

## Relationship-Oriented Strategies and the Market Share of Audit Firms<sup>1</sup>

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### INTRODUCTION

Following the spread of commercialization among audit firms and given that relationship orientation is considered a business strategy, relationships with the clients' management and representatives have become an important part of auditors' daily activity as they try to provide audit services while actively participating in events that draw attention and attract new clients.

Meanwhile, the classification of Iran as a 'high-context' society suggests that before entering into business, people should acquire knowledge from their business counterparts and establish relationships based on trust. In the Iranian audit market, circumstances such as auditing services being limited to assurance, insufficient demand for quality audits, audit pricing based on regulations, the large number of audit firms, and consequently, the highly

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competitive environment, have limited audit firms in their use of conventional differentiation strategies. Therefore, contrary to Bertrand's economic model that is based on equal market share, the 2022 statistics published by the Iranian Association of Certified Public Accountants (IACPA) indicate that 21 percent of audit firms gain 58 percent of the total income of the audit market. Given such environmental circumstances of the audit market and the relationship- and interaction-oriented society of Iran, the present study examines the effect of relationship-orientation on the market share of Iranian audit firms to address this contradiction and answer the following question: Which of the common dimensions and forms of relationship-orientation in the Iranian audit market play a role in the market share of audit firms?

## **MATERIALS AND METHODS**

The present research adopts a quantitative design. Following Kasaei et al. (2023), data are collected using a questionnaire. The population consists of all Iranian audit partners. Based on Cochran's sample size formula, the questionnaire is randomly distributed among 372 audit partners. The instrument consists of two sections. The first section contains items for collecting demographic information, and the second section deals with the independent question of this research based on 21 common forms of relationship orientation adopted from Kasaei et al. (2023) and organized under social, political, and economic dimensions. Both descriptive statistics and results are presented following data analysis. In the descriptive part, the characteristics of the sample and the descriptive characteristics of the variables are presented, and in the results part, the identified paths are analyzed using structural equation modeling in SmartPLS. The confirmatory factor analysis (CFA) model is developed in SmartPLS 3.3, and SPSS 26 is used for descriptive analysis, one-sample t-test, and analysis of variance.

## **RESULTS AND DISCUSSION**

The results show that, due to the environmental circumstances of the Iranian economy and audit market, audit firms focus mainly on the customer-orientation aspect of commercialization and its strategies to penetrate the

market as much as possible. In such a unique environment, relationship orientation has become a key strategy in this aspect of commercialization as it plays an important role in avoiding competitive costs and uncertainty, facilitating business operations, and improving financial and operational performance.

In the Iranian market, among social, and political dimensions, only those forms of relationship orientation within the political dimension play a role in the market share of audit firms and are self-interested. The results show that the social dimensions of relationship orientation are not significantly associated with the market share of audit firms. In the level of social dimension, the 'media' form with themes of effective presence in meetings and power of word, along with the 'influencing and orientation' form with themes of value creation and taking the lead in solving the client's problems, has played a significant role in the market share of audit firms. In the level of political dimension, the 'Direct' form with the theme of being in key professional positions has been a major contributor to the market share of audit firms. In the level of economic dimension, the 'supervisory and managerial' form with themes such as work allocation has played an important role in the market share of audit firms. Overall, the role of one out of two dimensions and 9 out of 21 common themes of relationship orientation in the market share of Iranian audit firms have been confirmed.

## **CONCLUSION**

Given the inevitability of commercialization in the Iranian audit market and based on the findings of this research, it is suggested that regulatory bodies in the auditing profession pay serious attention to this phenomenon and more effectively communicate the vision and policy of Iran's competitive audit environment to maintain the independence and professions framework. Moreover, given limited financial resources as well as the generally restricted differentiation strategies in the audit market, the highly competitive environment, and the special social, cultural, economic, and political conditions of Iran, audit partners, especially those in small and medium-sized firms, should identify the capabilities of relationship-orientation strategy and

its common forms in the Iranian audit market and use one or more of its forms as a strategy to enhance their image and reputation, maintain their independence and audit quality, and protect and expand their market share.

**Keywords:** Audit Market, Relationship-Orientation Strategies, Commercialization.

**JEL Classification:** L14, M22.

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