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REVISTA DE CONTABILIDADE E CONTROLADORIA

AUDITOR-CLIENT ALIGNMENT THROUGH COMPETITIVE PRIORITIES: EVIDENCE FROM BRAZIL

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ABSTRACT

The prudently chosen competitive priorities by the management do subsidize organisations' strategies toward goal congruence. This study investigates the auditor-client strategic alignment based on competitive priorities in the Brazilian environment. The big-four independent audit firms, like other organisations, aim at profitability and optimisation of resource while minimising risks. This being the cornerstone for tasks, standards, guidelines, and knowledge statements put together with quality to exceed client's expectation. Somehow, it has to do with the audit partners playing the tune dictated by the firm's methodology to enhance preparation for questions put forward to them by their colleagues on the relationship held with their clients. The study tends to bridge the gap between academic research and practice, particularly when it touches some of the key players of corporate governance, auditor and client. It is interventionist in nature and tends to produce thought leadership information to improve business decision-making, interpret complex questions affecting auditor-client relationship and finally establish a fact base for auditors, auditees, regulatory agencies and professional organizations. The study is exploratory in nature and tends to give answers to questions on: whether the independent audit firm is aligned with their clients based on competitive priorities? The study is composed of a non probabilistic purposeful sample of 8 independent auditors and their respective 8 clients. Data have been collected through unstructured

questionnaires implemented in paper-and-pencil and have been treated in two ways: a) Content analysis of qualitative data automated through NVivo that enhanced categorization and classification of data, aiming at observing the expressions and symbols that were represented therein, and b) Descriptive analysis of some structured questions furnished by the respondent. Thus, based on our analysis, we conclude for the association of competitive priorities more valued by the auditors aligned strategically with that of the clients in Brazilian environment.

Keywords: Brazil. Alignment. Competitive Priorities. Auditor. Client.

1. INTRODUCTION

Decades before 80s witnessed pressures concerning productivity and just after that came issue of cost reduction. This no doubt paved way for the organisations to prepare for competitiveness. Nevertheless, gauging this problem, it is practically impossible to face competitive forces alone without aligning with business partners to assist in better positioning. In this context, for the auditors there is no other alternative other than adapt their auditing methodologies to suite the client's realities, thus implying review of firms strategies.

Noteworthy that the problem is not simply accept audit services, perform the job and publish financial statements. Or disclose societal, fiscal and operational information without summing up information that assists the management or board of directors on remodelling corporate governance strategies. Rather, it is worthwhile to know if there are certain associations of competitive criteria of the clients aligned with that of the auditors.

Miles and Snow (1978) signals that companies need to continually adjust their strategies to the environmental conditions and also align its structures to the established strategies, which signify a proposed strategy of readapting which is essentially dynamic. This concept of readaptation raised by these authors is so vivid in auditor – client relation today.

1.1. PROBLEM STATEMENT

Auditors follow standards by annotating the hours spent for their engagement which should be in line with the charter, but total revenues of the auditors are not readily known to the public, so their costing for related services may not be precisely calculated. On the other hand, clients publishing financial statements compressed their figures and stakeholders are not able to identify how much is paid to the auditors. But the core of the problem is not what auditors earn for the services rendered but what it gives to the stakeholders and how he sorts to protect itself from undisclosed information to which he is liable as a result of misrepresentation.

Hopefully, based on planning and the experience of audit team, an extension of audit test with assumed level of risk could be seen as acceptable methodologically wise to track accounting errors which could relief stakeholders from erroneous judgments and decisions, so, no single conclusion could be reached without manageable levels of auditing coverage.

Just like any other business enterprise, audit firms aim at profitability and optimisation of resource while minimising risks. In this line of thought, Audit Partners are questioned by peers on issues of quality, costing, etc. concerning their clients and the strategies they are adapting to align themselves to suite competition.

Jones *et al* (1998) while reflecting upon service constellation commented on how strategies and capabilities influenced collaborative stability and change. The authors further mentioned that

constellation and alliance among multiple companies are used to face customized complex situations in professional services.

Thus, considering the case of auditors, firms would always be worried about the relationship developed within clients' engagements even though there is a concern about benefit realisation for their services. Nevertheless, it is difficult to risk any prognostics that the principle of open negotiation should be the strategy when auditor/client relationship is discussed without touching customer alliance strategies.

