, audit structure, training and other issues that can vary across public accounting firms. We used all data available to test each hypothesis. The participating firm identified all appropriate participants. The auditor participants completed the experimental materials in the fall of 2005 at the firm's annual partners and managers meetings, with a researcher present. In addition, 56 masters of professional accounting students from a large Canadian university participated in the study in May 2005 (53 provided a full panel of data). These students all had recent audit internship experience and are denoted as audit novices. Descriptive statistics for the first experiment's audit novices, managers and partners are in Table 1 Panel A. Descriptive statistics for the entire audit partner and manager sample used in the second experiment are found in Table 1 Panel B, which includes those partners and managers in Panel A.

## **RESULTS**

### **Manipulation Checks**

Our independent variable was the self reported level in the firm, partner or manager, and in the first experiment, master's of accounting students with audit experience.<sup>15</sup> The case manipulations and a key background item, auditor motivation, were also the subject of manipulation checks. As discussed in greater detail in Gibbins et al. (2007b), eight items were used to measure the perceived relationship between auditor and client management (e.g., mutual trust, client managements' willingness to accept proposed audit adjustments), three items were used to measure perception of initial client accounting position flexibility (e.g., level of

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<sup>15</sup> We excluded the 19 principals that took part in our experiment as some had minor equity positions while others were senior managers in everything, but, name only. Furthermore, there were too few principals to carry out an independent analysis of their responses. Adding them to either the partner or the manager group weakened the results, suggesting that they showed characteristics of being between the two levels.

agreement with statement there was overlap in parties beginning position), and six items were used to determine if participants differed in their perceptions of what motivated them across the experiment's treatment cells (e.g., litigation risk).

Across managers and partners, the perceptions of the case manipulations were consistent with our intentions for the individual case treatment conditions. Individual measure exceptions did occur, as the audit managers' view was different from the partners' with respect to the technical skills of the CFO, after controlling for treatment condition. On the whole, however, the partners, managers and audit novices interpreted the case manipulations in a manner consistent with what was intended. As only two of the four manipulations could be run with the students, contentious relationship was aliased with flexible initial accounting position and cordial relationship was aliased with inflexible initial accounting position. Our tests indicate that these manipulations were attended to by the students, as there was a strong relationship/flexibility effect for nine of the eleven measures. Perceptions of the auditor's motivations were insignificantly different across the four (two in the case of the students) treatments as intended.

Overall, the case manipulations appear to be successfully executed, as was the control over the perception of auditor motivation. Finally, within each level there was no difference in the perception of case realism, difficulty or understandability.

### **Experiment 1: Tests of H1 & H2 – Distant Surrogation**

To test H1, the hypothesis that practitioners (audit partners and managers) would behave differently than audit novices, a 3 X 2 MANOVA (levels X relationship/flexibility combinations) was conducted where the dependent variables were the complete set of 25 different negotiation tactics (five of each negotiation strategy). Table 2, Panel A shows the breakdown of participants into experimental treatments. We find the expected strong experience level main effect (Wilks'

$\lambda=0.471$ ,  $F(50,220)=2.01$ ,  $p<0.001$ ) as well as a marginally significant ACM/client flexibility combination effect (Wilks'  $\lambda=0.748$ ,  $F(25,110)=1.48$ ,  $p<0.09$ ), and an insignificant interaction (Wilks'  $\lambda=0.626$ ,  $F(50,220)=1.16$ ,  $p>0.20$ ) (all of these results not tabulated). Thus, audit novices behaved overall differently than practitioners, as predicted by H1.

To further investigate the experience level main effect and to test H2, which posited practitioners (partners and managers) would intend to use integrative strategies' tactics more than audit novices, a 3 X 2 MANOVA (levels X combinations) was conducted where the dependent variables were limited to the integrative strategies' tactics (five "expanding the agenda" and five "problem solving"). We find the expected strong experience level main effect (Wilks'  $\lambda=0.618$ ,  $F(20,258)=3.51$ ,  $p<0.0001$ ) as well as an insignificant ACM/client flexibility combination (Wilks'  $\lambda=0.929$ ,  $F(10,129)=0.99$ ,  $p>0.45$ ) main effect and interaction with experience (Wilks'  $\lambda=0.866$ ,  $F(20,258)=0.96$ ,  $p>0.50$ ) (all of these results not tabulated).

In order to compare individual integrative strategies, we conducted further MANOVA's that separated the integrative strategies into expanding the agenda and problem solving. The MANOVA in Table 2 Panel B shows that for the expanding the agenda strategy's tactics, there is the expected significant experience level main effect (Wilks'  $\lambda=0.856$ ,  $F(10,270)=2.17$ ,  $p<0.03$ ) and no other effects are significant. Table 3 Panel A documents expanding the agenda tactic means by experience level as well as the results for the differences between means tests, employing the least significant difference (LSD) procedure. Table 3 Panel A shows that audit partners intended to use the expanding agenda strategy's tactics in this set of specific case facts the least, whereas managers intended to use them the most. This significant effect is not in the direction predicted by H2.

