Determinants of Audit Quality amongst Small and Medium Sized Audit Firms in Nigeria: An Analyses of the Impact of Audit Fee, Client Retention, and Market Expansion Drives

Ogoun, Stanley. PhD
Department of Finance & Accountancy
Niger Delta University
Wilberforce Island, PMB 071, Yenagoa
Bayselsa State, Nigeria.

Owota, George Perelayefa
Department of Finance & Accountancy
Niger Delta University
Wilberforce Island, PMB 071, Yenagoa
Bayselsa State, Nigeria

Abstract

The paper examined the effect of audit fee, client retention, market expansion drives in small and medium-sized audit firms on audit quality, and the long run relationship. The study was conducted against the background of the empirical evidence in the literature that audit firm size and audit fee are key determinants of audit quality. The study obtained data through a structured questionnaire administered to panel of small and medium-sized audit firms in Nigeria. The data so obtained was analyzed using the E. View econometric software. It was observed that audit fee and market expansion drives impact positively on audit quality amongst this category of firms, while client retention strategies impacts negatively on audit quality in the short run. However in the long run, it was observed that all three variables impact positively on standard audit practice, as the need to retain clients becomes dependent upon on a firm's capacity for improved client satisfaction via the quality of audit services rendered. Thus, it is evident that the impact of the variables interrogated in this current study on audit quality is not audit firm size dependent. Therefore the paper recommends the need for small and medium-sized audit firms to strive to offer competitive services that are in tune with global best practices and in conformity with International Auditing Standards (IAS) to enhance their growth. This would enhance their continuous relevance in the emerging and expanding audit market in Nigeria.

Keywords: Audit quality, client retention, audit fee, market expansion, small and medium-sized firms.

1.1 Introduction

Every investor seeks appropriate or optimal returns for his investment. Furthermore, the survival and growth of every investment is dependent on its profitability or positive returns. Profitability of an investment is contingent upon a lot of variables. It ranging primarily from what the investment offers in the market place, by way of products or services, to its competiveness, market share, and demand base etc.

The patronage of the primary offering of every investment in the market place is a critical success factor (Eiriz and Wilson, 2006; Bodet, 2008). It is imperative to critically analyze the market for a firm's offering before venturing into actual production. A good product design, demand survey or market potentials, legal and environmental considerations should normally precede a market offering. Although, this form of detailed business mapping, is mostly associated with manufacturing brands and sometimes big services' investment outlets.

But in the services sector, there is the preponderance of small and medium scale enterprises. Most investors in the provision of audit services aptly fall into the small and medium scale enterprises sector. This probably accounts for the number of small- time audit firms in the Nigerian audit services market. The preponderance of small and medium-sized audit firms in the Nigerian audit market is contingent upon the fact that, as knowledge based industry, it does not require huge capital outlay.

A further impetus for the preponderance of small and medium-sized audit firms in Nigeria is the predominance of SMEs in almost all sectors of the Nigerian economy, which is indicative of the existence of numerous firms without capacity to engage the services of the big-time audit firms. The foregoing necessarily created the current scenario for the preponderance of small and medium-sized audit firms jostling for clientele, improved earnings through market expansion and improved profitability via audit fees in the Nigerian audit market place.

The place of long term profitability via client retention, market expansion, and competitive pricing had long been recognized in the literature. Their overall impact as viable business development strategies for gaining positive Returns on Investment (ROI) is well entrenched in the literature. But the interplay of these well tested and optimal business development models portends certain consequences that tend to jeopardize the integrity of some business offerings. This is characteristic of investing in the provision of audit services. The foregoing notwithstanding, small and medium- sized audit firms must employ these time proven business development strategies to secure adequate returns for audit partners. It should be recalled that the big 4 once began as small-time audit firms and grew over the years to their current status. Furthermore, the literature on the determinants of audit quality is not in short supply as evidenced by the works of (Arnett and Danos, 1979; DeAngelo, 1981; Chandler, 1991; Davidson and Neu, 1993; Becker et al., 1998; Ferguson et al, 2003; Francis, 2004; Jeong and Rho, 2004; Krishnan, 2005; Abubakar et al., 2005; Carey & Simmet, 2006; Lee et al., 2007; Francis and Yu 2009; Jean et al 2010; Rusmin, 2010; Lawrence et al, 2011) to mention but a few.