1.2. CONTRIBUTION OF THE STUDY

This study elucidates the question of if there is or not alignment between auditor and its clients and if at all that it exists, the study assisted in determining the degree of this relationship and as a corollary, the meaning read to competitive priorities would enhance the building of a laudable auditing engagement.

Furthermore, should one ask what has the knowledge about competitive priorities had in the past and how this impacts this relationship today? Obviously one would say that both players, that is auditor and client must be worried about how this represents in their purse. This study tends to be first of its kind in literature; probably because the contact author had been member of two of the big fours and had nurtured this thought for a while.

In effect, the analysis of the big four approach to the issue looks as a jump start considering their representation in the market that would hopefully pave way for further analysis on the 2nd-tier audit firms and also en bloc for other countries.

Thus, as literature is very scarce we believe that the study has helped to raise the knowledge required to boost audit/client relationship apart from proving for the sustenance of auditor client relationship.

Finally, this study helps to draw attention of the practitioners and academia to a more viable model in the strategic management of auditor and its clients; pros and against concrete partnership in our today society.

1.3. OBJECTIVES

The present study investigates the relationship of strategic alignment of the independent auditors (big-four) firms and their respective clients in Brazilian environment.

As secondary objectives, we envisage:

- a) Raising the variability of the competitive priorities that exist in the most popular audit firms in the world (the big four firms) and if this can configure a healthy competitive force in work among them and their clients;
- b) Pinpoint the actual competitive priorities mostly valued by the clients and the auditors;
- c) And lastly, annotate the competitive priorities only known to the auditors or the clients that up till now are unknown through literature.

1.4. HYPOTHESIS

Therefore, in order to support this study we are of the hypothesis that: there is no association of competitive priorities more valued by the auditors aligned strategically with the clients.

2. LITERATURE REVIEW

In this section, we recapitulate on the main topics in the literature that would eventually enhance the comprehension of the study which proceeds as follow: Firstly, similar studies and some authors' position on the topic; secondly, competitiveness and strategic positioning; thirdly, strategic alignment, fourthly, client alignment and lastly, competitive priorities.

2.1. PRIOR STUDIES

Prior studies have been developed in other countries whereby authors signal their concern about the auditor and the client Danos and Eichenseher (1982), Eichenseher (1984), and Johnson and Lys (1990). Apart from those of Chaney, Jeter and Shaw (1997) who wrote about company's realignment of decisions to choose auditors. Thavapalan, Moroney and Simmett (2006) were worried about the impacts of the merger of Coopers and Lybrand (CL) and Price Waterhouse (PW) concerning client-auditor relationships.

Imoniana, Bianchi and Tampieri (2013) researched auditor-client alignment through competitive priorities in Italy. In the said study, they concluded for no association of the criteria for competitiveness between the clients and the auditors.

Noteworthy that in the core of business management there are studies such as that of Ghobril (2007) that evaluated the relationship of strategic alignment and organisational performance in the industries of capital intensive structure in the State of São Paulo; Nafal (2008) investigated strategic alignment of the companies in the capital goods sector and Moori, Ghobril and Marcondes (2009) investigated alignment of competitive priorities between buyers and sellers of industrial machinery and tools.

Thus, in order to better comprehend the question at stake, we presented a schematic of theoretical and conceptual framework in Figure 1, showing the relationships of main variables involved in auditor/client competitive alignment through competitive priorities.