The results for the problem solving strategy's tactics are reported in the MANOVA in Table 2 Panel C. The expected significant experience level main effect (Wilks'  $\lambda=0.744$ ,  $F(10,270)=4.29$ ,  $p<0.0001$ ) is found and no other effects are significant. Table 3 Panel B documents problem solving tactic means by experience level as well as the results for the differences between means tests, employing the LSD procedure. We find that audit partners and managers are equally likely to intend to use the problem solving strategy's tactics in this case and that they both intend to use them to a significantly greater degree than audit novices. This finding supports H2.

In summary, we find overall support for H1, audit novices are different from audit practitioners, and partial support for H2, that this difference is especially found with respect to greater use of integrative strategies by practitioners, as compared to audit novices. Hence, the use of the more abundant audit novices as distant surrogates for the relatively scarcer audit partners is likely not beneficial, as it may negatively impact experimental effectiveness. Further, in light of our theoretical analysis, we interpret the partial support for H2 as evidence to further motivate our investigation of H3 and H4, as partners and managers do not employ integrative strategies the same way. In this case context, audit partners do not perceive that there is a need to use the expanding the agenda strategy's tactics, whereas the less experienced managers and audit novices are more willing to try them. However, managers, having more experience than audit novices, recognize the need to problem solve in this case's context and, hence react similarly to the partners, by intending to employ this strategy's tactics.

To examine this latter explanation further, we replicated the statistical analysis using our overall sample of partners and managers by carrying out a 2 X 2 X 2 MANOVA (levels X relationship X flexibility) with the ten integrative negotiation tactics as dependent variables. We

find the expected significant experience level main effect (Wilks'  $\lambda=0.867$ ,  $F(10,158)=2.43$ ,  $p<0.02$ , results not tabulated), with all other main effects and interactions insignificant.

Examining tactics associated with the expanding the agenda strategy, Table 4 Panel A reports that partners intended to use these tactics significantly less than managers in this case, as in the smaller sample. Our examination of Table 4 Panel B shows that managers and partners would be equally likely to use the problem solving strategy's tactics in this case context, consistent again with our smaller sample's results. Hence, this larger sample confirms our H2 results, suggesting that, indeed, what we found is a more nuanced approach to integrative strategies by partners, providing further motivation for our examination of close surrogation.

### **Experiment 2: Tests of H3 & H4 – Close Surrogates**

In experiment 2, the larger sample of participants that includes all audit partners and managers (see Table 5 Panel A for treatment cell sizes) is employed, since we are no longer constrained by the limited number of audit novices. To test H3's prediction that audit partners are more likely than managers to use the contending strategy's tactics, a 2 X 2 X 2 MANOVA (levels X relationship X flexibility) is conducted with the five contending tactics as dependent variables.<sup>16</sup> Table 5 Panel B reports a significant three way interaction between experience levels, the relationship and client management initial accounting position flexibility (Wilks'  $\lambda=0.922$ ,  $F(5,166)=2.82$ ,  $p<0.02$ ). As such, we decompose the interaction to test our hypothesis by examining experience level by client position, holding relationship type (contentious versus cordial) constant and then examining experience level by relationship type, holding the client initial position (inflexible versus flexible) constant.

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<sup>16</sup> We do not carry out a MANOVA on all 15 distributive tactics as the predictions are in the opposite directions for H3 and H4.

First holding the ACM relationship constant, the results of a 2 X 2 MANOVA (levels X flexibility, results not tabulated) using the five contending tactics as dependent variables in the contentious relationship shows that all main effects, including experience level, and interactions are insignificant, indicating that partners and managers intended to similarly use contending tactics when the ACM relationship is contentious. The results of a 2 X 2 MANOVA (levels X flexibility, results not tabulated) using the five contending tactics as dependent variables in the cordial relationship shows a marginally significant one-tailed experience level main effect (Wilks'  $\lambda=0.897$ ,  $F(5,77)=1.78$ ,  $p<0.07$ ) with all other effects and interactions insignificant when the ACM relationship is cordial. Further examination of this marginal main effect finds it is due to only one of the five contending tactics ("I would use my influence to get my position accepted by JEL management.") being significant ( $t(83)=1.86$ , one-tailed  $p<0.04$ ) in univariate testing. Examination of the Appendix's five contending tactics shows that this contending tactic is the mildest of the five listed in that category.

