

Do the Big Four satisfy the needs and expectations of their clients in the provision of non audit services?

Master of Arts in Accounting

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## Abstract

The recession and current unfolding economic scandals have caused many businesses to become apprehensive and cautious with the money they spend and the service providers they chose. Accounting/auditing firms in particular are under severe scrutiny from the Irish and global media with regard to the detection of fraud and misappropriation of financial statements of their clients. As a result, non audit services provided by accounting firms are becoming increasingly popular with their clients as it is felt that these services can provide further assurance surrounding their financial statements. However, whilst trying to provide these non audit services and remain under scrutiny it is very difficult for accounting firms to maintain their client base and provide the services at a standard that is satisfactory to the client.

There is a lack of empirical studies throughout the literature that match the provision of non audit services provided by accounting firms. Further, there are very few up to date studies that investigate how to meet the needs and expectations of clients whilst trying to narrow the expectation gap between the customer and the service provider. This dissertation provides a practical knowledge investigating the use of non audit services by PLCs provided by the Big Four whilst gaining an understanding as to whether or not the Big Four meet the needs and expectations of their clients. A conceptual framework based on the literature review has been developed. Further, it examines how the PLCs rate the use of these services provided and whether their needs and expectations are satisfied. The dissertation concludes that PLCs utilise non audit services on a regular basis and are satisfied with these services. However, at present they wish to receive the same standard of service at a much reduced price.

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# **Chapter 1- Introduction**

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## **1.1 Chapter Outline**

## **1.2 Research Aims and Objectives**

## **1.3 Context**

## **1.4 Research Overview**

## **1.5 Research Justification**

## **1.6 Conclusion**

## **1.1 Chapter Outline**

This dissertation is broken into the following five chapters.

-Chapter One: Introduction.

This chapter outlines the research aims and the primary research questions and objectives. Chapter one also provides an overview of the literature.

-Chapter Two: Literature Review.

This chapter provides a review of the literature in relation to customer satisfaction and non audit services.

-Chapter Three: Methodology.

This chapter identifies the various methods that the researcher can use to carry out a piece of research. It lists methods used by the researcher in this study and identifies how the researcher carried out the primary research.

-Chapter Four: Analysis and Findings.

This chapter presents the findings of the primary research, using charts to analyse the data and to aid the interpretation of the reader.

-Chapter Five: Conclusions and Recommendations

This chapter draws conclusions from the primary research and compares the findings with the literature examined in chapter two. The researcher recommends steps to be taken based on the conclusions reached and identifies further areas of research.

## 1.2 Research Aims and Objectives:

The objective of this research is to carry out an in-depth examination of the non audit services provided by the Big Four to determine the level of customer satisfaction, customer service quality and customer loyalty. It will explore the relationships from the perceptions of Irish Publicly Listed Companies (PLCs) where the audit process is undertaken by a member of the Big Four. The Big Four are Price Water House Coopers (PWC), KPMG, Deloitte & Touche and Ernst & Young.

In order to assist the focus of the research, the researcher has broken the question down into six objectives. The six primary research objectives are:

1. To understand what non audit services are and why they are needed.
2. To investigate what non audit services are made available by the Big Four.
3. To explore the non audit services provided by the Big Four.
4. To understand the needs and expectations of PLCs with regard to non audit services.
5. To find out what challenges are faced by accounting firms when providing non audit services to clients, in order to maintain client satisfaction.
6. To discover how non audit service delivery can be designed to match the expectations of PLCs.

The answers to the research questions have been obtained through a variety of sources namely the literature review, interviews conducted with the Big Four and through questionnaires issued to all the PLC's in Ireland. The review was used as a starting point to answer all of the research questions through literature which has been previously

sourced and documented. The information gathered from the questionnaires enabled the researcher to understand what the needs and expectations of the PLCs are, along with ways to close the gap between customer's expectations and the services actually received. This was achieved through a series of detailed questions asked in the questionnaires. Conducting interviews with a Partner/Director/Manager with three of the Big Four firms allowed the researcher the opportunity to understand the types of non audit services that are made available to audit clients and the ways in which they are utilised. Furthermore, the difficulties encountered by each of these firms when delivering non audit services were identified and the expectation gap between the service provider and the customer was also investigated.

### **1.3 Context**

The disintegrating property market and the international credit crunch have caused a significant down-turn in the Irish economy over the last eighteen months. In September 2008 it was noted by Brian Cowan (Taoiseach) that the Irish Gross Domestic Product (GDP) had fallen by 0.5 percent since the previous quarter. This was the first indication of a recession since 1993. At this time it was unknown to economists and the general public that the Irish people were going to suffer the most profound global economic crisis in seventy years. Since this crisis, Ireland has been deemed to have performed worse than any other developed country. As a result, companies have experienced increased competition, due to crowded markets with very low and competitive prices. Many Irish companies cannot survive in such a competitive environment which has resulted in the liquidation of a number of these companies. Consequently, service providers are losing

revenue and customers on a weekly basis. For example Aer Lingus reported a loss of eighty one million euro in 2009.

Accounting firms are struggling as customer confidence is low due to current unfolding economic scandals such as Anglo Irish Bank and Lehman Brothers Inc. Furthermore, the aftermath of the collapse of some of the world's greatest business empires such as Enron and Parmalat is adding to this decline in confidence. As a result, previous work that the auditor conducted will simply not be enough. Customers are looking for increased assurance at a lower price. In addition to requiring audit assurance they seek other services that will provide additional comfort. 'Assurance services are independent professional services that improve the quality of information, for decision makers. An audit is a type of assurance service. However, there are a variety of services that can be offered rather than just validating historical financial statements, such as risk assessments, business valuation, internal control assessments, financial and operating review, mediation etc' (AICIPA, 2007, P15). Therefore, non audit services such as traditional accounting works, assurance, investment assurance, commerce registration and accounting affairs, tax advisory service, management advisory service and information technology advisory service are becoming increasingly pertinent with clients. The impact of the decline in consumer confidence has encouraged accounting firms to prioritise current customers by meeting their expectations. However, there are many challenges faced by accounting firms when meeting client expectations and maintaining customer loyalty. For instance, different individuals perceive matters in different ways, making it difficult to close the expectation gap between the company and the customer.

Furthermore, customers are looking for additional reassurance at the cost of the accounting firm whilst not realising that their expectations are unrealistic. This is supported by (Gronroos, 1990) who proposes that if expectations are unrealistic, the total perceived quality will be low, even if the experienced quality measured in an objective way was good. In addition, many clients are unable to assess the work that has been conducted as they lack the necessary technical experience. Therefore, as noted by (Hausam, 2003) both the functional and technical aspects of professional service relationships may affect the client's satisfaction, their loyalty to the service provider, and the likelihood that they will recommend the service provider to a friend.

#### **1.4 Research Overview**

As previously outlined Irish PLCs are audited by a member of the Big Four. The Big Four are all members of the Institute of Chartered Accountants in Ireland (ICAI). Since the collapse of Arthur Anderson in 2002 (previously a member of the Big Five) the service provision provided by the Big Four has come under severe scrutiny by the Irish and global media. This negative publicity has led to low investor and consumer confidence, providing an opportunity for the smaller accounting firms to benefit and obtain some of the new clients. Therefore, it is essential that the Big Four strive to maintain current customers and concentrate on their relationship development, as the cost of obtaining new customers is said to outweigh the benefits. Customer satisfaction is vital because of its impact on the bottom line. It leads to repeat business and customers enjoying a quality of service that will encourage them to return time and time again. Their loyalty will result in additional spending, increased market-share through word-of-

mouth promotion, improved reputation, and increased profits. Since satisfied customers are more likely to pay their invoices on time, cash flow can be affected as well (Debra Goldman, 2010 p.2). To retain customers, it is important to ensure that these customers are satisfied with the current services provided. Therefore, it is imperative that the Big Four provide their clients with an efficient, reliable and trustworthy service. This in turn should lead to returned custom and higher levels of customer satisfaction. Furthermore, it has been identified by (Ismail, 2006) that when PLCs are satisfied with the quality of service received from a particular audit firm, there is a strong probability they will also use the same audit firm for non audit services such as taxation, secretarial practice, review engagement or other related non assurance services. These assurance services are greatly needed in the current economic climate to enhance client satisfaction and reassurance. Therefore, it is essential that the Big Four advocate these services and make them readily available to their clients in order to boost assurance levels.

### **1.5 Research Justification**

To date, there has been no empirical study which specifically examines the mediating effect of customer satisfaction pertaining to the relationships of service quality, customer loyalty and customer satisfaction in the provision of non audit services by accounting firms. As this research is unique, it adds to the credibility and to the merit of the research question. Additionally, the topic is relevant to recent developments which have taken place over the last eighteen months therefore the topic can be viewed as contemporary. The researcher believes that this research question holds distinct merit due to the economic benefit it can provide to both the Big Four and to the PLCs. Feedback has been provided to the Big Four and the PLCs based on the findings of the primary

research. As the Big Four have been provided with this information it will permit them to understand the exact needs and expectations of the PLCs. Based on this information they will be able to improve or offer more appropriate services. In this increasingly competitive environment it will also provide the Big Four with a higher competitive advantage over those smaller firms, which are growing slowly and becoming increasingly popular with the PLCs in Ireland. PLCs will thus benefit if their exact expectations are taken into consideration by their accounting firm. This may result in better value for money on a yearly basis.

## **1.6 Conclusion**

Non audit services are becoming increasingly popular in today's current economic climate. They are used to increase client assurance and in turn lead to higher customer satisfaction levels. However, it is the opinion of the researcher that the Big Four do not advocate the provision of non audit services or make them readily available to their customers. Therefore, in chapter two the researcher will investigate the current use of non audit services and determine what will sustain customer loyalty from previous literature.



## **Chapter 2 - Literature Review**

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### **2.1 Introduction**

### **2.2 The Importance of Customer Retention in Accounting Firms**

### **2.3 Meeting Customer Expectations**

### **2.4 Satisfied Customers lead to Loyal Customers**

### **2.5 Why is it difficult to manage the needs of customers?**

### **2.6 The nature of non audit services**

### **2.7 Defining non audit services**

### **2.8 Why are non audit services provided by the auditor seen as beneficial?**

### **2.9 Types of Assurance services provided by the Big Four**

### **2.10 Limitations of the literature review**

### **2.11 Conclusion**

## 2.1 Introduction

The research described in this dissertation addresses some of the problems encountered by professional services providers when providing services to their customers, whilst trying to limit the expectation gap between the customer and themselves. For the purpose of this research the available literature is considered on issues such as:

- The importance of customer retention in accounting firms;
- How to meet customer expectations;
- Why satisfied customers lead to loyal customers;
- Why it is difficult to manage the needs of customers;
- Problems encountered by professional service providers;
- The nature of non audit services;
- Defining non audit services;
- Why non audit services provided by the auditor are seen as beneficial
- Types of assurance services provided by the Big Four.

## 2.2 The Importance of Customer Retention in Accounting Firms

The traditional business environment in which accounting firms operate has recently become more competitive as downturns in economic sectors and globalisation impact on the ability of accounting firms to control their market (Ahmed and Hopson, 1990; Crane, 1991; Kotler and Bloom, 1990; Sample, 1991; Cited by Macintosh, 2009). In addition, ‘the market competition between accountants is seen as intensifying, as is the competition from other professionals performing similar services’ (Macintosh, 2009, p.73). McNeilly and Barr ( 2006), suggest that accounting firms are greatly affected by the competitive

nature of the environment in which they operate and when clients leave they often leave a flurry of negative word-of-mouth in their wake and create large voids that have driven firms into financial distress. Therefore, accounting firms must be attuned to the factors that affect client retention. Simply meeting their client's expectations may not be enough to keep them from switching to other service providers. Instead, firms may need to operate with a strategy that seeks to exceed their client's expectations in order to maintain the relationship (McNeilly and Barr, 2006). As a result, service quality is the major driving force for business sustainability (Carlzon, 1987) and in a competitive global marketplace, it is recognised that high quality service is essential for the success of the firm (Rust and Oliver, 1994 cited by Ismail, 2006). Consequently, the role of marketing by accountants has increased and attention to identification of factors of success has gained dominance. One of the emerging factors of success is seen as client satisfaction (Andrews, 1992; Zorski, 1990 cited by Mangos, Lewis and Roffey, 1997).

‘Nonetheless, while a focus on client orientation by accounting firms will lead to greater client satisfaction, it is also likely to lead to increased client expectation as they become better educated in understanding the differences in client focus between accounting firms as well as technical expertise’. (Mangos, 1997, p.14). In support of this (Maister et al. 2000), suggest that as the competitive environment for professional services intensifies the service provider's ability to exceed expectations is going to be more critical in ensuring that clients do not switch firms or use multiple providers. Therefore, it is of the utmost importance to understand the client's expectations in conjunction with providing a reliable and competent service.