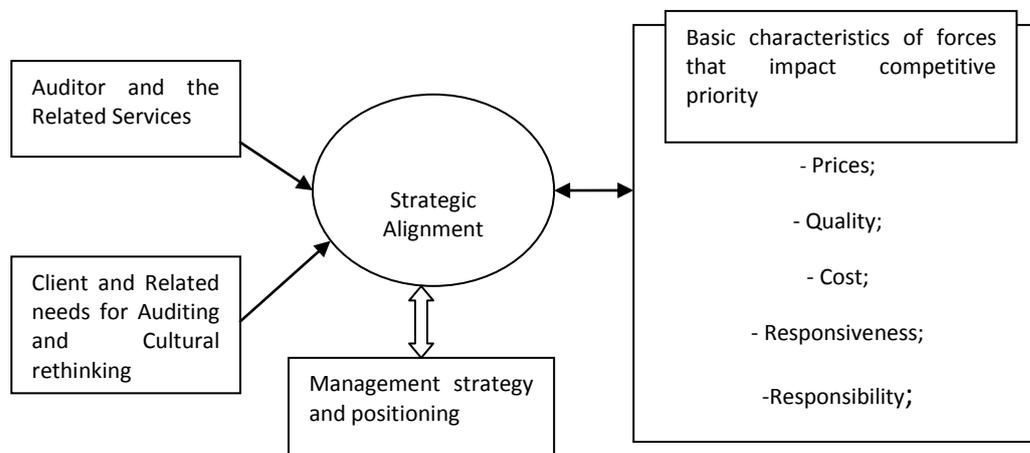


Figure 1: Conceptual Framework

2.2. COMPETITIVENESS, AUDITOR REGULATION AND STRATEGIC POSITIONING

It is virtually impossible to talk about strategy without commenting competitiveness, because one stimulates the other. Competitiveness exists in the cause of competition. This process involves several competitive dimensions of dispute (POSSAS, 1999) which are: the company and its strategies, product and market characteristics and competitive environment.

Business competitiveness is related to the characteristics of the competitive environment and the ability to understand the competitive dimensions. According to Porter (2004) to address the five

competitive forces, there are three generic strategic approaches to overcome potentially successful other companies in an industry: a) the total cost Leadership - Ability of the company to perform the necessary activities at a lower total cost than the rivals' b) Differentiation - advertising, customer service, pioneering the industry and the peculiarities of the product are among the main factors that foster identification with the brand and c) Focus - contestants with a concentrated target seek their advantage through activities tailored to meet the needs of a specific segment.

A company can successfully follow more than one approach while aiming at a primary target, although this is rarely possible if one nurtures generic strategies. The generic strategies are methods to overcome competition in an industry in order to achieve plain competitiveness.

Although seemingly trivial, competitiveness is still a concept virtually indefinite; ontological wise, there are so many approaches, concerns and comprehensions that seek to link with it, that it is worthwhile reasoning on the subject and the state of the art before establishing a definition for them.

In this respect, concerning strategic positioning, competitiveness gained prominence when managers began to protect their interests when their discussions began to change from productivity concerns (70s) to cost management (80s).

In fact, the repositioning of executives intensified in the business scenario in the 80's owing to the need to give answers to the perverse environment of competitions. The positioning the CIO emerged in early 80s in order to answer the perverse use of IT (BANKER *et al.*, 2011, p.488).

For auditors, repositioning won the last scenario with financial scandals that led to the implementation of Sarbanes-Oxley Act of 2002 in the United States and Corporate Law 11.638 in Brazil. In Italy auditor responsibility was reinforced pursuant to article 14-34 of Legislative Decree 27.01.2010, no. 39 with the activities of Companies and Stock Exchange Commission (CONSOB).

2.3 STRATEGIC ALIGNMENT

Ontologically alignment indicates an action or effect of aligning towards an axis. So, strategic alignment of an audited company can mean "an axial direction of the company" in order to achieve its goals in relation to how peers attend to competing priorities. Zajac, Kraatz and Bresser (2000) understood the concept of alignment has its roots linked to theoretical perspectives grounded in theories of organizational strategy, and their biggest concern is focused on aligning organizational resources with environmental opportunities and threats.

In this context, Porter (1992) and Miller (1998) argued that strategic alignment stemmed from research on business strategy, whereas organisational alignment emerged as a result of threats and opportunities of the environment. Thus, reflecting decisions which, aligned to corporate resources, and assisting in connecting the organisation with their environment.

Yet, Chandler (1962) while attempting to explain strategic alignment, states that the alignment process starts with the design by positioning the company with its market. At this juncture, this requires its linkage with other functional strategies such as marketing, finance and human resources, so that the business strategies formulated would be successful (MOORI; GHOBIL; MARCONDES, 2009).

More so, an organization aligned to its strategy tends to provide better information for decision making, generating reports in a timely manner, that translate into valuable data to stakeholders (IMONIANA, 2007, p. 133) that is, results a consistent structure that positioned itself competitively in the business world.

2.4 ALIGNMENT BETWEEN CLIENT AND AUDITOR

Right from the 1929 crisis to the subsequent ones in the global stock market, auditors have always worked with apparent ease. Until then, the only issue that used to worry auditors was how to keep pace with client's advancement while renewing proposals for audit services. When the auditor specializes in certain industry and holds specific technology or expertise needed to prospect the client will probably have a competitive edge over other auditors (DANOS; EICHENSEHER 1982; EICHENSEHER 1984; JOHNSON; LYS 1990).