When holding the client initial accounting position flexibility constant, our 2 X 2 MANOVA (levels X relationship, results not tabulated) within the inflexible client initial accounting position treatment finds that all main effects and interactions are insignificant, suggesting that partners intend to use the contending strategy's tactics the same as managers when client position is inflexible, contrary to H3. Results of a 2 X 2 MANOVA (levels X relationship) within the flexible client initial accounting position treatment reported in Table 6 Panel A indicate a strong interaction between experience level and ACM relationship (Wilks'  $\lambda=0.846$ ,  $F(5,81)=2.95$ ,  $p<0.02$ ). Follow up univariate tests in Table 6 Panel B show that audit partners and managers intend to use the contending strategy's tactics to the same extent when the ACM relationship is contentious and the client has a flexible initial accounting position (Panel B

(Wilks'  $\lambda=0.871$ ,  $F(5,41)=1.21$ ,  $p>0.30$ ). However, as shown in Table 6 Panels C and D, audit partners intend to use more contending tactics than the managers when the relationship is cordial and the client's initial position is flexible (Panel C (Wilks'  $\lambda=0.709$ ,  $F(5,36)=2.96$ ,  $p<0.03$ )). However, again note that this finding is driven by the significant but relatively mild contending tactic (CTD1) tactic (Table 6 Panel D). Hence, these findings provide limited support for H3, but given that they hinge on one contending tactic, they should be considered tentative.

To test whether managers intend to utilize concessionary and compromising strategies more than partners (H4), we conduct a 2 X 2 X 2 MANOVA (levels X relationship X flexibility) where the dependent variables are the five concessionary tactics and the five compromising tactics. We find an overall experience level by client initial position flexibility interaction (Wilks'  $\lambda=0.835$ ,  $F(10,157)=3.11$ ,  $p<0.002$ , results not tabulated). Breaking down the analysis by distributive strategy, Table 7 Panel A reports the results of the 2 X 2 X 2 MANOVA (levels X relationship X flexibility) where the dependent variables are the concessionary strategy's five tactics. Results show only the expected significant experience level effect (Wilks'  $\lambda=0.927$ ,  $F(5,162)=2.55$ ,  $p<0.03$ ), hence the overall interaction reported is not due to the concessionary strategy's tactics. Table 8 Panel A, which breaks down the concessionary tactics means by experience levels, provides strong support for H4, with the managers indicating a significantly greater likelihood of using three of the five concessionary tactics, as compared to the partners.

Table 7 Panel B reports the results of the 2 X 2 X 2 MANOVA (levels X relationship X flexibility) where the dependent variables are the compromising strategy's five tactics. We find a significant experience level by client initial position flexibility interaction (Wilks'  $\lambda=0.916$ ,  $F(5,166)=3.04$ ,  $p<0.02$ ), consistent with the overall interaction reported above. To examine the hypothesized effect of experience level on the likelihood of utilizing the compromising strategy's

tactics, Table 8 Panel B decomposes the analysis into the more and less flexible initial client accounting positions, by experience level. When the client's initial position is more flexible, there are no differences between managers' and partners' mean intended use of the compromising strategy's tactics.<sup>17</sup> However, when the client's initial accounting position is inflexible, we find that managers are more willing than partners to compromise, as evidenced by the managers' intention to employ three of the five compromising tactics at a significantly higher level than the audit partners. These findings provide partial support for H4.

Overall, there is limited support for H3 and there is strong, but context dependent, support for H4.<sup>18</sup> Given the general conclusion in the audit negotiation research to date that ACM negotiation is highly contextually driven (Gibbins et al. 2001), this latter qualification is not at all surprising and, hence, we regard H4 as being strongly supported. The use of contending tactics in ACM negotiations obviously bears more scrutiny and perhaps will only be picked up on at a later stage in the negotiation process when alternative strategies available to the audit partner have been exhausted. Even researchers in psychology have noted that the contending strategy often emerges later in the negotiation (Pruitt and Carnevale 1993).

## **CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH**

This study investigates the effects of experience level on auditor negotiation behavior from the perspective of close and distant surrogation. The overall pattern of results found underscores the importance of context in accounting and auditing research (Gibbins et al. 2001, 2005, 2007a, 2007b; McCracken et al. 2007). By manipulating the context of the negotiation by

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<sup>17</sup> There is one marginally significant one tailed effect in the correct direction. This is very weak support, at best, for H4 and hence is not considered further.

<sup>18</sup> We ran the same tests of H3 and H4 on the audit novices, managers and partners employed in experiment 1. We found that audit novices were significantly less likely to intend to employ contending strategy's tactics than managers and partners consistent with H3, and that audit novices were as likely to intend to employ compromising strategy's tactics as managers consistent with H4. However, audit novices were as unlikely to employ conceding strategy's tactics as audit partners were, whereas managers were more likely than audit partners to intend to employ such tactics. This latter finding is inconsistent with H4.

factors identified by prior research as being important to ACM negotiations (Gibbins et al. 2001), we are able to test our experience related hypotheses in different negotiation contexts. Our results provide evidence that differential experience matters in ACM negotiations, and that experience influences the intended use of negotiation strategies' tactics.

Our study's objective was to examine whether surrogation for audit partners, whether it be distant (i.e., audit novices) or close (i.e., audit managers), should be a concern for researchers in making experimental design choices (i.e., participant access and statistical power) and for practitioners in the assignment or delegation of work (i.e., by partners) or potentially seizing of responsibility as part of managing their image (i.e., by managers) in audit practice. Our first study investigates whether distant surrogates, audit novices (i.e., masters of accounting students) are reliable surrogates for audit practitioners in ACM negotiations. Our results, as expected, suggest that audit novices are predictably different from practitioners and hence are not reliable surrogates. Specifically, we find general support for the prediction, based on both audit knowledge research and surrogation research, that audit partners, managers, and novices intend to differentially use integrative negotiation strategies. Interestingly, and with potentially significant practice overtones, we note that the managers appeared to be in a state of transition as they intended to use one integrative strategy, problem solving, in a manner similar to the audit partners but also intended to use another, expanding the agenda, in a manner similar to the audit novices and different from the audit partners.