It is against this background that this study examined, through a multidimensional analysis, the impact of audit fee, client retention and market expansion drives amongst small and medium sized audit firms in Nigeria in contributing to the ongoing debate on audit quality. This is predicated on the premises that so much space is devoted in the literature on audit quality to the place of what is known as the big 4 audit firms, to the detriment of others. The emphasis on the place of the big 4 audit firms has methodically orchestrated a negative stereotyping for small and medium-sized audit firms in the audit services market. In essence, if you want quality service then you have to go for the big 4. The Nigerian Government and the general public's confidence in all other audit firms had been greatly eroded, without realizing that the big 4 also has capacity constraints. They cannot provide audit services to all clients in the economy. In addition, the foreclosure of the emergence of new audit firms would create an unwanted monopoly and also negate the spirit of free enterprise which is the capitalist pride, to which the Nigerian economy is patterned.

1.2 Review of Empirical Literature

a: The Place of Client Retention and Market Expansion in Audit Practice

Understanding the primacy of client retention and market expansion on the profitability and growth of small and medium-sized audit firms is critical to adequate return for audit partners or firms. The path to growth and expansion, for all for profit, oriented enterprises is retaining its current clients and expanding its customer base and market share. This is a universally accepted strategy of business development. Small and medium-sized audit firms are not excluded from adopting this time-tested business development and growth strategy. To maximize profit and expand their businesses, audit partners cannot jettison the strategy of client or customer retention. Whatever strategic option(s) a firm deploys to enhance profit making, it must focus, not only, on maintaining its current customer base but also expanding it.

According to Gerpott et al (2001), client retention is the continuity of a business relationship between a firm and its customer. It involves repeat purchase behaviour. There is no ambiguity in the understanding, not only, of the concept of client retention but also its place in the attendant positive returns on investment as several studies have shown that retaining existing clients is more cost effective than attracting new ones. The need to retain an existing client or customer base was highlighted in the submissions of (Rust and Zahorik, 1993; Auh and Johnson, 2005; Lin and Wu, 2011). Client retention and market expansion has been well researched in the literature on marketing. As tested and empirically proven business development strategies, the literature on it is quite vast.

The recognition of the customer as the king and the primary basis for the profitability and continued existence of any business endeavour underscores the volume of research effort expended on strategies for client retention and market expansion. Also the heightened competition in the market place has compelled firms to evolve various strategic actions that are sometimes unethical in securing an existing client base and expanding market coverage.

Studies by (Anderson 1994; Bolton et al 2000; Verhoef 2003; Petterson, 2004; Auh and Johnson 2005; Smith and Chang, 2009 etc) have given credence to the place of these strategic alternatives in developing a profitable venture, as well as, in remaining profitable over the long run. No wonder, the marketing literature is inundated with terms like customer relationship marketing (CRM), customer satisfaction, customer loyalty, brand name and brand preference. For more on the place of client retention and market expansion in profitable business development see (Gronroos, 2003; Stey, et al 2004; Ndubisi and Wah, 2005; Eiriz and Wilson, 2006; Rootman, 2006; Kotler and Kotler, 2006; Sauers, 2008; and Baran et al 2008). While, this current study was not intended to explore the epistemological issues relating to client retention and market expansion, as well as, the resultant strategies, our point of departure and therefore interest is how does the pursuit of these necessary strategic path affect the quality of audit services and therefore audit output, as seen from the perspective of small and medium-sized audit firms. This is predicated on the understanding that like every other for profit venture, small and medium-sized audit firms need to operate profitably and grow to become big time players in the market place. It is taken for granted that, as the big 4 tend to consolidate their hold on the market and explore new opportunities, the small and medium-sized audit firms are also striving to become big time audit firms with regional, national or global presence. Given the potentials enumerated in the literature for these variables in attaining optimal returns on investment, it is inevitable for small and medium-sized audit firms to be foreclosed from joining the foray in seeking the retention of their existing clients and expanding their market coverage. There are implications for audit quality when small and medium-sized audit firms engaged in fierce customer acquisition and client poaching programmes as strategies for business development, which forms the focus of the current study.