In consequence of scandals of financial statement manipulation, stakeholders have recently develop a thicker skin about the job of the auditors thus generating stringent measures proposed and implemented by the regulating bodies such as SEC-US, PCAOB monitoring procedures, measures of the Sarbanes-Oxley Act 2002 placing emphasis on internal control by the management and co-responsibility for fraudulent acts. This also culminated with restating mandatory rotation for the auditor after five years in Brazil as required by Resolution 308/99 of CVM - Brazilian Securities & Exchange Commission (SEC-BR). Italy states in accordance with Stock Exchange Commission (CONSOB) nine years is the basis of rotation, however the auditor is entitled to presentation of proposal for reconsideration for another 3 years thereby summing up twelve years.

2.5 COMPETITIVE PRIORITIES

Knowing full well that the bone of contention of market dispute is competitiveness, one asks oneself, what exactly are the priorities given to the items in which firms compete?

As Boyer and Lewis (2002) adapted in Figure 2 show that priorities evolves costs, quality, flexibility and delivery. The same authors note that these are supported on two major pillars: (i) Structure - capacity, facilities, technology and vertical integration and (ii) Infrastructure - Workforce, quality, production planning and organization.

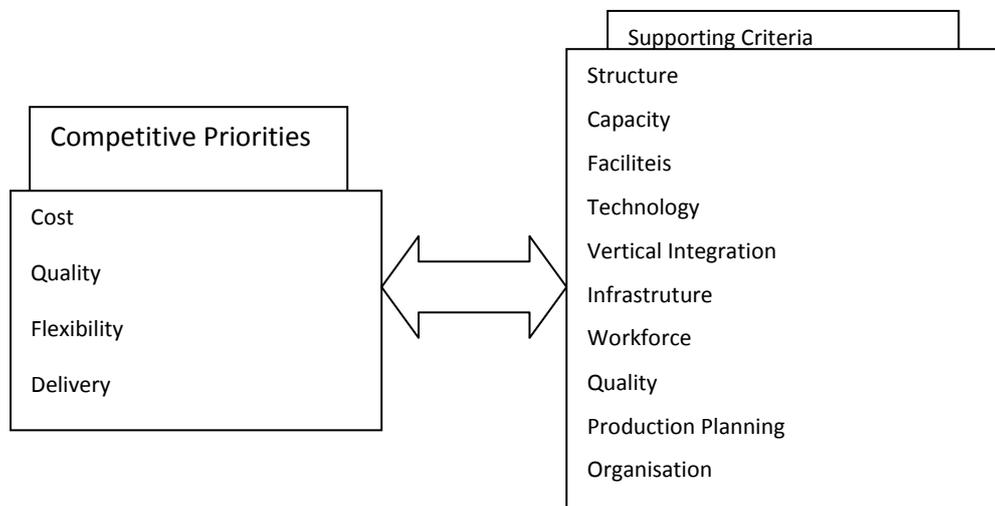


Figure 2: Priorities competitive and supporting structure

Source: Adapted from Boyer and Lewis (2002).

About this development, Moori, Ghobril and Marcondes (2009) comment that, in general, the competitive priorities defined by the customer are counter balanced by manufacturing strategies that include: a) cost, related to the adoption of concepts of economy of scale, learning curve and productivity, b) quality, manufacturing flawless products, c) speed of delivery, requests and materials move through faster operation d) flexibility, directly related to the existence of uncertainty in the production environment.

When a company understands what its competitive priorities are, it must also seek to understand the current stage of its structures and infrastructure so that it can align those priorities with its various internal needs (BOYER; LEWIS, 2002).

Although the criteria revolve the items previously mentioned, for greater coverage, the overall description of competitive priorities adopted for this study may be as contained in Panel 1.

Panel 1: Definition of criteria for alignment between auditor-client

CODE	CRITERIA	EXPLANATIONS
A ₁	Quality	Working in accordance with the terms of reference and engagement charters;
A ₂	Price	Offering the services at affordable price and costs relative to competitors;
A ₃	Timeliness	Presenting results satisfactorily in a timely manner and decision-oriented
A ₄	Flexibility	Able to change standpoint while Uphold moral and ethical conduct in business relationships and professional societal responsibility through accomplishment of standard of regulatory bodies
A _n	Versatility	Maintaining presence through professional support when needed and maturity to meet up service requirements and diverseness of approach as needed by services.
C ₁	Quality	Enable the auditor to work in accordance with the terms of reference and engagement agreements;
C ₂	Price	Paying fees for services at affordable costs relative to competitors
C ₃	Timeliness	Expecting satisfactory results in a timely manner and decision-oriented
C ₄	Flexibility	Able to change standpoint while uphold moral and ethical conduct in business relationships and professional societal responsibility through accomplishment of standard of regulatory bodies
C _n	Versatility	Supporting auditor with professional maturity to meet up service requirements and diverseness of approach as needed by services.