Our second study examines close surrogation for audit partners, that is, managers, in the area of the more commonly used negotiation strategies, distributive negotiation strategies. In addition to our somewhat surprising integrative results, our distributive results show that partners were more willing to use the contending strategy than managers in some of our experimental

conditions, however, these results hinged on one of the five contending strategy's tactics. Hence, while statistically significant, clearly more work is called for, with respect to this negotiation strategy, before prescriptions can be advanced.

Turning to the concessionary strategy, our results clearly indicate that managers were more likely to use the concessionary strategy's tactics than the partners in several of our experimental treatment conditions. In addition, results indicate that managers would likely use the compromising strategy's tactics more often than the partners would when client management was inflexible in its initial accounting position. These results suggest that a managers' intended strategy entering negotiation with client management would be substantially different and more client outcome oriented than the partner's intended strategy would be. Given that the generic negotiation literature strongly suggests that intended strategy frequently drives outcomes, this could be worrisome, not just for researchers trying to document how "auditors" would negotiate in various settings, but, also, for partners if they are not aware of negotiations that managers are undertaking on their own.

As with all studies, there are limitations to these findings. First, practitioner participants for the study were from a single large international public accounting firm, on the surface calling into question the external validity of our results. However, by using only one firm, we control for cross sectional differences between firms that might exist, such as, differences in training and firm policies, human resource policies, audit structure and other issues that have been shown to vary across firms. With these additional controls in place, we are able to conclude that the negotiation strategy differences are due to experience level and, thus, were able to increase the power of the test that could easily be obscured with the noise in measures that arise from the mixing of managers and partners from different firms together. Secondly, our experienced

student (audit novice) sample size of 56 limits the number of experimental cells we run, however, the tradeoff was to have a cohort of students in the same place and in the same academic program with similar amounts of co-op based work experience. In addition, although our experimental instruments were rated by our participants as being realistic and easy to understand, they are based on a single case, calling into question whether the results are case specific. Future research, therefore, should examine negotiation behavior with respect to different accounting issues and contextual features.

The implications of this research can be segregated into two categories, methodological and practical. Methodologically, these results reinforce prior research that has questioned the use of participants that lack the necessary experience and knowledge for the experimental task. Although surrogates potentially improve experimental efficiency, it is the researchers' responsibility to ensure that these participants are adequate, in terms of the objectives of the study. Specific to ACM negotiations, our findings caution researchers that utilize participants other than those who normally do the negotiations, audit partners. Our results show that both of our surrogates, audit novices and the more experienced audit managers, employed different patterns of both integrative and distributive negotiation strategies' tactics, as compared to the audit partners.

Practically, our results have implications for ACM negotiations. As evidenced by the increased concessionary and compromising strategies of audit managers, audit partners may wish to supervise or be actively involved in ACM negotiations to ensure audit quality (see Trotman et al. (2005) for a potential training intervention). The negotiation behavior of the audit managers suggests that they are in transition to partner level negotiation preparation as evidenced by their negotiation behavior being consistent with novices in "expanding the agenda" strategy usage and

with audit partners in “problem solving” strategy usage. Although delegation of ACM negotiation to audit managers may improve audit efficiency, there may be concerns with respect to audit effectiveness. It is critical that audit partners are cognizant of when audit managers have negotiated with client management, as the tactics going into the negotiation and, hence, the outcomes of these negotiations may be different than if the audit partner had conducted the negotiation him/herself.

**TABLE 1***Experimental Samples Descriptive Statistics***Panel A: Experiment 1's Descriptive Statistics**

	Novices	Managers	Partners
Number of participants	56	57	33
Females	25	30	1
Males	31	26	32
Audit Experience (years)			
Less than 1 year	51	0	0
Over 1 year	5	0	0
Less than 10 years	0	39	1
10 to 15 years	0	13	1
15 to 20 years	0	2	7
Over 20 years	0	3	24
Auditing Experience (clients)			
Public Co.	30	21	8
Large Private Co.	5	21	14
Other	21	15	11

**Panel B: Experiment 2's Descriptive Statistics (includes managers and partners in Panel A)**

	Managers	Partners
Number of participants	105	73
Females	58	5
Males	46	68
Audit Experience (years)		
Less than 10 years	66	1
10 to 15 years	25	5
15 to 20 years	8	17
Over 20 years	6	50
Auditing Experience (clients)		
Public Co.	37	18
Large Private Co.	41	28
Other	27	27

**TABLE 2**

*Test of H2: MANOVA of Likelihood of Use of Integrative Strategies on Experience Level Controlling for Flexibility of Client Management's Initial Accounting Position and ACM Relationship*

**Panel A: Experiment 1's Experimental Conditions and Cell Sizes**

	LEVEL		
	Novice	Manager	Partner
Contentious ACM Relationship & Flexible Client Initial Position	30	30	17
Cordial ACM Relationship & Inflexible Client Initial Position	26	27	16
Totals	56	57	33

Independent variable is level (partner, manager, and novice), controlling for the two combinations of ACM relationship and initial client accounting position (contentious and flexible; cordial and inflexible).