b: Audit Quality Dynamics

The definition of audit quality has been a subject of long debate with no universally accepted consensus. Various views have been expressed on the concept of audit quality. This controversy in defining audit quality led Shapirol (1983) and much later Riley (2001) to observe that audit quality is multidimensional and inherently unobservable, and there is no single auditor characteristic that can be used as a proxy for it. In the absence of direct measures for quality, audit consumers must assess the quality by using surrogates, or the overall reputation of an auditor. Nevertheless, the GAO (2003) definition was a bold attempt at charting a clear path for the commonality in the understanding of the concept of audit quality. GAO (2003) submitted that audit quality, is that audit which is performed in accordance with generally accepted auditing standards to provide reasonable assurance that the audited financial statements and related disclosures are presented in accordance with generally accepted accounting principles and are not materially misstated, whether due to errors or fraud. This definition anchors audit quality on the basis of observance of rules and the absence of errors or fraud. Audit quality is the market assessed joint probability that a given auditor will both discover a breach in a client's accounting system, and report the breach (DeAngelo, 1981). This presupposes that audit quality is contingent upon the extent to which an auditor is willing to act as a hound dog. This no doubt lends credence to Balsam et al (2003) submission that the only observable outcome of an audit process is usually the issued audit report, which, at least in its standard form does not contain much information about audit quality.

The attempt to resolve the ongoing debate made Carcello et al (2002) to observe that higher audit quality is greater assurance which requires more audit work. This submission places audit quality on a scale with varying levels of qualities, contingent upon certain situational variables. To us, audit quality simply underscores the extent to which the output of the process serves the decision useful function of the accounting information system. Thus, failure to achieve these purpose compromises the quality of audit output. The empirical literature in support of determinants of audit quality are numerous and quite informative. Studies by (DeAngelo 1981; Palmrose, 1988; Chan et al, 1993; Becker et al, 1998; Leuz and Verrecchia 2000; Kim et al, 2003; Asbaugh and Warfield, 2003; Choi and Doogar 2005) focused on proving empirically the relationship between firm size and audit quality. Furthermore, that industry specialization enhances the quality of audit was the conclusion reached by (DeFond et al. 2000). For audit, firm tenure and audit quality see Carcello and Nagy (2004). In addition, Carey and Simnett (2006) found the existence of a relationship between audit partner tenure and audit quality. In the same vein, Hoitash et al (2007) concluded in their study, that audit fee impacts on the audit quality.

Meanwhile Francis (2006) amongst others found out that the provision of non-audit services impacts negatively on audit quality. Also (Alford and Strawer, 1990, Chen et al, 2008) observed that continuing education of audit partners improves audit quality, and for the result on audit rotation and audit quality, see (Chi et al, 2009). This is by no means exhaustive. The plethora of empirical studies cited above is indicative of the preponderance of research interest in the area.

For instance, Francis (2004) opined that audit quality is contingent on the interplay amongst factors like firm size, industry characteristics, the specification of subsidiary audit firm and the international differences in legal systems. The abundance of empirical studies on determinants of audit quality forms the necessary departure in the focus of this study, hence the hypothesized relationship detailed below:

H_1: *Audit quality is significantly affected by client retention, market expansion and audit fee drives of small and medium sized audit firms in Nigeria.*

1.3 Material and Methods

This study investigated variables that impact on audit quality through a multi dimensional approach. It investigated the impact of audit fee, client retention, market expansion on audit quality and in turn re-examined how standard audit practice in the long run can be predicted using the impact of these proxies.