### 2.3 Meeting Customer's Expectations

Expectations are beliefs that customers hold about product or service performance 'that function as standards or reference points against which performance is judged' (Zeithaml and Bitner, 2006, p.286). They are derived from a variety of factors, including the customer's past experiences, company communications (advertisements, salespeople, etc.), and word-of-mouth from other consumers. When expectations are met, customers are likely to be satisfied and will continue to do business with the service provider. This retention of loyal customers leads to greater profitability for the business (McNeilly and Barr, 2006). Anderson adds to this statement by suggesting that meeting customers' expectations leads to satisfied customers, which has been shown to be a profitable business strategy, as satisfied customers are more likely to continue doing business with organisations that satisfy their needs (Anderson et al., 1994; Anderson et al., 1997). Furthermore, from a managerial perspective, understanding the drivers of customers behaviors, like repurchase intentions is critical; hence there is an overriding interest in understanding issues involved in customer satisfaction, most notably expectations and how best to meet them (McNeilly and Barr, 2006). The disconfirmation-of-expectation paradigm (Oliver, 1980) argues that customer loyalty (e.g. repurchase intentions, willingness to provide positive word-of-mouth) is a function of customer satisfaction, which again is a function of a cognitive comparison of expectations prior to consumption and actual experience. In addition, customer satisfaction/dissatisfaction requires experience with the service and is influenced by the perceived quality and the value of the service (Anderson et al. 1994).

Assuming that the customer is capable of evaluating the service performance, the result is compared to expectations prior to purchase or consumption (Oliver, 1980). Any discrepancy leads to disconfirmation; i.e. positive disconfirmation increases or maintains satisfaction and negative disconfirmation creates dissatisfaction (Andreassen, 1997). Consequently, due ‘to the potential effects on revenues and profitability, organisations are spending millions of dollars annually to research and identify deficiencies in their delivery of expected products and services to customers’ (Vera, 1997, cited by Mc Neilly and Barr, 2006 p152). Furthermore, a customer may be satisfied with a marketer’s offering, but if another company proposes something more or different, the customer’s loyalty may waiver, and s/he may switch to another provider (Mc Neilly and Barr, 2006). As a result Keiningham and Vavra, (2001) suggest that the goal of businesses today must be to go beyond merely meeting expectations in order to retain customers and instead, work to exceed their customer’s expectations by “delighting them” (George and Stanton, 1997). Not only will these ‘delighted’ customers continue to do business with this type of organisation, they will likely create positive word of mouth as well, which in turn leads to others becoming customers (Maister, 1993).

#### **2.4 Satisfied Customers lead to Loyal Customers**

Satisfied customers are said to represent future cash flows and recommendations provide a source of future customers for the firm (Woodside and Shinn, 1988). More importantly (Press, 1994) revealed that studies show satisfied clients are less likely to file a lawsuit against the professional. As a result, ‘service quality is a critical component of customers perception because it is an antecedent to customer satisfaction’ (Ismail, Haron, Ibrahim

and Isa, 2006 p.739). Moreover, customer loyalty is a critical element in the success of a practice due to the high transaction costs associated with new clients (MacStravic, 1994). Customer loyalty expresses an intended behavior related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth, or the likelihood of customers providing voice. (Andreassen, 1997). ‘Loyal customers are associated with larger and more frequent purchases and they generate positive word of mouth’ (Diller, 2000 p.73), ‘acting as strong advocates for the company’ (Christopher et al., 2002). ‘They can also be more accommodating, more tolerant, forgiving of mistakes (Leuthesser,1997 p.54) and more willing to provide feedback and insights into unfulfilled needs’ (Morganet al.2000). As a result, the quality and strength of customer relationships is considered critical to the survival and profitability of any business (Payne et al., 1995).

In professional services in particular, the greatest opportunities for profitable business development appear to lie in building from the existing client base (Forsyth, 1992; Sheth and Sobel, 2000). In fact, loyalty “can make the difference between financial success and disaster” for professional service providers (MacStravic, 1994, p.53). In addition, loyalty promotes increased use of professional services, possibly allowing less costly mistakes as errors are caught earlier (MacStravice, 1994). What’s more, loyal clients may be more motivated and knowledgeable and thus able to perform some aspects of their own service (MAC, 1994). Moreover, loyalty also provides benefits to the client; for instance, longer professional relationships result in less costly and less intrusive medical care in empirical

studies (Weiss and Blustein, 1996). Furthermore, a growing body of research has emerged examining the importance and role of interpersonal relationships between contact personnel and customers in services (Beatty et al. 1996; Price and Arnould, 1999). It is generally believed that a strong personal bond contributes to a number of positive relationship outcomes, such as customer satisfaction and loyalty (Bendapudi and Berry, 1997). This personal bond appears to be even more important in services than tangible product contexts because of the unique characteristics of services (Czepiel, 1990). More recently in a new stream of research, Gremler, Gwinner, and colleagues (Gremler and Gwinner, 2000; Gremler et al., 2001; Hennig-Thurau et al., 2002) have begun to explore the role of customer/contact employee rapport as an important relationship variable. Research, thus far, indicates that rapport contributes to positive relationship outcomes, such as loyalty, and may be particularly important in generating positive word-of-mouth (WOM) (Gremler and Gwinner, 2000). Other research by DeWitt and Brady (2003) indicates that rapport has a positive impact on service recovery.

In the context of auditing, the quality of service provided by audit firms is a very important issue when signs of dissatisfaction with the services arise (Sutton, 1993). In a survey by the US General Accounting Office (GAO) in September 2003, it was found that half of the public companies that were satisfied with the audit service stated that they had used the services of their current auditor for 10 years or more. Therefore, ‘when the public listed companies are satisfied with the quality of service received from a particular audit firm, there is a strong probability that they will also use the same audit firm for

other non audit services such as taxation, secretarial practice, review engagement or other related non- assurance engagement’ (Ismail, Haron, Ibrahim and Isa, 2006 p.739).

### **2.5 Why is it difficult to manage the needs of customers?**

‘Customers do not always have a clear understanding of what they want from the service provider. They may feel that something is wrong or deficient but do not know what it is. They wish for an improvement in their situation, but do not know what kind of improvement this should be. This kind of wish can be understood in terms of fuzzy expectations’ (Ojasalo, 2001). This is where things can get complicated because how *you* perceive your performance may differ from how your customers perceive it. In fact, discrepancies between your perceptions and theirs would not be at all unusual (Karten, 2003). ‘I routinely encounter such discrepancies when I interview a company's service staff as well as its customers. So, even if you're working yourself to the proverbial bone, if customers view you as unresponsive, then you are unresponsive — in their eyes’ (Karten, 2003 p.59). In addition, customers sometimes have expectations of a service which cannot be met by anyone, neither by a professional service provider, nor by the customers themselves. When customers have expectations which are not fulfilled by the service, they will be disappointed, and when these expectations are unrealistic disappointment cannot be avoided (Ojasalo, 2001). Quality service is a measure of how well the service level delivered matches customer expectations (Lewis and Boom, 1983; cited by Ismail, 2006).



The central focus of the study of service quality is the customer gap, the difference between customers' expectations and perceptions of the service(s) received. This satisfaction gap may be explained as a function of aggregate resources. (Andrus et al., 1990; Hague, 1989; Morgan, 1988, cited by Mangos, 1997). Expectations are the reference point customers have before experiencing the service, whereas perceptions reflect their experience of the service that they have actually received. Hence, firms will strive to close or narrow the gap between what is expected and what is received allowing them to satisfy their customers and to build long-term relationships with them. Consequently, from a service quality point of view there is a clear need to consider situations in terms of expectations, in which the customer does not have an exact comprehension of the problem, thus enabling the customer expectation gap to be reduced (Ojasalo, 2001). 'The quality of services offered by audit firms is best determined by the clients of the audit firms, as they would be able to give unbiased opinions on these matters' (Ismail, 2006). Research in the UK has suggested that client satisfaction is greater in larger accounting firms when compared to client satisfaction in smaller firms (Andrus et al., 1990; Hague, 1989; Morgan, 1988, cited by Mangos, 1997). However, as previously stated customers do not always have a clear understanding of what they want from the service provider. They may have a vague idea or ideas about the nature of the change that they deem most important although, they are not certain about it. Therefore, if these expectations do not materialise customers feel that the service was unsatisfactory (Ojasalo, 2001).

### 2.5.1 Problems encountered by Professional Service Providers

Professional service providers include medical professionals (doctors, dentists, veterinarians and nurses) attorneys, financial planners, business consultants, accountants, and many others. These professionals share years of specialised training and practice in a field where experience is a major determinant of ability. In many cases, service providers have passed rigorous tests to demonstrate sufficient mastery of their discipline before being allowed to provide professional services. For example, bar exams, accounting exams, medical boards, certified planner exams etc. Moving the theory of functional and technical quality into the context of professional services, several compounding factors appear to affect evaluations of technical quality. Specifically, many professional service clients are unable to evaluate technical quality because they lack technical expertise (Weems, 2001).

A distinct difference between professional services and the types of consumer services often studied (i.e. banking and retailing) include one on one interactions involving repeated, frequent encounters with the same professional service provider. In addition, differences include complexity, the intimate nature of exchange and co production of service outcomes (Lovelock, 1996). These features make professional service encounters profoundly different and question the mechanism by which satisfaction, loyalty, and positive word of mouth are generated.

Specifically, given the overarching importance of core service outcomes (health, freedom, and comfort) does satisfaction, loyalty and word of mouth emanate from

perceived technical quality (competence of the provider), or do functional components (social aspects) remain more salient? (Hausam, 2006). That is, consumers can accurately judge whether a bank or shoe repair establishment has performed well, but lack the ability to judge their financial planner or accountant.

This evaluative difficulty is compounded when one considers that competent professionals do not always produce favorable results – even good financial planners lose their clients money in unstable markets. Thus, successful achievement of the core service is not a necessary and sufficient condition to evaluate the professional's competence (Lee et al. 2001). However, difficulties evaluating provider performance may lead to evaluations weighted heavily on functional quality. Empirical trials, while rare, are equivocal and results suggest that functional quality affects satisfaction to a greater extent, while technical quality has a greater effect on loyalty (Lasser et al. 2000).

As a result, because professional service provider's services are high in credence qualities (characteristics that make the quality of service difficult to evaluate), clients may have a difficult time distinguishing between reliable work, that is merely competent and reliable work that is truly outstanding technically. In cases such as this, personal relationships between the service providers and clients will be the key factor in determining whether expectations are met (McNeilly and Barr, 2006).

## 2.6 The nature of non audit services

Levitt (2000) explains that there are long standing public policy concerns about whether auditors should be allowed to provide both audit and non audit services to their clients without any restriction on the scope of these services. The provision and the associated consequences of non audit services, by incumbent auditors to their clients, have received considerable attention from regulators, auditors, investors, media and academic researches. Much of the existing research investigating the consequences of incumbent auditors providing non audit services has focused on the negative consequences of such services, such as; lower earnings quality, higher frequency of restatement of financial statements, lower propensity to issue going concern opinions or lower reliability of reported earnings than the potential benefits (Lai and Krishnan, 2009). ‘Furthermore there has been renewed interest on how to regulate the provision of non audit services by auditors, audit firms or networks of audit firms to their audit clients. This provision of non audit services has important consequences for service cost, audit competition, service quality and auditor independence’ (Arrunada, 1999, p.515). Following regulators concerns about the lack of auditor independence through the provision of non audit services the Securities and Exchange Commission (SEC) revised auditor’s independence rules in 2000. This led to narrowing the scope of non audit services and required disclosure of both audit fees and fees derived from different components of non audit services (SEC 2000).

The Sarbanes Oxley Act (2002) went a step further and effectively banned auditors from performing certain types of non audit services. The assumption made by regulators is that

the provision of non audit services impairs auditor independence both in fact and in appearance (Lim and Tan, 2006). However, it is very possible that the provision of these non audit services could in fact carry positive effects. Cho, Han and Brown, (2009) suggest that the positive aspects of non audit services have been largely ignored. Furthermore, they suggest ‘Similar to advertising and R&D, non audit services represent voluntary expenditures intended to enhance firm value. Also, the knowledge “spilled over” from non audit services may even improve auditor quality’. What’s more, it has been found that non audit services have a positive effect on the value relevance of accounting numbers. This suggests that the provision of auditor’s non audit services increases the value relevance of accounting information (Cho, Han and Brown, 2009). With regard to cost savings it causes two kinds of economies of scope - productive and contractual. Productive economies of scope are usually referred to in the literature as “knowledge spillovers”; audit and service provision share information both as a product and as a process. Economies of scope of a contractual nature exist because contracting professional services is potentially very conflictive, therefore, the same private safeguards can be used to provide audit and non audit services (Arrunada, 1999).