**Panel B: Experiment 1's MANOVA on Expanding the Agenda Strategy's Five Tactics**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variables</b>					
<b>Experience Level</b>	<b>0.856</b>	<b>10</b>	<b>270</b>	<b>2.17</b>	<b>0.020</b>
ACM & Flexibility Combination	0.972	5	135	0.78	0.567
Level X ACM/Flexibility	0.953	10	270	0.66	0.765

Dependent variable is the 5 expanding the agenda tactics.

Independent variable is level (partner, manager, and novice), controlling for the two combinations of ACM relationship and initial client accounting position (contentious and flexible; cordial and inflexible).

**Panel C: Experiment 1's MANOVA on Problem Solving Strategy's Five Tactics**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variables</b>					
<b>Experience Level</b>	<b>0.744</b>	<b>10</b>	<b>270</b>	<b>4.29</b>	<b>&lt;0.0001</b>
ACM & Flexibility Combination	0.964	5	135	1.02	0.409
Level X ACM/Flexibility	0.947	10	270	0.75	0.675

Dependent variable is the 5 problem solving tactics.

Independent variable is level (partner, manager, and novice), controlling for the two combinations of ACM relationship and initial client accounting position (contentious and flexible; cordial and inflexible).

**TABLE 3***Univariate Analysis of Integrative Strategies***Panel A: Expanding the Agenda Strategy's Tactics**

	Novice Level N = 56	Manager Level N = 57	Partner Level N = 33
Expanding the agenda tactics	Mean (Std Dev) LSD Group	Mean (Std Dev) LSD Group	Mean (Std Dev) LSD Group
<b>ATA1</b> I would bring other issues to the discussion, such that I could trade off on other issues to resolve this issue in my favor.	2.01 (1.39) X	2.15 (1.72) X	1.87 (1.49) X
<b>ATA2</b> I would try to work with JEL management to develop a proper understanding of this issue in the context of other issues.	4.91 (1.26) A X	5.39 (1.18) B Y	5.25 (1.41) A & B X & Y
<b>ATA3</b> I would provide all relevant information to JEL management so we could solve this issue together in the context of other issues.	5.07 (1.47) X	5.53 (1.15) Y	5.28 (1.35) X & Y
<b>ATA4</b> I would attempt to find other issues with JEL, which I could add to the discussion.	2.81 (1.81) A X	2.27 (1.54) A & B Y	1.65 (1.18) B Z
<b>ATA5</b> I would attempt to find other issues with JEL, so I could accede to their wishes at the same time as achieving my position on this issue.	2.51 (1.44) A X	2.39 (1.48) A & B X	1.83 (1.14) B Y
<b>Strategy: Expanding the Agenda with client management</b>	<b>17.31</b> <b>(4.71)</b> X & Y	<b>17.80</b> <b>(4.96)</b> X	<b>15.88</b> <b>(4.03)</b> Y

**A, B, C** Groupings denote means differ at 5% level of significance using LSD method.

**X, Y, Z** Groupings denote means differ at 10% level of significance using LSD method.

A grouping of X denotes that there are no differences in means between the three levels at the 10% level of significance using LSD method.

**Panel B: Univariate Analysis of Problem Solving Strategy's Tactics**

	Novice Level N = 56	Manager Level N = 57	Partner Level N = 33
Problem solving tactics	Mean (Std Dev) LSD Group	Mean (Std Dev) LSD Group	Mean (Std Dev) LSD Group
<b>CPS1</b> I would try to bring all my concerns about this issue out into the open with JEL management so that the issue could be resolved in the best possible way.	4.74 (1.92) A X	5.96 (0.86) B Y	5.96 (0.72) B Y
<b>CPS2</b> I would try to investigate the issue further with JEL management to find a new solution acceptable to both of us.	4.95 (1.59) X	4.68 (1.23) X	5.12 (1.14) X
<b>CPS3</b> I would try to work with JEL management to find new solutions to this issue that satisfy both our expectations.	4.13 (1.60) A X	4.87 (1.33) B Y	4.49 (1.33) A & B X & Y
<b>CPS4</b> I would try to integrate my ideas about how to resolve this issue with JEL management to come up with a new solution jointly.	4.23 (1.62) X	4.40 (1.44) X	4.52 (1.32) X
<b>CPS5</b> I would collaborate with JEL management to come up with a new solution acceptable to both of us.	3.69 (1.70) X	4.06 (1.62) X	3.98 (1.40) X
<b>Strategy: Problem Solving with client management</b>	<b>21.75</b> <b>(5.53)</b> A X	<b>23.97</b> <b>(4.95)</b> B Y	<b>24.07</b> <b>(4.44)</b> B Y

**A, B, C** Groupings denote means differ at 5% level of significance using LSD method.

**X, Y, Z** Groupings denote means differ at 10% level of significance using LSD method.

A grouping of X denotes that there are no differences in means between the three levels at the 10% level of significance using LSD method.