The study was conducted via a panel data obtained using a well structured instrument from a panel of small and medium-sized audit firms in Nigeria. The instrument was modeled via the Likert Scale paradigm, with appropriate scales ranging from 1 to 5. The field work took a period of three months, from July 2013 to September 2013. The instrument was subjected to quantitative validity and reliability analysis. Content validity and reliability analysis was done by subjecting to it effective review by research experts in accounting and the consistency of the instrument was confirmed through test retest analysis using Pearson Correlation Coefficient with a result of α-test 0.044 which is less than the 0.15% standard value, which confirmed the consistency of the instrument. The data resulting from the instrument was analyzed using E-view version 3.1 with ordinary least square regression model.

Model Specification

The ordinary least square was guided by the following linear model:

$Y = f(x)$ ----------- (1)

Where x is for the independent variable and Y for the dependent variable

The regresant was audit quality (auditq) and in the second test it was standard audit practice (Audits)

The regressors are: Audit fee (profit), Client retention (Client) and Market Expansion (Market)

Therefore:

$$\text{Auditq} = f(x_1, x_2, x_3) \text{ --------------------- } (2)$$

Where x_1 = audit fee (used as a proxy for profit)

X_2 = client
X_3= market

$\text{Auditq} = a + \beta\text{audit fee} + \beta\text{client} + \beta\text{market} + e$ -------------3

$\text{Audits} = a + \beta\text{audit fee} + \beta\text{client} + \beta\text{market} + e$ -------------4

The a priori expectation of the linear model is:

∂ audit fee/∂auditq>0; ∂client/∂auditq; > 0; ∂ market/∂auditq > 0.

∂ audit fee/∂audits>0; ∂client/∂audits; > 0; ∂ market/∂audits > 0

a is the intercept of the regression and e is the error term capturing other explanatory variables not included in the linear model.

1.4 Results, Implications, and Conclusion

a) Audit Quality (first level test)

Dependent Variable: AUDITQ
Method: Least Squares
Date: 08/30/13 Time: 04:10
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	23.53644	5.022909	4.685819	0.0000
AUDIT FEE	0.176174	0.129317	1.362349	0.1763
CLIENT	-0.052482	0.097562	-0.537940	0.5919
MARKET	0.024914	0.149431	0.166726	0.8679

R-squared	0.020347	Mean dependent var	24.93000
Adjusted R-squared	0.010267	S.D. dependent var	2.694008
S.E. of regression	2.707801	Akaike info criterion	4.869329
Sum squared resid	703.8901	Schwarz criterion	4.973536
Log likelihood	-239.4665	F-statistic	0.664644
Durbin-Watson stat	0.845116	Prob(F-statistic)	0.575792

Source: E-View print out 2013

Beta Factor: The result above showed that a 1% increase in audit fee or price will lead to an increase in audit quality by 0. 17%. This result meant that an improved audit fee will attract better performance and diligence by the auditors on the job, which is in tandem with a priori condition stated at the onset. In essence the quality of service, small and medium-sized audit firms in Nigeria are willing to offer, is contingent upon the fee the client has contracted to pay. Our observation here is in line with the body of existing knowledge with regards to the relationship between audit fee and audit quality. However, this situation does not negate the fact that the attempt to maximize profit by an audit firm will make it compromise many professional standards in real world practice via adopting operational cost minimization strategies.

Furthermore, the statistical evidence in the table above is indicative of the fact that client retention strategies evolved by small and medium-sized audit firms exacts a negative effect on the quality of an audit exercise. A 1% increase in an effort to retain a client by an audit firm will lead to a 0.05% reduction in audit quality. This implies that continues effort to retain a client may at the long run lead to a total collapse in audit quality as espoused by the advocates of audit rotation paradigm.