### **2.7 Defining non audit services**

Non audit services adopt many different views and include a variety of different services. From a definition point of view there is a general consensus agreeing that the subject area be treated in a narrow or broad manner. To illustrate a narrow definition of non audit services Chien and Chen, (2003, p.302) suggest that ‘non audit services generally refer to the services above and beyond the related audit services other than traditional accounting

work'. A broader definition of non audit services is considered by Purcell and Lifison, (2003, p. 35) who define non audit services 'as traditional accounting works (including assurance, investment assurance, commerce registration and accounting affairs) as well as tax advisory service, management advisory service and information technology advisory service'. Furthermore, non audit services can be broken into assurance services and non assurance services. ((AICPA) Special Committee on Assurance Services, 2007) suggest that assurance services are 'independent professional services that improve the quality of information, or its context, for decision-makers.' An audit is a type of assurance service, however there is a variety of services that can be offered rather than just validating historical financial statements. Such as risk assessments, business valuation, internal control assessments, financial and operating review, mediation etc'. In addition, an assurance service can be viewed as a service 'In which a particular expresses a conclusion designed to enhance the degree of confidence that intended users can have about the evaluation or measurement of a subject matter that is the responsibility of a party, other than the intended users or the practitioner, against criteria' (IASSB, 2003). Cosserat and Rodda (2009) take the definition further by specifically listing the services. They suggest an assurance service is one in which a public accountant issues a written communication that expresses a conclusion about the reliability of a written assertion, that is the responsibility of another party and includes the following: Audit; Value for money; Nonfinancial performance measure; Internal control effectiveness; Risks facing the enterprise; Systems reliability; E-Commerce assurance; Social matters (for example employment policies); Environmental issues; and Compliance behaviour (such as corporate governance, compliance with regulations). Non assurance services are

generally straight forward and simple to understand. The principal types of non assurance services provided by public accountants are those of traditional accounting, taxation, management consulting or advice and insolvency and business recovery, Cosserat and Rodda (2009).

### **2.8 Why are non audit services provided by the auditor seen as beneficial?**

The modern audit approach emphasises the importance of assessing the risks of financial report misstatement and concentrating audit effort on identified risks. A major contributor to the risk of financial report misstatement is the risk associated with the uncertainties of the business process and the ability of management to deal with such risks (CIMA, 2010). As the risks of these uncertainties are so pertinent and are a crucial aspect of the day to day running of a business, the provision of non audit services provided by the auditor can be viewed as essential. ‘Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Assurance clients value the benefits that derive from having these firms, which have a good understanding of the business, bring their knowledge and skill to bear in other areas’ (CIMA, 2009 p.32). In particular non audit services are an important source of information for professional judgment. Arrunada (1999) explains that when such services are provided to audit clients the auditor can reach a better-grounded professional judgment since the auditor will have a greater depth of knowledge of that part of the value of the business which is rarely reflected in the accounts, such as, intangible assets (reputation, solid organisational structure, management capability). This is further reiterated by (Cosserat and Rodda, 2009, p100) who explain that ‘the provision of non

audit services provides auditors with greater knowledge and understanding of the business and this enhances their ability to conduct a more effective audit'. In particular non audit services are an important source of information for professional judgment.

Furthermore, the provision of such non-assurance services will often result in the assurance team obtaining information regarding the assurance client's business and operations which is helpful in relation to the assurance engagement (Chartered Institute of Management Accountants, 2009). Cosserat and Rodda, (2009 p.90) 'argued that the provision of non audit services by audit firms both spreads good management practices and improves the quality of the audit'. In addition, the provision of such services will enable the auditing firm to contract and make efficient use of the experts required to improve and extend its professional judgment as well as to undertake highly specialized activities (Arrunada, 1999). The greater the knowledge of the assurance client's business the better the assurance team will understand the assurance client's procedures and control including the business and financial risks that it faces.(Chartered Institute of Management Accountants, 2009). Moreover, provision of non audit services provided by auditors to their clients are said to reduce total costs, increase technical competence and motivate more intense competition. Furthermore, they do not necessarily damage auditor independence or the quality of non audit services. This assessment leads to the recommendation that legislative policy should aim at facilitating the development and use of the safeguards provided by the free of action of market forces (Arrunada, 1999).



## **2.9 Types of Assurance services provided by the Big Four**

Firms of public accountants provide a range of services in addition to audits. Auditors of a company have two competitive advantages over other accounting firms providing non audit services. Firstly, knowledge gained during the audit reduces the cost of providing other services (for example preparing tax returns). Secondly, the audit provides the firm with a chance to identify opportunities for selling other services to the entity. As the revenue from non audit services often exceeds that from audit services it is alleged that firms of accountants offer to supply audits at low cost in order to secure appointment as auditors. This activity is commonly known as low-balling (Cosserrat and Rodda, 2009). The services offered by the Big Four are discussed for each firm in the following sections.

### **2.9.1 Price Water House Coopers**

Price Water House Coopers (PWC) suggest that they are leaders in the development of non-financial performance reporting, helping their clients respond to the need for greater transparency, improved corporate governance, and business models based on the principles of sustainability. They offer the following range of non audit services: Financial statement audit; Regulatory compliance and reporting; Sarbanes-Oxley compliance; IFRS reporting; Assistance on capital market transactions; Corporate reporting improvement; Financial accounting; Independent controls and systems process assurance; Sustainability reporting; Actuarial insurance services; and Internal audit.

However, due to some independence and regulatory requirements that may be applicable, such as Sarbanes-Oxley, some of the following services may not be available to audit clients of PWC member firms.

### **2.9.2 Deloitte & Touche**

Deloitte & Touche maintain that their assurance professionals gather information during a Deloitte audit to understand fully their client's business, internal controls and risk spectrum. Before making audit decisions they conduct objective diagnostic tests and analytical reviews. Their methods help their clients meet the growing demand for enhanced disclosure and accountability. They work closely with their clients, yet independently, and encourage open communication. Deloitte audit goes beyond testing transactions and balances to providing insights that help their clients better understand their business. Their assurance services include: Statutory & financial statement assurance; Group reporting; Quarterly reviews; Pension scheme audits; Grant audits; Regulatory reporting assurance; Completion accounts; Revenue assurance and consultancy .

### **2.9.3 KPMG**

KPMG advocate transparency is key to ensure that development funds are wisely spent. With more than a century of experience as one of the worlds' leading audit providers, KPMG brings the full weight of professionalism, independence, and integrity to the monitoring and assessment of development and public sector programs.

With each donor having very specific—and often very stringent—reporting requirements, it is imperative that governments, NGOs, and other development partners meet these requirements through timely and accurate financial reporting. Assurance services offered include: Budget Benchmarking; External Audit services; Internal Audit services; Pre-grant evaluation; Commodity Tracking and Audits; Human Resource assessments; Governance and collaboration analysis; Subgrantee evaluation; Procurement and supply chain analysis; Program management capacity; and Financial management systems review.

#### **2.9.4 Ernst and Young**

Ernst and Young are of the opinion that they make a difference because they understand that to achieve customer potential, they need to provide a tailored service as much as a consistent methodology. They work to give their customer the benefit of their deep sector knowledge, their full subject matter knowledge and the latest insights from their work worldwide. Therefore, strong independent assurance helps meet these demands by providing a timely and constructive challenge to management, a robust and clear perspective to audit committees and critical information for investors and stakeholders. Services provided by Ernst and Young include Accounting and Financial Reporting; External Audit services; Financial Accounting Advisory service; Fraud Investigation and Dispute services; Tax Advisory; IT Internal Audit and IT internal controls.

### **2.10 Limitations of the literature review**

The time frame available to the researcher was limited when reviewing the literature which made it very difficult to allocate sufficient time to each individual article on the databases. As a result, it made it very difficult to decide which articles were relevant to the study. The researcher is also of the opinion that the amount of literature available on this particular subject area was minimal and any prior research conducted in this area was completed at a very early date, therefore recent data was hard to find. In addition, as this is a new area the researcher found it difficult to relate the literature to accountancy.

### **2.11 Conclusion**

It is evident from the literature presented that customer satisfaction and retention is a must in today's down turning economy. Furthermore, accounting firms are under increased pressure to provide non audit services to give clients the reassurance they need. In the chapters to follow the methodology for the research will be documented as well as the findings and conclusions from the interviews and questionnaires conducted.

## Chapter 3 - Research Methodology

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### 3.1 Introduction to Methodology

### 3.2 Research Focus

### 3.3 Research Philosophy

### 3.4 Research Approach

### 3.5 Data Collection Methods

### 3.6 Sampling

### 3.7 Limitations

### 3.8 Ethical Considerations

### 3.9 Conclusion

### 3.1 Introduction to Methodology

The purpose of this chapter is to detail how the researcher conducted the research and achieved the objective of assessing whether the Big Four satisfy the needs and expectations of their clients in the provision of non audit services? The chapter will first identify the type of research that was conducted in order to meet the purpose of the research objectives. The options considered when choosing a research approach are addressed followed by an analysis of the research philosophy that the researcher has chosen to conduct her enquiry. The strategies that the researcher has chosen to execute the investigations are explained before concluding, with an account of the data collection methods to be employed, any limitations of the data collection process, and subsequently how the data was analysed.

Saunders et al. (2009, p3) defines research as ‘something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge’. Systematic suggests that research is based on logical relationships and not just beliefs and to find out things means that there is a multiplicity of possible purposes for your research (Ghauri and Gronhaug, 2005). Sekaran (2003, p.5) emphasise the above by defining research as ‘An organised systematic, data based critical, objective, scientific inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to it’. Based on this study the researcher has increased her knowledge in the areas of customer satisfaction and non audit services provided by accounting firms.

Research methodology refers to ‘The overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data.’ (Collis and Hussey 2003, p.55)

### **3.2 Research Focus**

Literature surrounding the classification of a research purpose commonly identifies three different types of research methods; exploratory, descriptive and explanatory (Robson, 2002p.59), as cited by Saunders et al, 2009 p.139). Saunders defines exploratory research as a means of discovering what is happening; to seek new insights; to ask questions and to assess phenomena in a new light’. This type of research is particularly valuable when the researcher wishes to clarify his/her understanding of issues surrounding a certain problem or phenomenon. This type of research is employed when searching for ideas, trends or hypotheses, as opposed to attempting to prove/disprove a preconceived theory (Collis and Hussey, 2003).

Descriptive research is used to explain concepts, as they exist; usually to distinguish and attain information regarding the features of a particular problem or phenomenon (Collis and Hussey, 2003). The aim of such research is ‘to portray an accurate profile of persons, events or situations’ (Robson, 2002 p.59, as cited by Saunders et al, 2009). This type of research is more useful than exploratory studies in examining a problem as it is undertaken in a bid to establish the characteristics of the related issue (Collis and Hussey, 2003).

Explanatory studies is an extension of descriptive research as it surpasses simple descriptions of characteristics of a phenomenon, to analyse and uncover answers to ‘why’ or ‘how’ it is occurring (Collis & Hussey, 2003). The focus within the analysis of such issues is to attempt to explain the relationships that exist between specific variables (Saunders et al. 2009). The strategies used by the researcher are discussed in the section below.

### **3.2.1 Research Focus Adopted**

For the purpose of the primary research, both exploratory and descriptive research were undertaken. The exploratory research entailed interviews which were conducted with a Partner/Director from three of the Big Four accountancy firms. Primarily the main focus of these interviews were to gather the relevant information in order to answer the research objectives. They were also used to gain an in-depth understanding of the services that these firms have available to their clients, the use of these services by their clients, how they would rank the use of these services on a priority basis and how these firms meet the challenges of the customer/service provider expectation gap.

The descriptive research involved questionnaires, which were sent to all sixty three PLCs in Ireland to obtain their opinions and perceptions of the services they are currently receiving from their accountants/auditors. An analysis was conducted of these results along with analysis of the relevant literature. Both exploratory and descriptive research is extremely advantageous as they are flexible and adaptable to change.



### 3.3 Research Philosophy

All research is based on assumptions about how the world is perceived and how we can best come to understand it. Research philosophy depends on the way that the individual thinks about the development of assumptions which in turn will decipher the process in which the research will be undertaken. This can also be known as the research paradigm. Collis and Hussey (2003, p.46) state the term ‘paradigm refers to: ‘The process of scientific practice based on peoples philosophies and assumptions about the world and the nature of the knowledge; about how research can be conducted.’

#### 3.3.1 Positivism/Interpretivism

There are many different types of research philosophies; however the two most commonly referred to are positivism and interpretivism. The positivism theory follows a quantitative approach and is based on the belief that there is only one truth. Furthermore, it tends to take a prearranged approach to collecting data which is analysed and interpreted in a realistic arithmetical manner. This is contrary to the interpretative belief. The interpretative belief suggests that there are many truths and follows the qualitative research approach. The approach for collecting data tends to be more flexible by means of focuses on the meanings behind the research. Interpretivist researchers advocate that research should be conducted among people rather than objects to gather valuable observations into such a ‘complex world’ (Saunders et al. 2007, p.106).