**TABLE 4***All Managers and Partners Integrative Strategies Univariate Supplemental Analysis of H2***Panel A: Expanding the agenda strategy's tactics by experience level**

	Manager Level N = 105	Partner Level N=73	P-Value *
Expanding the Agenda Tactics	Mean (Std Dev)	Mean (Std Dev)	
<b>ATA1</b> I would bring other issues to the discussion, such that I could trade off on other issues to resolve this issue in my favor.	2.26 (1.73)	2.06 (1.61)	0.424
<b>ATA2</b> I would try to work with JEL management to develop a proper understanding of this issue in the context of other issues.	5.33 (1.12)	4.98 (1.37)	<b>0.066</b>
<b>ATA3</b> I would provide all relevant information to JEL management so we could solve this issue together in the context of other issues.	5.47 (1.17)	5.39 (1.22)	0.660
<b>ATA4</b> I would attempt to find other issues with JEL, which I could add to the discussion.	2.34 (1.52)	1.79 (1.42)	<b>0.018</b>
<b>ATA5</b> I would attempt to find other issues with JEL, so I could accede to their wishes at the same time as achieving my position on this issue.	2.40 (1.51)	1.88 (1.23)	<b>0.016</b>
<b>Strategy: Expanding the Agenda with client management</b>	<b>17.83 (4.73)</b>	<b>16.13 (4.36)</b>	<b>0.016</b>

\* One tailed when in hypothesized direction; two tailed otherwise.

**Panel B: Problem solving strategy's tactics by experience level**

	Manager Level N = 105	Partner Level N=73	P-Value *
Problem solving tactics	Mean (Std Dev)	Mean (Std Dev)	
<b>CPS1</b> I would try to bring all my concerns about this issue out into the open with JEL management so that the issue could be resolved in the best possible way.	5.79 (1.07)	5.86 (0.85)	0.326
<b>CPS2</b> I would try to investigate the issue further with JEL management to find a new solution acceptable to both of us.	4.79 (1.29)	4.91 (1.27)	0.280
<b>CPS3</b> I would try to work with JEL management to find new solutions to this issue that satisfy both our expectations.	4.87 (1.39)	4.47 (1.41)	<b>0.058</b>
<b>CPS4</b> I would try to integrate my ideas about how to resolve this issue with JEL management to come up with a new solution jointly.	4.35 (1.53)	4.24 (1.39)	0.604
<b>CPS5</b> I would collaborate with JEL management to come up with a new solution acceptable to both of us.	4.16 (1.54)	3.78 (1.43)	0.102
<b>Strategy: Problem Solving with client management</b>	<b>23.96</b> <b>(5.28)</b>	<b>23.25</b> <b>(4.71)</b>	0.362

\* One tailed when in hypothesized direction; two tailed otherwise.

**TABLE 5***Experiment 2's Research Design and Contending Strategy Results***Panel A: Experiment 2's Experimental Conditions and Cell Sizes**

Initial Client Accounting Position	Auditor-Client Management Relationship			
	Contentious		Cordial	
	Manager	Partner	Manager	Partner
Inflexible	27	19	27	16
Flexible	30	17	21	21
Total	57	36	48	37

Independent variable is level in firm (partner and manager) controlling for initial client accounting position (flexible or inflexible) and nature of ACM relationship (cordial or contentious).

**Panel B: Experiment 2's MANOVA on Contending Strategy's Tactics**

*Test of H3: MANOVA of Likelihood of Using Contending Strategy's Five Tactics on Experience Level, Controlling for Flexibility of Client Management's Initial Accounting Position and ACM Relationship*

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Independent Variables</b>					
Experience Level (L)	0.972	5	166	0.96	0.444
ACM Relationship (ACM)	0.980	5	166	0.70	0.627
Flexibility of Client's Initial Accounting Position (POS)	0.965	5	166	1.21	0.305
L X ACM	0.971	5	166	0.99	0.426
L X POS	0.987	5	166	0.44	0.817
ACM X POS	0.980	5	166	0.69	0.634
<b>L X ACM X POS</b>	<b>0.922</b>	<b>5</b>	<b>166</b>	<b>2.82</b>	<b>0.018</b>

Dependent variable is the 5 contending tactics.

Independent variable is level in firm (partner and manager) controlling for initial client accounting position (flexible or inflexible) and nature of ACM relationship (cordial or contentious).