Rather conversely, the result showed that a 1% increase in the market expansion drive by this category of firms, will lead to an increase in audit quality by 0.02%. This is quite informative as our earlier proposition that a market expansion drive strategy will lead to compromising audit quality. This means that the ability of small and medium-sized audit firms in Nigeria to expand their market is dependent on the market's rating of the quality of their audit output. The implication arising from this is that improving audit quality is a strategic path to expanding an audit firm's market coverage regardless of its size. This no doubt is the basis for the current expansion of the big 4 in the international market for audit services. Thus, compliance with professional standards and maintaining independence in the rendering of client services should form a critical market development factor for small and medium-sized audit firms.

R-Square Test

The R-Square result indicates that the variables explains 0.20% of the behaviour of audit quality, while the adjusted R-square proves that the variables only explained the behaviour of audit quality by 0.1% at a probability of 0.575792.

Durbin-Watson Test

With the Durbin-Watson stat of 0.845116, the result is not relevant for a long-run forecast.

b) Standard Audit Practice and Audit Fee, Client Retention, and Market Expansion (second level test).

Dependent Variable: Standard Audit Service
Method: Least Squares
Date: 08/30/13 Time: 04:32
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-9.156012	10.01323	-0.914391	0.3628
AUDIT FEE	0.158771	0.257794	0.615881	0.5394
CLIENT	0.183746	0.194490	0.944758	0.3472
MARKET	1.025557	0.297892	3.442713	0.0009

R-squared	0.114333	Mean dependent var	23.34000
Adjusted R-squared	0.086656	S.D. dependent var	5.648313
S.E. of regression	5.398037	Akaike info criterion	6.249126
Sum squared resid	2797.325	Schwarz criterion	6.353333
Log likelihood	-308.4563	F-statistic	4.130973
Durbin-Watson stat	1.180771	Prob(F-statistic)	0.008424

The result in the above table indicates that audit fee has a 0.158 % influence on every 1% improvement in the standard of audit practice. In the same vein, client retention also has 0.183746 effects on every 1% improvement in the standard of audit practice. In addition, market expansion has a positive effect of 1.025557 on every 1% improvement in standard of audit practice. The overall result indicates that these variables explain a 0.8% of the total behaviour of standard audit practice as indicated in the Adjusted R-square, at a probability of 0.0084 which is less than 0.05. The Durbin-Watson Stat of 1,180771 is a fair proof that this result could be used for a long term forecast among the variables and there is no serial auto correlation in the model.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	23.29572	Probability	0.000000
Obs*R-squared	33.13960	Probability	0.000000

With a probability of 0.0, the model does not have serial correlation among the variables.

White Heteroskedasticity Test:

F-statistic	2.277594	Probability	0.042730
Obs*R-squared	12.81160	Probability	0.046127

The result of 0.046127 proves that there is White Heteroskedasticity since the probability is less than 0.05% critical value.

Ramsey RESET Test:

F-statistic	3.871432	Probability	0.052031
Log likelihood ratio	3.994345	Probability	0.045653

With a Ramsey reset test of 0.045653, the variables in the model are well specified in the model and fit for the study.

Pair wise Granger Causality Tests
Date: 08/30/13 Time: 04:28
Sample: 1 100
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Probability
AUDITQ does not Granger Cause AUDIT FEE	98	0.17461	0.84006
AUDIT FEE does not Granger Cause AUDITQ		2.09667	0.12864
AUDITS does not Granger Cause AUDIT FEE		1.34462	0.33352
AUDIT FEE does not Granger Cause AUDITS		0.31240	0.56647
CLIENT does not Granger Cause AUDITQ	98	0.72786	0.48567
AUDITQ does not Granger Cause CLIENT		0.39383	0.67559
MARKET does not Granger Cause AUDITQ	98	0.39789	0.67288
AUDITQ does not Granger Cause MARKET		1.45575	0.23849
AUDIT FEE does not Granger Cause AUDITQ	98	0.21130	0.80992
AUDITQ does not Granger Cause AUDIT FEE		2.04822	0.13474
CLIENT does not Granger Cause AUDITQ	98	2.43883	0.09283
AUDITQ does not Granger Cause CLIENT		1.40502	0.25052
MARKET does not Granger Cause AUDITQ	98	1.21757	0.30062
AUDITQ does not Granger Cause MARKET		0.80450	0.45040
CLIENT does not Granger Cause AUDIT FEE	98	1.19078	0.30858
AUDIT FEE does not Granger Cause CLIENT		1.03327	0.35989
MARKET does not Granger Cause AUDIT FEE	98	0.10451	0.90087
AUDIT FEE does not Granger Cause MARKET		0.59907	0.55143
MARKET does not Granger Cause CLIENT	98	0.45574	0.63539
CLIENT does not Granger Cause MARKET		2.15583	0.12156