Phenomenologists see the world as socially constructed (Berger and Luckmen, 1997, as cited by Hines, 2000) and such research ‘uses qualitative and naturalistic approaches to inductively and holistically understand a human experience in context-specific settings’

(Easterby-Smith, 1991; Remenyi et al. 1998; as cited by Amaratunga et al. 2002). The key consideration for the researcher at this point is the question of whether they believe the social world can/should be researched in line with the principles, procedures and ethos adopted by the natural scientists (Bryman, 2004). Figure 3.1 illustrates the beliefs, methods and philosophy involved in both of the paradigms in question.

Figure 3.1

## The Positivist and Phenomenological Paradigms

	<b>Positivist Paradigm</b>	<b>Phenomenological Paradigm</b>
<b>Basic Beliefs</b>	<ul style="list-style-type: none"> <li>- The world is external &amp; objective</li> <li>- Observer is independent</li> <li>- Science is value-free</li> </ul>	<ul style="list-style-type: none"> <li>- The world is socially constructed and subjective</li> <li>- Observer is part of what is being observed</li> <li>- Science is driven by human meanings</li> </ul>
<b>Researcher Should:</b>	<ul style="list-style-type: none"> <li>- Focus on facts</li> <li>- Look for Causality and fundamental laws</li> <li>- Reduce phenomenon to simplest elements</li> <li>- Formulate hypotheses and test them</li> </ul>	<ul style="list-style-type: none"> <li>- Focus on meanings</li> <li>- Try to understand what is happening</li> <li>- Look at the totality of each situation</li> <li>- Develop ideas through induction from data</li> </ul>
<b>Preferred Methods</b>	<ul style="list-style-type: none"> <li>- Operationalising concepts so they can be measured</li> <li>- Use large samples</li> </ul>	<ul style="list-style-type: none"> <li>- Use multiple methods to establish different views of the concept</li> <li>- Small samples investigated in-depth over time</li> </ul>

Easterby-Smith et al (1994)

### 3.3.2 Research Philosophy Adopted

For the purpose of this research both the interpretative and positivist theory was undertaken by the researcher through the use of questionnaires and interviews. As the interpretative approach is based on the belief that there are many truths, the researcher is of the opinion that the interviews conducted with three of the Big Four accountancy firms did have more than one truth. As a result the research was open to interpretation as the researcher undertook semi-structured interviews through the use of open ended questions to obtain data appropriate to this approach. The researcher is also of the opinion that using the interpretative approach was appropriate because it involves dealing with people's expectations and experiences, so in order to make useful recommendations the researcher had to interpret the data to achieve some coherence i.e. she didn't have results she had ideas and views. Observer bias can be a huge drawback in this form of data collection, therefore when granted permission the researcher tape recorded the interviews.

The positivism approach was also used through the use of questionnaires which were sent to all the PLCs in Ireland. Questionnaires were extremely advantageous from a data collection point of view as they were an efficient method of collecting data from a large population quickly. Further, the structured nature of the questionnaires through the use of closed questions allowed the researcher to interpret the findings in a more quantifiable manner because of the use of yes/no answers and the likert rating scale. Any emerging patterns or trends were also easily identified and swiftly analysed. The main limitation of questionnaires is due to the nature of the questions i.e. the closed questions. These questions may ignore more relevant and interesting findings. However, the researcher

tried to overcome this by including space for additional comments after each question in the questionnaire.

### **3.4 Research Approach**

There are two research approaches which are commonly used in the research process namely, the inductive and the deductive approach. It is important that the correct approach is adopted at the beginning of the research as the theory may be made explicit in the design of the research and will be made explicit in the presentation of the findings and conclusions.

#### **3.4.1 Inductive/Deductive**

Research can be deductive, which looks at testing a theory or inductive which looks at developing a theory, or a series of recommendations that improve practice. Riley, Wood, Clarke, Wilkie & Szivas, (2000 p.12-13) suggest that ‘Deduction is the process which begins with a theory and proceeds through hypothesis, data collection and testing of the hypothesis to deduce explanations of the behavior of particular phenomena’ The deductive approach is widely used within the natural sciences as it uses laws to control how explanations of certain phenomena are established (Saunders et al. 2007) and follows a highly logical sequence (Bryman and Bell, 2007).

Collis and Hussey, (2003:15) suggest ‘the inductive approach involves research where theory is developed from the observation of an empirical reality; thus general references are induced from particular instances’. The inductive approach is the reversal of the deductive approach as it involves shifting from individual observations to assertions of

general patterns or laws, (Saunders et al, 2007). The strategies used by the researcher are discussed below.

### **3.4.2 Research Approach Undertaken**

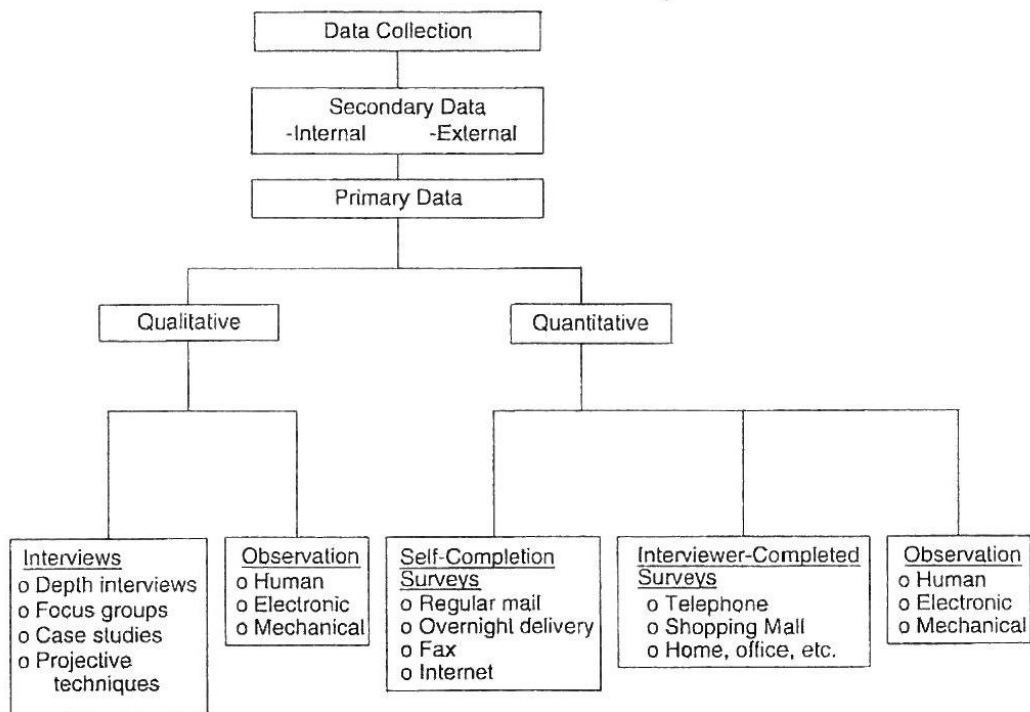
Based on the understanding that the information gathered from questionnaires and interviews will be used to help develop a theory an inductive approach was undertaken by the researcher. Bensimon et al. (2004) argue that essentially, solutions for closing the gap between research and practice involve two issues. Firstly, there is a need to study problems that are of greater relevance to policy-makers and practitioners. Secondly, there is a need to broaden the ways in which research findings are disseminated. Therefore, this research develops a set of recommendations which will be of use to both the Big Four and to PLCs.

### 3.5 Data Collection Methods

There are many ways in which primary data can be collected such as questionnaires, interviews, focus groups, observation and case studies. The key point to remember is that the data you collect is unique to your research and the method(s) selected should be based on the ability to answer your research objectives. An overview of the qualitative and quantitative data collection methods are illustrated in the diagram below.

Figure 3.2

#### Data Collection Methods



(Hair et al.2007 p.192,).

### **3.5.1 Data Collection Methods Adopted**

For the purpose of this research interviews and questionnaires were selected as the methods of data collection. These methods were chosen as it was felt that they were the most appropriate to answer the research objectives. Case studies and observations were deemed inappropriate as case studies are time consuming and focus on a particular area and individuals tend to act differently whilst being observed.

### **3.5.2 Interviews**

‘An interview is a purposeful discussion between two or more people’ (Kahn and Cannell 1957 cited by Saunders et al. 2009 p. 318). Interviews tend to be helpful when gathering data when dealing with complex and/or sensitive issues and when open ended questions are used. There are three types of interviews which are commonly used, unstructured, semi structured and structured. Unstructured interviews are informal and are conducted without the use of an interview sequence which allows the researcher to elicit information by engaging the interviewee in free and open discussions on the topic of interest (Hair, Money and Samouel 2006). Semi Structured interviews are unlike unstructured interviews as the researcher will have a list of themes and questions to be covered. Open ended questions will be used in semi structured interviews. However, these questions may vary from interview to interview and the order in which these questions are asked changes (Saunders, Lewis and Thornhill 2009). For structured interviews the interviewer used an interview sequence with predetermined, open ended questions. For each interview, the interviewer is required to use the same interview sequence and to conduct



the interview in exactly the same way to avoid biases that may result from inconsistent interviewing practices (Hair, et al.2007).

In order to find out the extent of the services provided by the Big Four and the challenges they face when trying to meet their clients expectations, semi structured interviews were held with a Director/Partner/Manager in three of the Big Four. The researcher was of the opinion that the semi structured interviews were the most appropriate for the nature of the research. They allowed the researcher to exercise her own initiative in following up an interviewee's answer to a question, whilst also being more flexible by allowing unstructured questioning. Structured interviews were ruled out for this reason, whilst unstructured interviews were deemed inappropriate because they are extremely time consuming and the findings are much more difficult to interpret.

All interviews conducted took place either at the end of June or start of July. Each interview took up to one hour. Prior to the interviews all candidates were sent a copy of the questions to allow them time to prepare in full for the interview. Some of the interviews were tape recorded with permission from the interviewee's, this allowed the researcher to concentrate on the questions to be asked and the answers received. It also allowed for direct quotation and avoided the possibility of interviewer bias as the tape represented an accurate recording. Some of the interviews were not recorded at the request of the interviewee due to risk policies in place within the company. This made the interviews a little longer as the researcher had to concentrate on the answers given whilst taking accurate and extensive notes.

### 3.5.3 Questionnaires

‘Questionnaires include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. It therefore includes both structured interviews and telephone questionnaires as well as those in which the questions are answered without the interviewer being present’ (De Vaus.2002) cited by (Saunders, Lewis and Thornhill.2009). Questionnaires are one of the most widely used data collection techniques within the survey strategy as it is an extremely efficient way of collecting responses from a large quantity of people quickly. However Collis and Hussey (2003) outline a number of issues to be considered when using questionnaires, these include: sample size, type of questions, wording of questions, cover letter, method of distribution and tests for validity and reliability.

In order to find out what the client’s expectations and perceptions of the Big Four’s services were, questionnaires were distributed via air mail to all sixty three PLCs in Ireland. Each questionnaire included a stamped address envelope to the researcher herself. There was a high cost attached to this but the researcher chose to post the questionnaires rather than email them for a reason. She was of the opinion that the response rate would be higher as individuals tend not to read emails when they don’t recognise the sender, due to high volumes of junk mail being received. The inclusion of the stamped address envelope would also encourage the reader to respond. In addition, it was almost impossible to obtain the email addresses of the sixty three financial controllers of the PLCs. The researcher designed her own questionnaire as this research had not been investigated prior to this. All the questions were devised based on findings

from the literature and the research objectives set out in chapter one. The questionnaire was broken into three sections. Section one dealt with the respondent's profile, which allowed the researcher to obtain an understanding of the size and type of organisation. Section two looked at the non audit services used by the PLCs, whilst section three focused on the customer's experiences and expectations from the Big Four. Once prepared, the questionnaires were validated and ensured that the questions asked were free from ambiguity. Thereafter, the researcher circulated the questionnaires to be pilot tested. This was conducted by one of the sixty three PLCs, an audit lecturer and a Director in one of the Big Four. The researcher was of the opinion that the three candidates selected above would be able to look at the questionnaires from different angles and offer different perceptions and opinions. Once the pilot tested questionnaires were received back and analysed it allowed the researcher to eliminate any questions that were not deemed appropriate or reword questions that were causing confusion. A copy of the covering letter which attached to the questionnaire can be found in Appendix one. The aim of the cover letter was to outline the rationale behind the questionnaire, identify the researcher and gently persuade a response. The questionnaire was regarded as a census as the entire population was surveyed. A total of twenty three responses were received which yielded a response rate of thirty seven percent which delighted the researcher.