**TABLE 6**

*Follow up Tests of H3: MANOVA of Likelihood of Use of Contending Strategy's Five Tactics on Experience Level Controlling for ACM Relationship when Client Management's Initial Accounting Position is Flexible*

**Panel A: MANOVA when Client Position is Flexible**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variables</b>					
Experience Level (L)	0.933	5	81	1.16	0.336
ACM Relationship (ACM)	0.968	5	81	0.53	0.751
<b>L * ACM</b>	<b>0.846</b>	<b>5</b>	<b>81</b>	<b>2.95</b>	<b>0.017</b>

Dependent variable is the 5 contending tactics.

Independent variable is level in firm (partner and manager) controlling for ACM relationship (contentious or cordial) and with a flexible initial client accounting position.

**Panel B: MANOVA when Client Position is Flexible and ACM is Contentious**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variable</b>					
Experience Level	0.871	5	41	1.21	0.319

Dependent variable is the 5 contending tactics.

Independent variable is level in firm (partner and manager) controlling for contentious ACM relationship and with a flexible initial client accounting position.

**Panel C: MANOVA when Client Position is Flexible and ACM Relationship is Cordial**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variable</b>					
<b>Experience Level</b>	<b>0.709</b>	<b>5</b>	<b>36</b>	<b>2.96</b>	<b>0.024</b>

Dependent variable is the 5 contending tactics.

Independent variable is level in firm (partner and manager) controlling for cordial ACM relationship and with a flexible initial client accounting position.

**Panel D: Univariate Analysis when Initial Client Accounting Position is Flexible**

	Contentious ACM Relationship			Cordial ACM Relationship		
	Manager N = 30	Partner N = 17	P-value *	Manager N = 21	Partner N = 21	P-value *
Contenting Strategy's Tactics	Mean (std dev)	Mean (std dev)		Mean (std dev)	Mean (std dev)	
<b>CTD1</b> I would use my influence to get my position accepted by JEL management.	3.90 (1.75)	3.89 (1.95)	0.992	3.15 (1.83)	4.54 (1.18)	<b>0.003</b>
<b>CTD2</b> I would argue with JEL management to show them the merits of my position.	4.36 (1.47)	3.68 (2.00)	0.190	3.71 (1.96)	3.90 (1.95)	0.383
<b>CTD3</b> I would use my ability to qualify JEL's financial statements to obtain a resolution in my favor.	3.05 (1.70)	3.42 (2.14)	0.255	3.33 (1.45)	2.92 (2.15)	0.473
<b>CTD4</b> I would be firm in pursuing my position.	5.13 (0.96)	5.33 (0.87)	0.238	4.97 (0.76)	5.08 (0.91)	0.344
<b>CTD5</b> I would use my expertise in accounting to influence the resolution in my favor.	4.59 (1.30)	5.29 (1.37)	<b>0.044</b>	4.67 (1.35)	4.48 (1.53)	0.671
<b>Strategy: Contend or challenge client management</b>	<b>21.03 (5.03)</b>	<b>21.62 (4.73)</b>	0.346	<b>19.84 (5.47)</b>	<b>20.91 (5.59)</b>	0.266

\* One tailed when in hypothesized direction; two tailed otherwise.

**TABLE 7**

*Test of H4: MANOVA of Likelihood of Use of Concessionary and Compromising Strategies' Tactics on Experience Level Controlling for Client Management's Initial Accounting Position Flexibility*

**Panel A: MANOVA – Concessionary strategy's five tactics**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variables</b>					
<b>Experience Level (L)</b>	<b>0.927</b>	<b>5</b>	<b>162</b>	<b>2.55</b>	<b>0.030</b>
ACM Relationship (ACM)	0.983	5	162	0.57	0.724
Flexibility of Client's Initial Accounting Position (POS)	0.976	5	162	0.78	0.565
L X ACM	0.983	5	162	0.55	0.738
L X POS	0.966	5	162	1.16	0.333
ACM X POS	0.956	5	162	1.51	0.191
L X ACM X POS	0.988	5	162	0.39	0.856

Dependent variable is the 5 concessionary tactics.

Independent variable is level in firm (partner and manager) controlling for initial client accounting position (flexible or inflexible) and nature of ACM relationship (cordial or contentious).

**Panel B: MANOVA – Compromising strategy's five tactics**

	<i>Wilks' Lambda</i>	<i>DF</i>	<i>DF error</i>	<i>F</i>	<i>p</i>
<b>Variables</b>					
Experience Level (L)	0.986	5	166	0.46	0.805
ACM Relationship (ACM)	0.982	5	166	0.60	0.701
Flexibility of Client's Initial Accounting Position (POS)	0.928	5	166	2.56	0.029
L X ACM	0.997	5	166	0.10	0.991
<b>L X POS</b>	<b>0.916</b>	<b>5</b>	<b>166</b>	<b>3.04</b>	<b>0.012</b>
ACM X POS	0.976	5	166	0.81	0.547
L X ACM X POS	0.980	5	166	0.67	0.647

Dependent variable is the 5 compromising tactics.

Independent variable is level in firm (partner and manager) controlling for initial client accounting position (flexible or inflexible) and nature of ACM relationship (cordial or contentious).