The implication is that even amongst small and medium-sized audit firms higher audit fees compels higher audit quality and the need to expand their market coverage through brand name and goodwill constrains this category of audit firms to improve on their quality of audit output. The conclusion from this multi dimensional analysis is that in the long run, audit fee, client retention and market expansion variables impact positively on audit quality. This is contingent on the fact that no audit firm regardless of size can render quality services without appropriate fees.

Furthermore, the ability of an audit firm to retain clientele and to expand its market coverage is a function of its quality reputation and goodwill obtained from prior audit services (see Arrunada, 1999; Sauers, 2008; Naser and Alkhatib 2000; Niemi, 2004; Alleyne et al., 2006; Micheal, 2007). It is thus evident that the impact of these variables on audit quality is not dependent on the size of the audit firm. The absence of firm size differential impact is indicative of the global demand for improved audit quality amongst audit clients. This is contingent upon the fact that only small and medium-sized clients constitute the client base of this category of firms in Nigeria. Bigger firms patronize national and international brands. The study therefore recommends that small and medium-sized audit firms in Nigeria should realize that the specific characteristics of the Nigerian economy and therefore audit market should not be a foreclosure for improved audit services. They must strive for improved audit service quality to remain relevant in the emerging audit market, as the country traverses the path to economic development, global relevance and also bearing in mind the policy direction of government aimed at internationalizing the Nigeria market despite the current policy of local content development in some selected sectors. Small and medium-sized audit firms must realize that the current policy thrust of the Government is a short term strategy aimed at providing a base for local firms to build-on in order to becoming competitive with international firms.

References

Abubakar, N.; Rahman, A., & H. Rashid (2005). Factors Influencing Auditor Independence: Malaysian Loan Officers' Perceptions. *Managerial Auditing Journal*, 20(8): 804-822.

Alford, R S. and Strawer, R. (1990). Does Graduate Education Improve Success in Public Accounting? *Accounting Horizons*, 4(1): 69-76.

Alleyne, P. A.; Devonish, D, & Alleyne. P (2006). Perceptions of auditor independence in Barbados. *Managerial Auditing Journal,* 21(6):621-635.

Anderson, E.W. (1994). Variation in Customer Satisfaction and Retention. *Marketing Letters,* 5(1):19-30.

Auh, S., & Johnson, M. D. (2005). Compatibility effects in evaluations of satisfaction and loyalty. *Journal of Economics and Psychology,* 26: 35-57.

Arnett, H. & Danos, P. (1979). Michigan Researchers Cite Excessive Regulation of Accounting Profession. *C.P.A. Journal*. (49):6.

Arrunada, B. (1999). The Economics of Audit Quality: Private Incentives and The Regulation of Audit and Non-Audit Services, Dordrecht, The Netherlands: Kluwer Academics Publishers.

Ashbaugh, H. and Warfield, T.D. (2003). Audits as a Corporate Governance Mechanism: Evidence from the German Market. *Journal of International Accounting Research,* 2:1-21.

Balsam, S.; J. Krishnan, and J. Yang (2003). Auditor industry specialization and earnings quality. *Auditing: A Journal of Practice and Theory,* 22 (2): 71-97.

Baran ,R. J,, Galka, R. J. & D. P. Strunk (2008). *Principles of Customer Relationship Management*. Mason: Thomson South-Western.

Becker, C., Defond, M., Jiambalvo, J, & Subramanyam, K. (1998) The Effect of Audit Quality on Earnings Management. *Contemporary Accounting Research*, 15:1-24.