### **3.5.4 Data Analysis**

The data collected from the questionnaires was analysed using tables and graphs. The results were put into the computer program, Microsoft Excel which generated the tables and graphs. The questionnaire used yes/no questions and rating questions on a Likert scale. These types of questions were used when the yes/no questions were not appropriate. As previously outlined, most of the interviews were tape recorded to enable the interviewees to be quoted or paraphrased in chapter four. Accurate notes that were taken will be used to detail the findings of those interviews where tape recording was prohibited.

### **3.6 Sampling**

When a population is tested less than one hundred percent this is known as sampling. When a population is tested one hundred percent this is known as a census. For the purpose of the questionnaire a census was completed by all the PLCs in Ireland. In relation to the interviews three of the Big Four accountancy firms were interviewed. The research question is based on the Big Four and publicly listed companies. As only three of the Big Four took part in the interview process this is regarded as sampling.

### **3.7 Limitations**

There were some problems that the researcher encountered when completing the research. Initially, there was a low response rate from the questionnaires which affected the validity reliability and generalisability of the research. However, this was overcome when follow up phone calls were made by the researcher. There was a high cost attached

to sending the questionnaires to the sixty three PLCs via air mail. Further costs were encountered when travelling to and from the interviews in Dublin as not all interviews could be held at the same time period. Therefore, to ensure efficient use of resources planning and pilot testing was an essential part of this research project. Efforts were made to hold interviews with all four accounting firms however, this was not possible. When the fourth company was approached to conduct an interview the response was extremely slow. The researcher made every effort to obtain a contact through follow up phone calls over a six week period. Finally, an audit Director agreed to conduct the interview in early June. However, at last minute the meeting was called off by the Director as were the many meetings arranged thereafter. Eventually in late July the same audit Director decided against the meeting.

### **3.8 Ethical Considerations**

Before conducting any primary research the researcher completed an ethics application form which was approved by the ethics committee at Letterkenny Institute of Technology. This ensured that any of the primary research to be conducted by the researcher would not be in breach of any ethical guidelines. The researcher carried out the interviews and questionnaires with professional integrity and strict confidentiality. Further, permission was sought prior to the interviews to record them, whilst a confidentiality statement was inserted along side all questionnaires giving the respondents full anonymity.

### **3.9 Conclusions**

This chapter has presented an overview of the research methods that will guide the researcher's subsequent phase of investigation. The purpose of this research was to investigate whether the Big Four satisfy the needs and expectations of their clients in their provision of non audit services. As a result, the types of research to be undertaken were established which were exploratory and descriptive in nature, followed by the use of the positivist and interpretative philosophies. The data collection methods used included semi structured interviews and questionnaires. In chapter four the findings of the questionnaires and interviews will be presented and discussed.

## Chapter 4 - Results and Findings

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### 4.1 Introduction

### 4.2 Data Preparation Process

### 4.3 Population Demographics

### 4.4 Interviews

### 4.5 Conclusion

#### 4.1 Introduction

This chapter presents the findings and analysis of the primary research collected through the questionnaires and interviews. It also analyses the overall findings of the research and it examines the implications for the six research questions.

1. What non audit services are and why they are needed?
2. What non audit services are made available by the Big Four?
3. What non audit services are provided by the Big Four?
4. What are the needs and expectations of PLCs with regard to non audit services?
5. What challenges are faced by accounting firms when providing non audit services to clients, in order to maintain client satisfaction?
6. How non audit service delivery can be designed to match the expectations of PLCs?

The researcher used questionnaires and interviews to collect the data. The questionnaires were issued to the financial controllers of all sixty three PLCs in Ireland on the 10<sup>th</sup> of June 2010. Questionnaires were used in this instance as the population was too large to conduct interviews with all the entities. The purpose of the questionnaire was to obtain an understanding from the PLCs of their experience with the non audit services provided by the Big Four, the use of these services and whether they felt these services needed to be improved. A list of the PLCs was obtained from the Irish Stock Exchange to ensure all PLCs were surveyed.



As shown in table 4. 1 a response rate of twenty three companies or thirty seven percent was achieved. To increase the response rate, follow up telephone calls were made to all the financial controllers who did not return their questionnaire between the 22<sup>nd</sup>-25<sup>th</sup> June 2010. When contacted, it was not possible to speak with twenty three of the financial controllers as they were either out of office or too busy to take the phone call. The remaining number replied they could not complete the questionnaire due to company policy. Studies conducted by (Hamilton, 2009) suggest that the average survey response rate is 32.52 percent. As a result, the researcher was happy with the response of thirty seven percent received as it is above the average response rate whilst being a good representation of the population.

**Table 4.1 Summary of responses**

<b>Details</b>	<b>Number</b>
Total Population	63
Against Company Policy to do Research	17
Unavailable to take calls/out of office	23
Responses	23
Partial Responses	0
Total Completed Responses	23
Response Rate	37%

Interviews were held with a Partner, Director or Manager in each of the Big Four. Interviews were more appropriate in this case as the population was much smaller. The purpose of the interviews was to obtain an understanding of the services actually provided by the Big Four and the difficulties they encounter when providing these services, whilst trying to close the expectation gap of the client.

#### **4.2 Data Preparation Process**

Saunders et al. (2009) identifies the data preparation process as having several steps: Preparation of preliminary plan of data analysis, checking the questionnaires for completeness, coding and transcribing the responses, checking for errors in the data entered, exploring and summarising of data. The researcher began by ensuring all the questionnaires were complete. The responses were then checked for ambiguity and consistency. The researcher numbered all the questionnaires to ensure that there was no confusion when inputting the data. The data was then entered into Microsoft Excel, all respondents were coded in order to facilitate any changes and ensure accuracy of data entered.

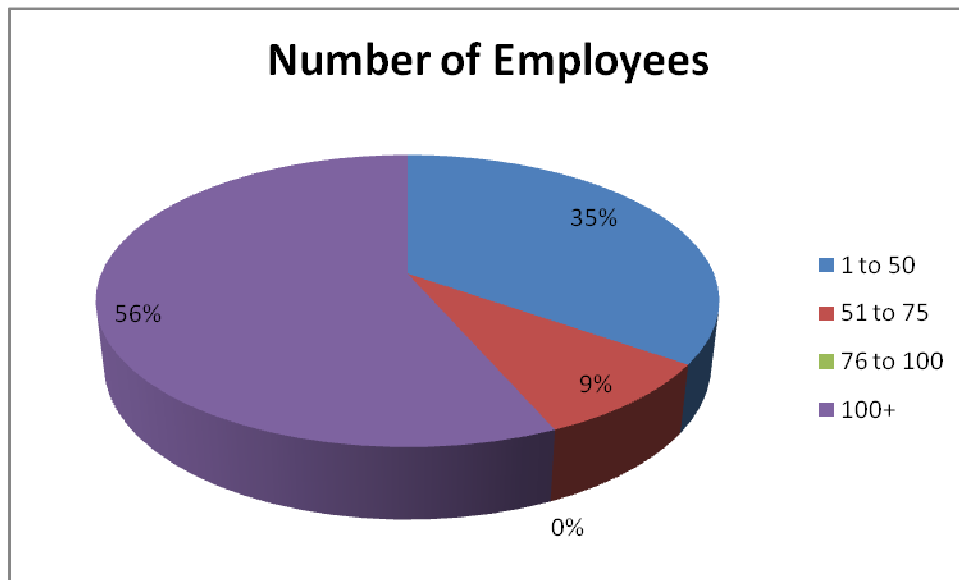
#### **4.3 Section One: Population Demographics**

This section of the questionnaire contains three questions aimed at gathering information about the companies. The financial controllers were asked to give an approximation of the number of staff employed by the company, how long the company is established and to give a brief description of the service/product provided. The researcher asked for the

name of the company to ensure reminders were not sent to respondents that had already completed the questionnaire. In order to preserve anonymity, the results of this question are omitted.

Figure 4.2

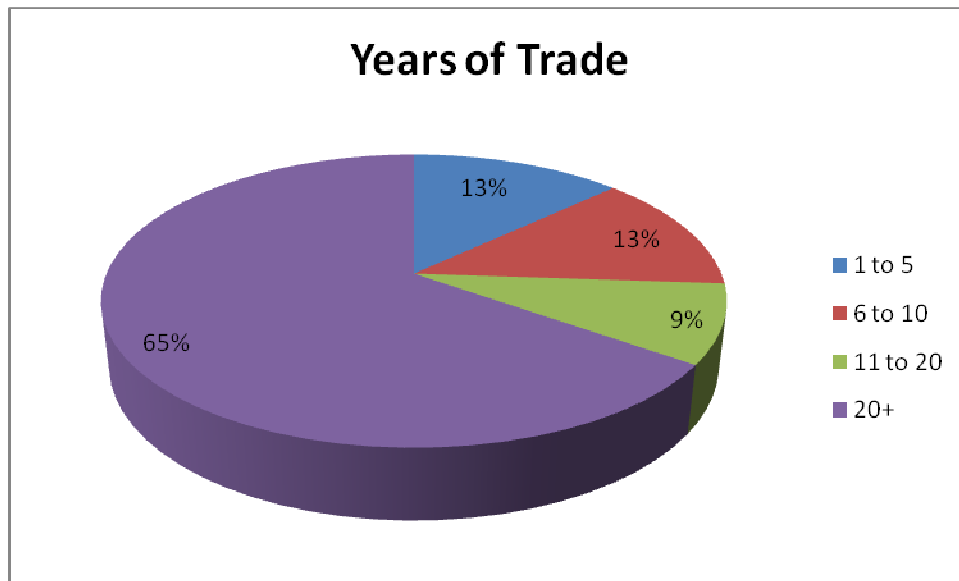
**How many employees does your organisation have?**



Fifty Six percent of the companies that responded to the survey employ more than one hundred employees. Companies employing up to fifty members of staff made up thirty five percent of the population. Nine percent of the population represented companies employing between fifty one and seventy five employees and none of the respondents (0%) employed between seventy six and one hundred employees.

Figure 4.3

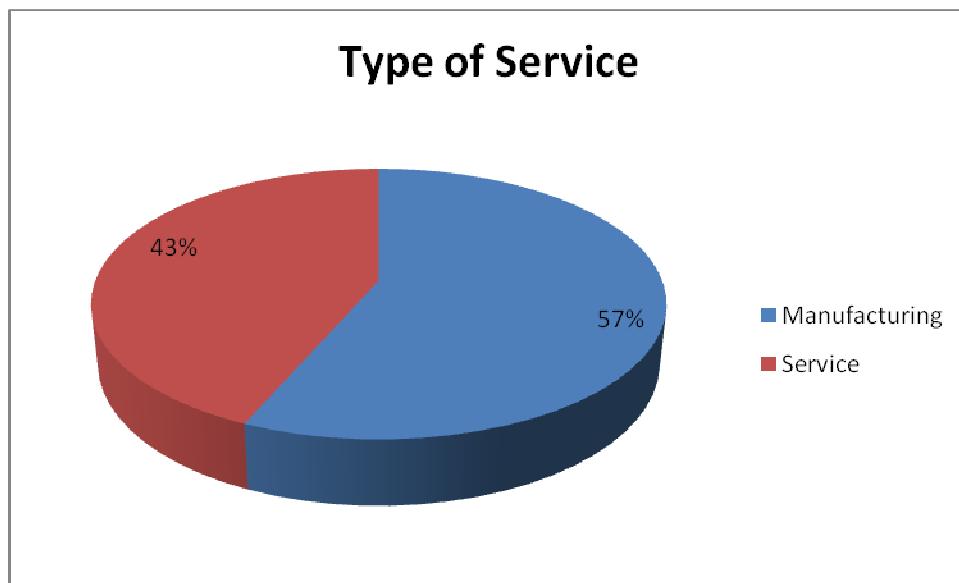
## How long has your company being established



Sixty five percent of the companies have been trading for more than twenty years, thirteen percent represent new companies to the market which have commenced trading in the last five years. Thirteen percent also represented relatively new companies which have been trading up to ten years and nine percent of the companies have been established for up to twenty years.

Figure 4.4

## Describe your product/service



Fifty seven percent of the respondents companies are from a manufacturing background and forty three percent are within the service industry.