**TABLE 8***Follow-up Univariate Tests of H4 on Concessionary and Compromising Strategies***Panel A: Concessionary tactics by experience level**

	Manager Level N = 105	Partner Level N = 73	P-Value*
Conceding Strategy's tactics	Mean (Std Dev)	Mean (Std Dev)	
<b>CED1</b> I would try to satisfy the expectations of JEL management.	2.36 (1.67)	1.84 (1.17)	<b>0.012</b>
<b>CED2</b> I would try to satisfy the needs of JEL management.	2.86 (1.58)	2.06 (1.35)	<b>0.0003</b>
<b>CED3</b> I would attempt to accommodate the wishes of JEL management.	2.34 (1.39)	1.89 (1.22)	<b>0.014</b>
<b>CED4</b> I would give in to the wishes of JEL management.	0.73 (0.76)	0.70 (0.73)	0.340
<b>CED5</b> I would make concessions from my position to JEL management.	1.92 (1.14)	1.93 (1.39)	0.990
<b>Strategy: Conceding to client management</b>	<b>10.26</b> <b>(4.86)</b>	<b>8.35</b> <b>(3.94)</b>	<b>0.003</b>

**Panel B: Compromising tactics by initial client accounting position flexibility by experience level**

	Flexible Client Position			Inflexible Client Position		
	Manager N = 51	Partner N = 38	P-value *	Manager N = 54	Partner N = 35	P-value *
Compromising Strategy's tactics	Mean (std dev)	Mean (std dev)		Mean (std dev)	Mean (std dev)	
<b>COMP1</b> I would propose some middle ground on this issue at some point during the process of resolving the disagreement with JEL management.	3.09 (1.71)	3.75 (1.74)	<b>0.079</b>	3.27 (1.73)	2.15 (1.57)	<b>0.001</b>
<b>COMP2</b> I would negotiate with JEL management so that a compromise could be reached.	3.07 (1.76)	3.42 (1.86)	0.366	3.17 (1.68)	2.27 (1.29)	<b>0.004</b>
<b>COMP3</b> I would try to find some middle ground to resolve this issue with JEL management.	3.57 (1.62)	3.94 (1.41)	0.272	3.47 (1.69)	2.69 (1.58)	<b>0.015</b>
<b>COMP4</b> I would use "give and take" so that a compromise could be made with JEL management.	2.72 (1.65)	2.64 (1.38)	0.410	2.68 (1.64)	2.39 (1.25)	0.189
<b>COMP5</b> I would try to play down the differences with JEL management to reach a compromise.	2.08 (1.21)	2.16 (1.44)	0.789	2.13 (1.54)	2.14 (1.28)	.990
<b>Strategy: Compromising with client management</b>	<b>14.53</b> <b>(6.15)</b>	<b>15.91</b> <b>(5.17)</b>	0.269	<b>14.73</b> <b>(6.70)</b>	<b>11.63</b> <b>(4.76)</b>	<b>0.010</b>

\* One tailed when in hypothesized direction; two tailed otherwise.

## APPENDIX

### *Five Negotiation Strategies' Tactics*

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#### **INTEGRATIVE STRATEGIES**

##### **EXPANDING THE AGENDA**

1. I would bring other issues to the discussion, such that I could trade off on other issues to resolve this issue in my favor.
2. I would try to work with JEL management to develop a proper understanding of this issue in the context of other issues.
3. I would provide all relevant information to JEL management so we could solve this issue together in the context of other issues.
4. I would attempt to find other issues with JEL, which I could add to the discussion.
5. I would attempt to find other issues with JEL, so I could accede to their wishes at the same time as achieving my position on this issue.

##### **PROBLEM SOLVING**

1. I would try to bring all my concerns about this issue out into the open with JEL management so that the issue could be resolved in the best possible way.
2. I would try to investigate the issue further with JEL management to find a new solution acceptable to both of us.
3. I would try to work with JEL management to find new solutions to this issue that satisfy both of our expectations.
4. I would try to integrate my ideas about how to resolve this issue with JEL management to come up with a new solution jointly.
5. I would collaborate with JEL management to come up with a new solution acceptable to both of us.

#### **DISTRIBUTIVE STRATEGIES**

##### **CONTENDING**

1. I would use my influence to get my position accepted by JEL management.
2. I would argue with JEL management to show them the merits of my position.
3. I would use my ability to qualify JEL's financial statements to obtain a resolution in my favor.
4. I would be firm in pursuing my position.
5. I would use my expertise in accounting to influence the resolution in my favor.

##### **COMPROMISING**

1. I would propose some middle ground on this issue at some point during the process of resolving the disagreement with JEL management.
2. I would negotiate with JEL management so that a compromise could be reached.
3. I would try to find some middle ground to resolve this issue with JEL management.
4. I would use "give and take" so that a compromise could be made with JEL management.
5. I would try to play down the differences with JEL management to reach a compromise.

##### **CONCEDING**

1. I would try to satisfy the expectations of JEL management.
2. I would try to satisfy the needs of JEL management.
3. I would attempt to accommodate the wishes of JEL management.
4. I would give in to the wishes of JEL management.
5. I would make concessions from my position to JEL management.

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