Bodet, G. (2008). Customer satisfaction and loyalty in service: two concepts, four construct several relationships. *Journal of Retailing and Consumer Services,* 15:156-162.

Bolton, R. N., Kannan, P. K., & Bramlett, M. D. (2000). Implications of loyalty program membership and service experiences for customer retention and value. *Journal of the Academy of Marketing Science,* 28(1), 95-108.

Carcello, J. V., D. R. Hermanson, T. L. Neal, and R. A. Riley, Jr, (2002). Board Characteristics and Audit fees. *Contemporary Accounting Research,* 19 (3):367-384.

Carcello, J. V., and A. L. Nagy. 2004. Audit firm tenure and fraudulent financial reporting. Auditing*: A Journal of Practice & Theory,* 23 (2): 55–69.

Carey, P., and R. Simnett (2006). Audit partner tenure and audit quality. *The Accounting Review,* 81 (3): 653–676.

Chan, P.M., Ezzamel, M. and William, D. (1993). Determinants of Audit Fees for Quoted UK Companies. *Journal of Business Finance and Accounting*, 20(6): 765-86.

Chandler, R. A. (1991). Guardians of Knowledge and Public Interest: A Reply. *Accounting, Auditing and Accountability Journal*, 4(4): 5-13.

Chen, Y. S., B. G. Chang, and C. C. Lee. (2008). The Association between continuing professional education and financial performance of public accounting firms. *International Journal of Human Resource Management,* 19 (9): 1720–1737.

Chi, W., H. Huang, Y. Liao, and H. Xie (2009). Mandatory audit partner rotation, audit quality, and market perception: Evidence from Taiwan. *Contemporary Accounting Research,* 26(2): 359–391.

Choi, J. H. and R. Doogar (2005). Auditor tenure and audit quality: Evidence from going-concern qualification issued during 1996-2001. *Working Papers*. Seoul National University.

Davidson, R. & Neu, A.D. (1993). A Note on the Association between Audit Firm Size and Audit Quality. *Contemporary Accounting Research*, 9(2):479-488.

DeAngelo, L.E. (1981). Auditor Size and Audit Quality. *Journal of Accounting and Economics,* 3:183-199.

DeFond, M. and J. R. Francis, and T. J. Wong, (2000). Auditor industry specialization and market segmentation: Evidence from Hong Kong. *Auditing: A Journal of Practice and Theory,* 19 (1): 49-66.

Eiriz V, & Wilson D (2006). Research in relationship marketing: antecedents, traditions and integration. *European Journal of Marketing,* 40(3/4): 275-291.

Ferguson, A., Francis, J.R. & Stokes, D. J. (2003). The effects of firm-wide and office-level industry expertise on audit pricing. *The Accounting Review,* 78: 429–448.

Francis, J.R. (2004). What do we know about audit quality? *British Accounting Review*, 36(4):345-368.

Francis, J. R. & Yu, M. (2009). The Effect of Big 4 Office Size and Audit Quality. *Accounting Review,* 84(5):1521-1552.

Francis, J.R. (2006). Are auditors compromised by non-audit services? Assessing the Evidence. *Contemporary Accounting Research*, 23: 747–760.

GAO (2003). General Accounting Office. Public Accounting Firms: Mandated Study on Consolidation and Competition. GAO Report No. GAO-03-864,[www]<URL :http://www.gao.gov/>[accessed 15 March 2012].

Gerpott,T. J., Rams,W., & Schindler, A. (2001). Customer retention, loyalty, and satisfaction in the German mobile cellular telecommunications market. *Telecommunications Policy*, 25:249-269.

Gronroos, C. (2003). *Service management and marketing a customer relationship management approach*. 2nd edition. West Sussex: Wiley.

Hoitash, R., A. Markelevich, and C. A. Barragato (2007). Auditor fees and audit quality. *Managerial Auditing Journal*, 22(8): 761–786.