**Summary**

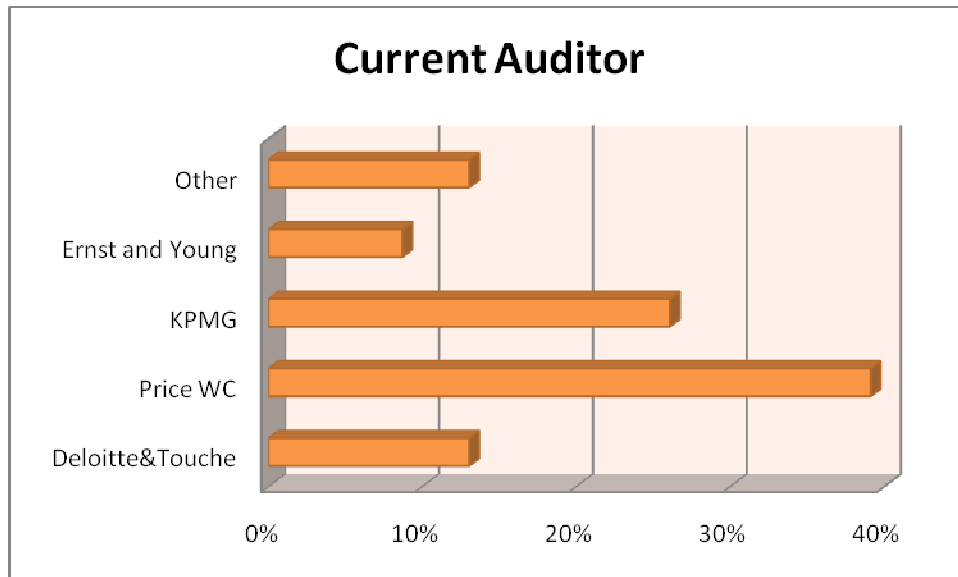
The majority of the respondents represent large manufacturing firms who employ over one hundred employees on a yearly basis. These findings can be used in conjunction with responses from other questions to search for trends, e.g. is there a trend between the size of the company and the choice of auditor. The questionnaire is broken down further into two sections. Firstly, an understanding of the non audit services used are examined and how they are made available. The second section looks at the clients experience from the Big Four.

**4.3.1 Section 2: About your Auditor/Non Audit Services Used**

This section of the questionnaire contains five questions aimed at gathering information about the non audit services that are received by the PLCs, whether they are received from their current auditor and how they heard about the service. The objective for asking the first two questions in this section is to find out if one of the Big Four conducts the audit and if not why not? The reason for asking the remaining questions in this section is to fill the gaps in the literature and to gain a further knowledge of information regarding non audit services.

**Figure 4.5**

**Who currently conducts your audit?**

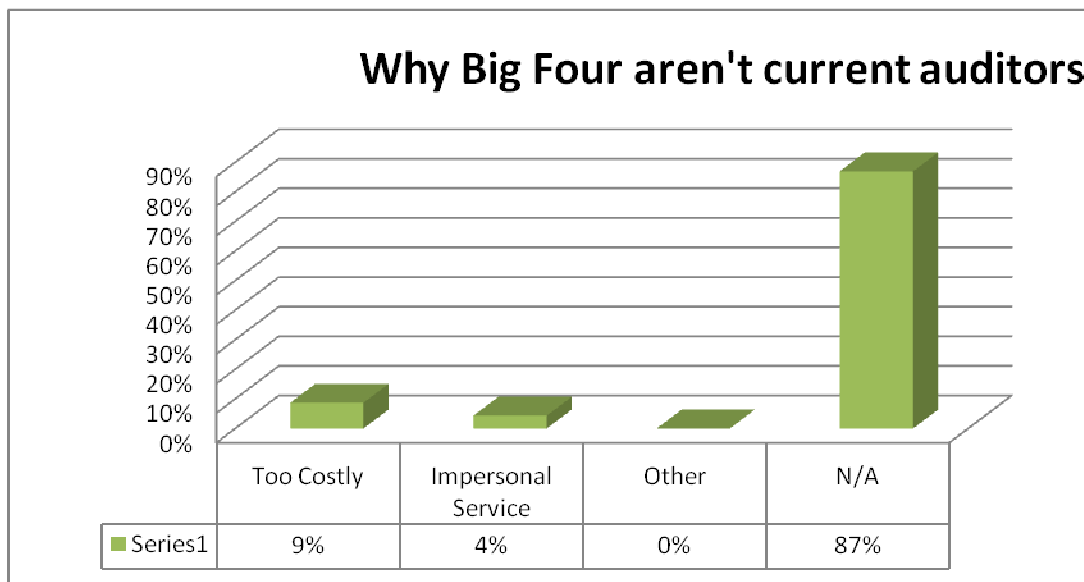


The most common auditor used by the respondents is Price Water House Coopers who conduct the audit for thirty nine percent of the companies. Twenty six percent of the companies use KPMG, thirteen percent use Deloitte and Touche, and nine percent use

Ernst and Young. Thirteen percent of the companies do not use one of the Big Four however, they use the next in line namely Grant Thornton. The information gathered from the questionnaire supports the literature as it suggests that over eighty percent of PLCs are audited by one of the Big Four. Eighty seven percent of the respondents are audited by the Big Four.

Figure 4.6

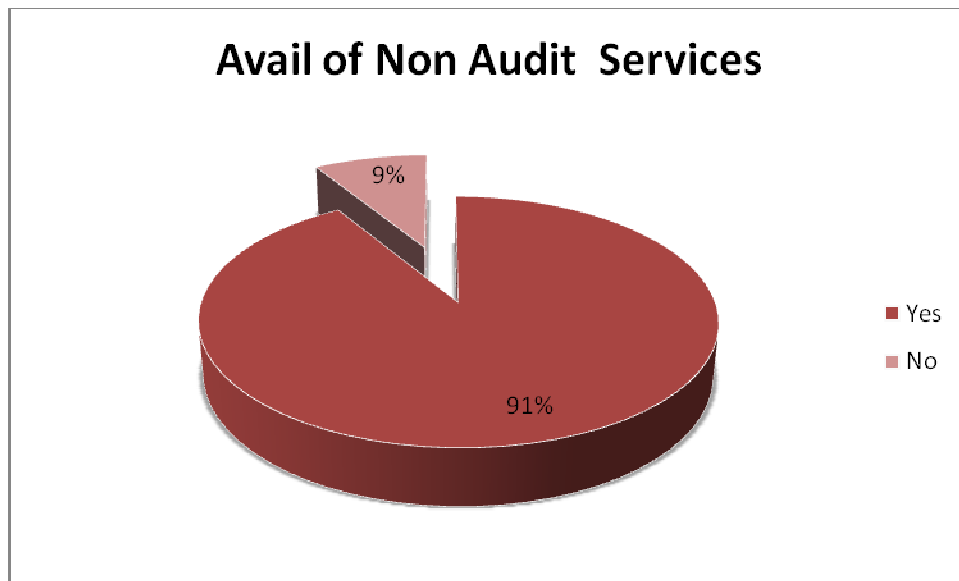
**If one of the Big Four does not conduct your audit please state the reasons why?**



This question did not apply to eighty seven percent of the population as one of the Big Four currently conducts their audit. Nine percent of the population does not have any of the Big Four as they are deemed too costly whilst four percent of the population felt that their service was impersonal in comparison to other smaller firms.

Figure 4.7

Does your company avail of non audit services from your audit firm?

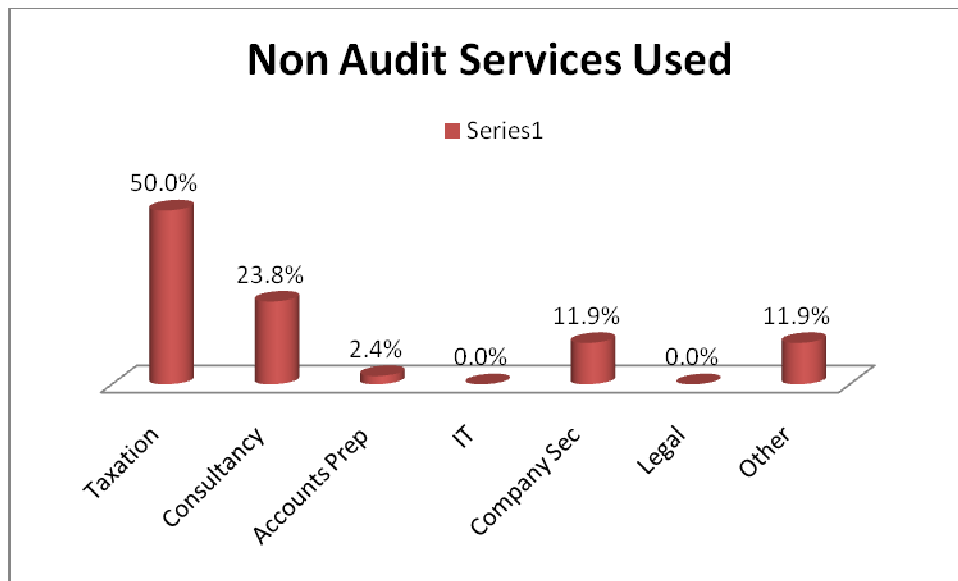


Ninety one percent of the PLCs avail of non audit services from their current auditor. This is in keeping with the literature documented in chapter two. Due to recent unfolding corporate scandals companies are now looking for further assurance regarding their financial statements. As a result, non audit services are becoming increasingly popular.



Figure 4.8

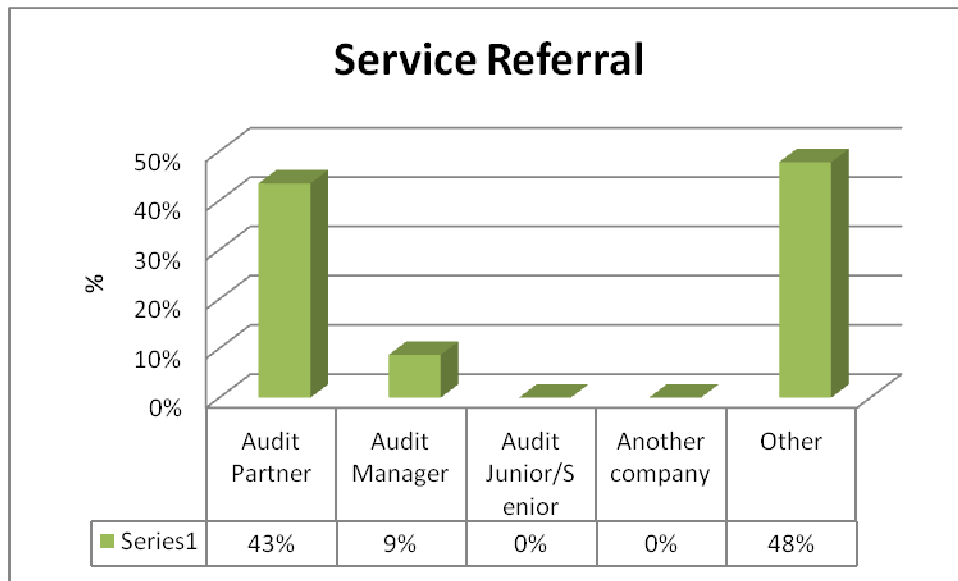
Please state which services your company avails of from the list below.



For this question the respondents were able to give more than one response. Therefore the responses reflect the response rate rather than the number of actual respondents. Taxation had the highest response rate of the list of non audit services used by PLCs which represented fifty percent of the population. This is because tax compliance is essential when financial statements are being prepared. The majority of the PLCs responded that they used both taxation and consultancy services from their audit firm with consultancy representing twenty three point eight percent. Accounts preparation represented two point four percent, whilst legal and IT are not utilised by the respondents. Many of these companies are large enough to prepare their own accounts, and have their own IT and legal team, which would suggest the reason for the small percentage used. The other choices for the respondents were company secretarial and other. Both these choices returned an equal response rate of eleven point nine percent. The “other” services that these companies are receiving are corporate finance.

Figure 4.9

In relation to question 1.7 please state how you heard about the service?



The largest response to this question was ‘other’, which shows that forty eight percent of the respondents did not hear about the non audit services from an employee of the Big Four or from another company. They stated that they were fully aware of the services that the Big Four provide as many of the financial controllers were previous employees of one of the Big Four Companies. Forty four percent of the respondents replied that the audit partner had informed them about these services at the audit planning stage or during the review stage of the audit, nine percent were made aware of these services by the audit manager whilst none were informed by another company or the audit junior/senior.