Jean, C. B., Karla, M. J. & Edward, F. S. (2010). Audit Quality Indicators: A Status Update on Possible Public Disclosures and Insights from Audit Practice. *Current Issues in Auditing*, 4(1): C12-C19

Jeong, S, & Rho, W.J. (2004). Big Six auditors and audit quality: the Korean evidence. *International Journal of Accounting*. 39(2):175-196.

Kim, J.-B., R. Chung, and M. Firth. 2003. Auditor conservatism, asymmetric monitoring, and earnings management. *Contemporary Accounting Research,* 20 (2): 323-359.

Kotler, P. & Keller, K. L. (2006). *Marketing Management*. 12th edition. New Jersey: Pearson Prentice Hall.

Krishnan, G.V. (2005). Did Houston clients of Arthur Andersen Recognize Publicly Available Bad News in a timely Fashion? *Contemporary Accounting Research*. 22(1):165-193.

Lawrence, A., Minutti-Meza, M, & Zhang, P. (2011). Can Big 4 versus Non-Big 4 Differences in Audit-Quality Proxies Be Attributed to Client Characteristics? *Accounting Review*, 86(1):259-286.

Lee, B., Cox, B.S. & D. Roden (2007). Have the Big Accounting Firms Lost Their Audit Quality Advantage? Evidence from the Returns-Earnings Relation. *Journal of Forensic Accounting,* 8:271-286.

Leuz, C. and Verrecchia, R. (2000). The Economic Consequences of Increased Disclosure. *Journal of Accounting Research,* 38: 91-125.

Lin, J. S. C. & Wu, C. Y. (2011). The role of expected future use in relationship-based service retention. *Managing Service Quality,* 21(5), 535-551.

Michael, Y. D. (2007). *The Effect of Big Four Office Size on Audit Quality*. PhD Thesis, University of Missouri – Columbia.

Naser, K. & Al-Khatib, K. (2000). Determinants of the Depth of Voluntary Disclosure in the Board of Directors Statement in a Sample of Jordanian Listed Companies. *Advances in International Accounting,* 13:99-118.

Ndubisi N.O,& Wah CK (2005). Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction. *International Journal Bank Marketing,* 23(7): 542-557.

Niemi, L. (2004). Auditor size and audit pricing: evidence from small audit firms. *European Accounting Review,* 13(3):541-560.

Palmrose, Z.V. (1988). An analysis of auditor litigation and audit service quality. *The Accounting Review,* 63(1): 55–73.

Petterson, P. G. (2004). A contingency model of behavioral intention in a service context. *European Journal of Marketing,* 38(9), 1304-1315.

Riley, J. G. (2001). Silver signals: twenty-five years of screening and signaling. *Journal of Economic Literature* 39(June): 432–478.

Rootman, C. (2006). *The influence of customer relationship management on the service quality of banks*. Unpublished Master's Dissertation. Port Elizabeth: Nelson Mandela Metropolitan University.

Rusmin, R. (2010). Auditor quality and earnings management: Singaporean evidence. *Managerial Auditing Journal,* 25(7):618-638.

Rust, R. T. & Zahorik, A. J. (1993). Customer Satisfaction, Customer Retention and Market Share. *Journal of Retailing,* 69 (2), 193-215.

Sauers, A. C. (2008). Effective Customer Relationship Management. New York: Cambria Press.

Shapiro, C. (1983). Premiums for high quality products as returns to reputations. *Quarterly Journal of Economics* (November): 659–679.

Smith, M., & Chang, C. (2009). The impact of customer related strategies on shareholder value: evidence from Taiwan. *Asian Review of Accounting,* 17(3), 247-268.

Stey, T.F.J., Ellis, S.M. & Musika, F.A.A. (2004). *Implementing relationship marketing: The role of internal and external customer orientation.* Paper presented at the European Institute for Advances Studies in Management (EIASM) Workshop on Relationship Marketing, Brussels, Belgium.

Verhoef, P. C. (2003). Understanding the Effect of Customer Relationship Management Efforts on Customer Retention and Customer Share Development. *Journal of Marketing,* 67: 30-45.