## **Summary**

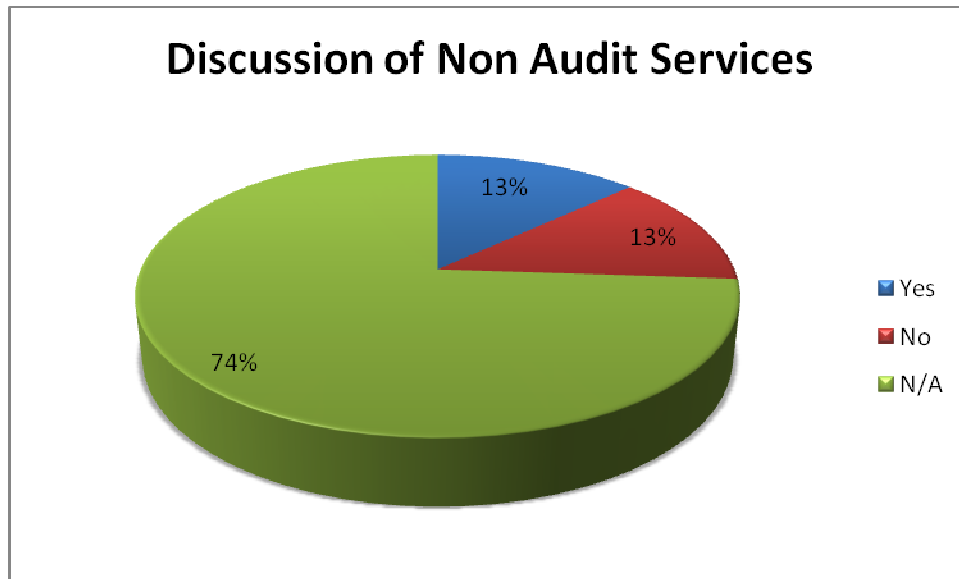
Eighty seven percent of Irish PLCs are audited by a member of the Big Four. The company most utilised being PWC. The small minority that do not use one of the Big Four feel they are too costly or do not provide a personal service. The questionnaire also illustrated that ninety one percent of the population avail of non audit services with taxation and consultancy representing the most commonly used service. These services are brought to their attention by the audit partner or because the financial controllers are past employees of a Big Four company and are aware of the services they provide.

## **Section 3 Customers Experience of Non Audit Services**

This section of the questionnaire contains seven questions to obtain an understanding of the customers experience with the Big Four. It gives them the opportunity to detail their expectations from their professional service providers, whilst discussing the services they are already receiving and if any improvements can be made.

Figure 4.10

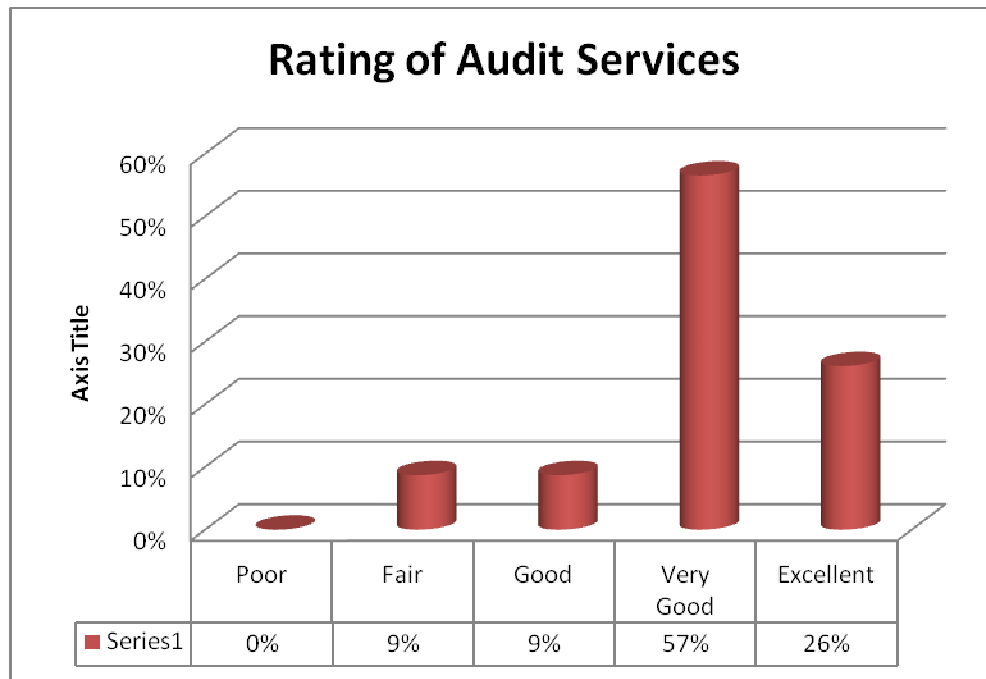
**If you do not receive non audit services from your auditing firm, has the audit partner discussed non audit services with you?**



Seventy four percent of the responses were not applicable to the respondents company as they received non audit services from their auditing firm. Thirteen percent of the population stated that the audit partner had not discussed non audit services with them, which is in keeping with the researcher's belief that they are not adequately advocated. Whilst thirteen percent also stated that the audit partner had discussed the potential use of these services with them.

Figure 4.11

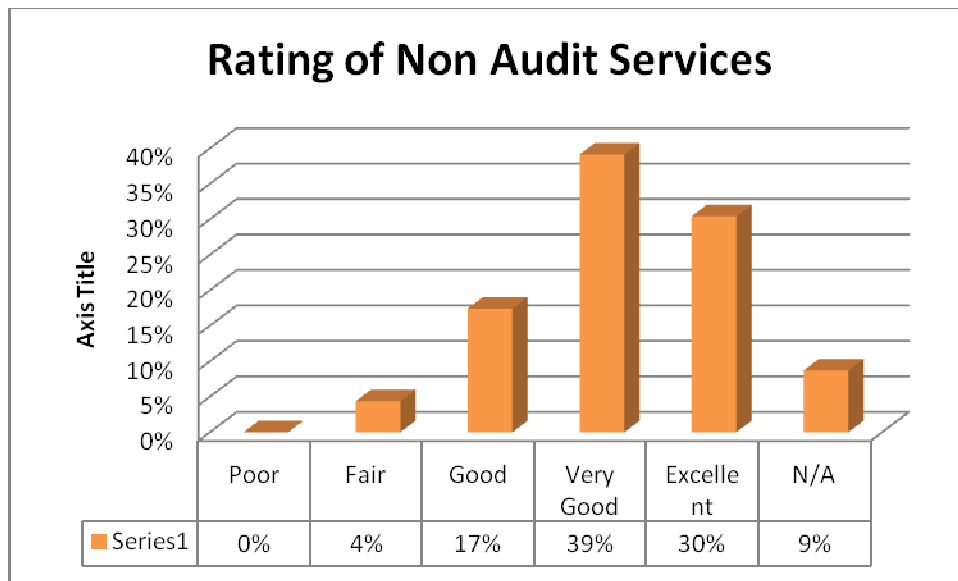
How would you rate the audit services provided to your company?



The majority of the respondents are extremely satisfied with the audit service they are receiving at present with fifty seven percent of the companies replying that the service was very good and twenty six percent stating that the current service is excellent. A smaller nine percent were of the opinion that the service was “good” but needed to be improved and a further nine percent felt the service was only fair. However, none of the respondents were of the opinion that the audit service provided was of a poor standard.

Figure 4.12

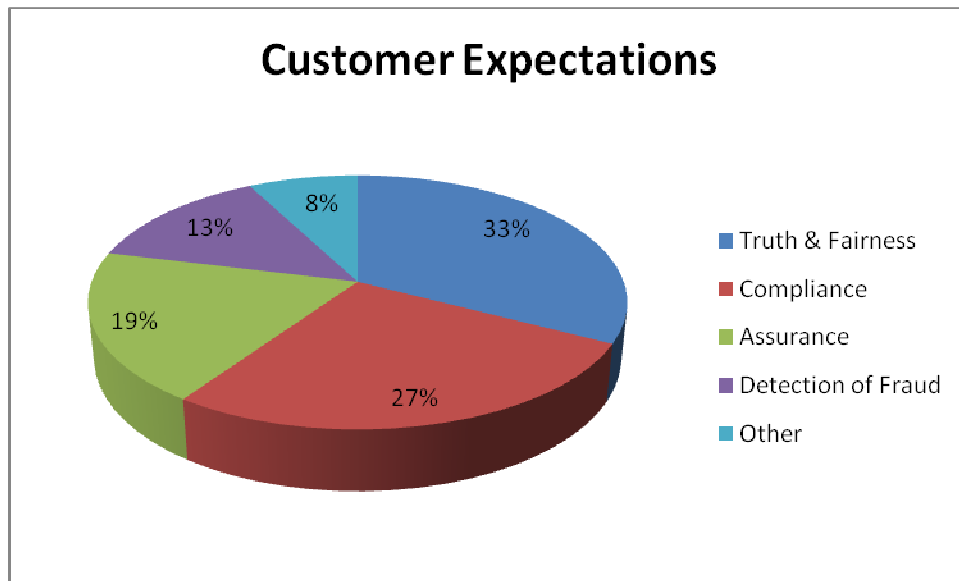
How would you rate the non audit services provided to your company?



The most popular response for non audit services was very good which represented thirty nine percent of the population which is similar to the audit service rating. This was closely followed by a high thirty percent which represented that the non audit services received were excellent. Seventeen percent of the respondents said that the services were good but again needed improvement. Four percent were of the opinion that the service received was only “fair” whilst the question did not apply to nine percent of the population as they do not receive non audit services.

Figure 4.13

**What are your companies expectations from your auditor?**



The respondents were able to give more than one response in this instance. With similar questions previously asked the responses reflected the response rate, rather than the number of actual respondents. Responses from the majority of the companies stated that they expect truth and fairness over the financial statements, compliance with the Companies Act and assurance regarding internal controls. However, truth and fairness topped the pole at thirty three percent, closely followed by compliance at twenty seven percent. Nineteen percent expect assurance regarding internal controls whilst a small thirteen percent expect detection of fraud. Finally, eight percent of the population ticked the “other” box and said that they expect their auditor to fulfill regulatory requirement and comply with International Financial Reporting Standards (IFRS).

The last three questions of this section related to the clients expectations regarding non audit services, further services that could add value and how the current services received could be improved. When asked about their expectations with regard to non audit services the respondents replied with the following five answers: specialised up to date advice on any issues that may arise, clear and relevant advice, tax savings, good knowledge of the subject matter and responses on a timely manner. All of the respondents reiterated that all of the above attributes were expected at a fair price and that these services were not just given on a compliance basis. When asked what further non audit services could be provided to add value the majority of respondents said there was nothing more that could be added. A small minority stated that they would like to be offered cashflow and investment accounting. Others added they wouldn't want to expand on the current services they are receiving and become too reliant or for the auditors independence to be jeopardised. Finally, when asked how current services could be improved, forty percent of the respondents highlighted that they were happy with the current services non audit services received. Sixty percent of the respondents are of the opinion that "at times" there is a slow turn around of work due to limited resources with specialised knowledge. The junior staff need to have sufficient knowledge when completeing projects, i.e. further training is necessary to meet the requirements of the clients. The cost of services should be priced more competitively, and a call for better communication between the Big Fours departments to "bring a more unified service to their client".



## Summary

Both the audit and non audit services provided to the PLCs are of a high standard according to the respondents who believe the service is “very good or excellent” . PLCs expect truth and fairness, compliance and assurance regarding internal controls from their auditor. Furthermore, they expect specialised up to date services, tax savings and a good knowledge of the subject matter in relation to non audit services.

### 4.4 Interviews

Interviews were held at head office in Dublin with three of the Big Four accounting firms. The first interviewee was an audit Partner, the second a Director and the third a senior Manager. The interviews were undertaken to help answer the research objectives and add to the literature previously documented. The ten questions asked by the researcher were in relation to non audit services provided by each company, how they maintain their client base and how do they know what their customer’s expectations are. The results of the findings of these interviews are documented below.

#### **1) What non audit services are made available by your company?**

The non audit services provided by all of these firms are the same or of a same similar nature. The services include Taxation, Management Advisory, Transaction Support, Corporate Finance, IT services, Risk Management, HR related services and Accounts Preparation.

**2) Of the non audit services you provide, which are the most commonly used by your clients and why?**

“Generally the most popular non audit service used is taxation” This is because tax compliance is a statutory requirement inside and outside the preparation of financial statements. All interviewees stated that tax was over sixty percent of their non audit service income.

**3) What are the main aims and objectives of your firm when providing non audit services?** The main aim of all the firms is meeting client’s needs and expectations whilst adding value to the service. One respondent stated “if you don’t meet the needs of your client they aren’t going to purchase your services”; whilst another respondent emphasised the importance of meeting client needs by saying “if you don’t have the right advice at the right time provided by the right people then you won’t have the customers”.

**4) In relation to non audit services how does your company ensure client expectations are met?** The importance of clarity was the main point highlighted by the interviewees in this question. “You need to know what your clients expectations are before you can meet those expectations.” This is achieved by involving people who know the client and know the industry. Therefore, “once you know what your client’s expectations are then you can strive to meet those expectations”. Further, when non audit services are requested the exact expectations will be drawn up in an engagement letter which will be signed and agreed by both parties prior to commencement. This ensures clarity is achieved right from the start.

**5) How does your company familiarise itself with your clients expectations**

**regarding non audit services?** “Meeting and discussing services and expectations prior to commencement and at the end of an engagement is the most important element of familiarity. When finished an engagement feed back is often sought through a debriefing which allows the service provider to know whether they have meet the expectations that were set out at the beginning”. “As mentioned before you can not meet the expectations of the client if you don’t know what these expectations are”. One company stated that retired partners go and talk to their clients at the end of an engagement to see if they can offer a better service.

**6) How do you feel the delivery of non audit services can be designed to meet your**

**client’s expectations?** It is important to have experienced staff who know the industry and are able to provide a high quality of work to the client. The partner/manager must brief all staff members of the client’s expectations in the planning meeting prior to commencing the engagement.

**7) What challenges are faced by your company when providing non audit services in order to maintain client satisfaction?**

“The biggest challenge at present in this current economic climate is price.” Clients are looking for the same quality and level of work to be completed in the same time frame at a lower price. Many companies are “low balling” which makes it extremely competitive and increasingly difficult to maintain the client base. “For example, we reduce a fee from

€100,000 to €80,000 and a smaller firm offers the same job for €40,000, it's almost impossible to compete. As a member of the Big Four it is essential to maintain a high quality of service and not run the risk of impeding our firm's reputation by reducing the quality of the service. Therefore, the main challenge is providing a high quality service at a lower cost whilst not infringing on our reputation".

**8) Do you feel there are any further non audit services your company could provide to your clients in order to offer a more comprehensive service?** The business

environment is evolving year on year. What may be utilised one year may not be utilised the following year therefore: "It is important to be proactive and see ahead and have the suitable services in place". "For instance this year cost reduction services are needed as companies struggle to survive, in boom years this service would not have been sought.

**9) Do you feel there are any improvements that could be made to the current non audit services provided?** All the respondents are of the opinion that services provided can be reviewed and improved annually. One company said that it is essential to remain

"sharp and ahead of your competitors therefore we constantly strive to improve our services". Another company said that "it's about learning from the feedback from your clients and refining these services to suit them. Another said "it's about improving and adding value to your client, therefore, it is essential to conduct a review on a yearly basis".

**10) How do you advocate non audit services to present to audit clients?**

The majority of clients are briefed about non audit services by the partner/manager involved on the audit engagement supplemented by marketing brochures. One company holds “Breakfast Briefings” at different intervals throughout the year. These meetings address new and current topics that will be of interest to the client and advocates the non audit services made available to them by their auditor. One of the companies also made the point that they are restricted in the services they can offer their audit clients due to the restrictions in place by the Combined Code.

**4.5 Conclusion**

This chapter presented an overview of the results and findings of the questionnaires and interviews. The research questions set out in chapter one were answered and further information was collected. Chapter five will present the conclusions of these findings along with suggestions for future research.

## Chapter Five Conclusions and Recommendations

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### 5.1 Introduction

### 5.2 Overview of main findings

### 5.3 Conclusions

### 5.4 Future Research

### 5.5 Recommendations

## 5.1 Introduction

The purpose of chapter five is to summarise the findings of the research, draw conclusions, issue recommendations and suggest further areas of research based on the findings of the researcher's primary and secondary research. It also examines whether the aims and objectives of this research have been met.

A review of literature revealed a lack of information on the provision of non audit services provided to PLCs by the Big Four. The review of the literature developed the research questions, which was refined into research objectives. The research endeavoured to address the following objectives:

- To understand what non audit services are and why they are needed.
- To investigate what non audit services are made available by the Big Four.
- To explore the non audit services that are actually provided by the Big Four.
- To understand the needs and expectations of PLCs with regard to non audit services.
- To find out what challenges are faced by accounting firms when providing non audit services to clients in order to maintain client satisfaction.
- To discover how non audit service delivery can be designed to match the expectations of PLCs.

The above objectives have been addressed throughout the content of the literature review in chapter two and in response to the questionnaires and interviews analysed in chapter four. Conclusions to these objectives are documented in 5.3.

## 5.2 Overview of the main findings

The conclusions are defined by the research objectives, which are outlined above and in chapter one. All research objectives were achieved by a combination of semi-structured interviews, questionnaires and a detailed examination of literature.

## 5.3 Conclusions

The literature has revealed that the role of marketing in accounting firms has increased as they become more attuned to the factors that affect client retention. They are becoming increasingly aware that simply meeting client's expectations may not be enough therefore they need to exceed these expectations. It further revealed that expectations are derived from customers past experiences, company's communications and word of mouth. When these expectations are met customers tend to be satisfied and will continue the repeat business which will in turn lead to greater profitability of the service provider. Satisfied customers lead to loyal customers as they are said to represent future cash flows. These loyal customers omit the high transaction costs associated with new customers. In addition they create positive word of mouth and tend to be more accommodating, tolerant and forgiving of mistakes. As a result, companies strive to produce a more superior service quality to maintain business sustainability.

The primary research revealed that the Big Four are competing in a very fast changing competitive market and as a result have to work hard to maintain their current client base. The business environment is evolving year on year. What is utilised one year may not be utilised the following year therefore it's important to be proactive, see ahead and have the



suitable services in place. For instance this year cost reduction services are needed as companies struggle to survive, in boom years this service would not have been sought. It was deemed that PLCs were satisfied with the services they were provided with from the Big Four. However, in line with the literature, the primary research highlighted the importance of understanding what customers expectations are. When known, these expectations can be addressed and met. This results in satisfied customers which in turn lead to loyal customers.

However, the literature further revealed that the service providers encounter many problems when delivering services. Customers do not always have a clear understanding of what they want/expect from their service provider. They seek improvement but do not know what this is or sometimes have expectations of a service which are unrealistic and cannot be met. As a result, this leads to disappointment on the customer's behalf and negative word of mouth. The literature suggests that this also represents an expectation gap between the customer and the service provider which is difficult to close. The primary research revealed that customers expect specialised up to date advice on any issues that may arise, clear and relevant advice, tax savings, good knowledge of the subject matter and quick responses to related queries. All of the respondents said that all of the above attributes were expected at a fair price and that these services were not just given on a compliance basis. The primary research from the interviews revealed that its essential to know what your clients expectations are before you can meet those expectations.

This is achieved by involving people who know the client and know the industry.

Therefore, once you know what your client's expectations are you can strive to meet those expectations. All services provided can be reviewed and improved annually. It is essential to remain sharp and ahead of your competitors therefore the companies constantly strive to improve their services whilst learning from feedback given by their clients and refining these services to suit them.

With regard to non audit services it became apparent through the literature that there are long standing concerns as to whether auditors should be allowed to provide both audit and non audit services without any restrictions, as it is often deemed to affect their independence. The Sarbanes Oxley Act (2002) banned auditors from performing certain types of non audit services as it was believed that it only drew negative consequences and conclusions. However, in recent years there is increasing support for the positive aspects of both these services being provided by the auditor such as improved auditor quality. Further, assurance client's value the benefits that derive from having these firms who have a good understanding of the business and can therefore put current knowledge and necessary skills to use in other areas. Furthermore, the provision of non audit services are said to reduce total costs, increase technical competence and motivate more intense competition. The literature suggests that non audit services are defined as 'traditional accounting works (including assurance, investment assurance, commerce registration and accounting affairs) as well as tax advisory service, management advisory service and information technology advisory service'. Finally, non audit services can be broken into

assurance services and non assurance services ((AICPA) Special Committee on Assurance Services, 2007).

The primary research revealed non audit services provided by the auditor are extremely popular amongst PLCs in Ireland as they provide the customers with further reassurance. From the responses received PWC is the main auditor of the PLCs in Ireland at present. The Big Four all offer a wide range of non audit services such as taxation, management advisory, transaction support, corporate finance, IT services, risk management, HR related services and accounts preparation. Taxation is the most commonly used non audit service because of its need on a compliance basis. Non audit services are well utilised by the PLCs in Ireland which are provided by their auditor, one of the Big Four. Results showed that they are more than happy with the services they are receiving. Therefore, the six primary research objectives that have been addressed throughout this study prove that the Big Four, at present, meet the needs and expectations of their clients successfully in the provision of non audit services.

#### **5.4 Further Research**

While the researcher is satisfied with the research findings throughout the course of her research process, various issues have been noted that may also offer considerable contributions to the field and the dissertation provides opportunities for future studies in a number of areas. This research should be duplicated in other countries around the world and the results should be directly compared. An impact study should be done to determine the effects of the Sarbanes Oxley Act if auditors could not provide any non

audit services to their audit clients. This would be a good indication of what the impact would be on the Big Four and how it would affect their client retention base, if the Irish government decided to implement such a law sometime in the future.

### **5.5 Recommendations**

It was the opinion of many of the PLCs that trainee staff did not have sufficient knowledge and were in need of additional training to enable them to effectively contribute to the audit and non audit process. The main recommendation is that the Big Four need to review the current training process and target specific areas. Relevant training will give the trainees a better technical knowledge and understanding of the audit/non audit process which in turn will benefit the client.

The PLCs also felt that the Big Four need to consider pricing their services more competitively. However, it became apparent after the interviews conducted that the Big Four would find it difficult to reduce their costs whilst retaining a high quality of service. Therefore, the researcher recommends that the Big Four and the existing clients should hold discussions to rectify this matter and satisfy the needs of all concerned.

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## Appendix 1

### Questionnaire



lyit

Institiúid  
Teicneolaíochta  
Leitir Ceanainn

Letterkenny  
Institute  
of Technology

I am currently completing my thesis which is titled "Do the BIG Four satisfy the needs and expectations of their clients in their provision of non audit services". For my primary research I am sending questionnaires to all the PLC's in Ireland who are mainly audited by a member of the Big Four to obtain feed back regarding their thoughts on this matter. I then plan to conduct interviews with the head of Audit in each of the Big Four to relay this feedback and to obtain their views. The questionnaire should take you less than five minutes to complete. Your participation is voluntary but I hope you will take the time to complete this questionnaire. Your consent to participate in this project is assumed once you have completed the questionnaire. Your responses will not be identified with you personally. Please return the questionnaire to the stamp addressed envelope enclosed.

If you have any questions or concerns about completing the questionnaire, you may contact me at [L00084711@lyit.ie](mailto:L00084711@lyit.ie).

#### Section 1 Respondent Profile

##### 1.1 How many employees does your organisation have?

1 – 50  50 – 75  75 – 100  100 +

**1.2 How long has your company been established?**

1 -5 yrs     5 – 10 yrs     10 – 20 yrs     20 +

**1.3 Give a brief description of your product / service.**

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**1.4 Who currently conducts your audit?**

Deloitte & Touche     Price Water house Coopers     KPMG    Ernst and Young

If other (please specify)  \_\_\_\_\_

**1.5 If one of the big four does not currently conduct your audit, please state the reasons why?**

Too Costly     Service impersonal compared to smaller accounting firms

If other (please specify) \_\_\_\_\_

**1.6 Does your company avail of non audit services from your audit firm?**

Yes  No

**1.7 If yes, please state which services your company avails of from the list below –**

Taxation  Consultancy  Accounts preparation  Information Technology

Company Secretarial  Legal

If other, please specify \_\_\_\_\_

\_\_\_\_\_

**1.8 In relation to question 1.7 please state how you heard about the service? If more than one service, please list the service and how you heard about it.**

Audit Partner  Audit manager  Audit junior/senior  Another company

If other please specify \_\_\_\_\_

\_\_\_\_\_

**Section 2: Your experience**

**2.1 If you do not receive non audit services from your auditing firm, has the audit partner discussed non audit services with you?**

Yes  No

**2.2 How would you rate the services provided to your company?**

	Poor	Fair	Good	Very Good	Excellent
<b>Audit</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Non-Audit</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2.3 How do you think your accounting firm could improve the non audit services they provide?**

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**2.4 What are your companies' expectations from your auditor?**

To provide truth and fairness over the financial statements

Compliance with the Companies Act

Assurance regarding internal controls

Detection of fraud

If other please specify \_\_\_\_\_

**2.5 What are your companies' expectations of your accountant regarding the non audit services they provide you with?**

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**2.6 What other services could your accountant provide to add value to the service?**

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**2.7 From the services you are currently receiving from your accounting firm how do you feel they could be improved. Please specify between audit and non audit services?**

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## Appendix 2

### Interview Questions

**NOTE:** The questions below which refer to clients are specific to the PLCs and do not refer to your entire client base.

- 1) What non audit services are made available by your company?
  
- 2) Of the non audit services you provide, which are the most commonly used by your clients and why?
  
- 3) What are the main aims and objectives of your firm when providing non audit services?
  
- 4) In relation to non audit services how does your company ensure client expectations are met?
  
- 5) How does your company familiarise itself with your clients expectations regarding non audit services?
  
- 6) How do you feel the delivery of non audit services can be designed to meet your client's expectations?

7) What challenges are faced by your company when providing non audit services in order to maintain client satisfaction?

8) Do you feel there any further non audit services your company could provide to your clients in order to offer a more comprehensive service?

9) Do you feel there are any improvements that could be made to the current non audit services provided?

10) How do you advocate non audit service's to present audit clients?