Still on competitive priorities, Lemos *et al* (2004) identified how traders of consumer goods of Santa Maria used strategic planning to make businesses more competitive. They found that the lower the level of knowledge in management by the manager, the greater the reliance on advisory services in the area of management, HR management and communication, to mention just a few. They also found that more advisory services used by managers, especially those with higher level of education, was that of accounting and auditing, mainly due to the high rate of tax shouldered by companies and the constant surveillance by the Brazilian government. Managers considered accounting and auditing advices as essential for structuring economic and financial data of the company besides being a management tool in decision making.

Carvalho and Pinho (2004) observed that the differentiation strategy, considering the concept of generic strategies established by Porter (1998) is quite compatible with the nature of audit activity. They understand differentiation as service offerings that add value to the client and to expand markets, gain credibility and ensure survival. The auditor must resort to the principles of competitive strategy. Thus, they conducted a study seeking to identify, together with the audit firms, which were their strategies for adding value for the Client as well as obtain information about the customer satisfaction achieved with these services. The research was carried out in 2001 covering the cities of Fortaleza, Recife and Salvador. The study indicates the need for the auditors to incorporate, the list of required attributes intuitively among which they cite: personal skills, technology and strategic understanding of the client's business.

Thus, in other that the auditor would meet the client's expectation for the work done; values must be added into the services, captured through a deep understanding of customer needs. Efforts to

gain and maintain client must be based on ethics and professional technical quality seeking to identify which services effectively create value for users.

These authors believe that working from the client's perspective is a new dimension to the independent auditors, accustomed to think like outsiders to the process and takes greater effort to understand clients' businesses. They might have borrowed a leaf from the thought that auditing in Brazil has always been normative and nothing else. Noteworthy that now the auditor is part of the business aiming to achieve broader objectives of the company.

3. METHODOLOGY

Given the initial level of this research on a global perspective, this study is characterized as exploratory. Assumes the neo-positivist epistemological context in which one seeks in its beginning to show a theoretical framework in order to understand the phenomenon of strategic alignment of the auditor-client, and later seek empirical evidence to support or refute the hypothesis of inexistence of alignment between the competing priorities of auditors and their clients.

In all, the study is as descriptive work in that it gives room for qualitative and quantitative analysis on the data gathered.

Thus, as a qualitative approach, it adopted the strategy of content analysis of theoretical models presented on the main themes that were gathered in the literature related to strategic alignment and competitive priorities with relationships to auditor-client, among others.

In qualitative research focusing socio-historical one does not investigate the reasons for the results, but get "the understanding of behaviour from the perspective of the subjects" Bogdan and Biklen (1994, p.16). Still, the same authors emphasized the characteristics of qualitative research: the direct source of data is the natural environment which the researcher constitutes the principal instrument.

In the quantitative approach, we used descriptive procedures as basis of analysis and production of inferences in sampled data bases. The approach used is hypothetical-deductive, that parts from the assumptions of Popper (1975), in which we make initial conjectures that then tested empirically.

3.1 TIMELINE FOR DATA GATHERING AND SCOPE

The research was carried out in August through October 2011 and it covered all the States of Brazil. Interviews were conducted in the main offices of the Big4 firms where the Partners are located. The study is composed of a non-probabilistic purposeful sample of 8 independent audit firms and their respective 8 clients.

Suffice it to say that it involved a non-probability sample of audit firms, truly characterized as sample, whereas they were chosen deliberately because the universe of four independent audit firms (*big-four*) highest rated in the world can just be counted on our finger tips, and it ends up being a bigger coverage of the audit firms.

3.2 DATA GATHERING AND PROCESSING

This study used unstructured questionnaires to collect data from audit partners of the *big-four* firms spread around Brazil which was implemented in paper-and-pencil. The same approach applied to the clients (independently) through the executives who effectively participated in the day-to-day operations and strategies of their organisations that influence the choice and nomination of auditors.

4. DATA ANALYSIS AND INTERPRETATION OF RESULTS

Data collected have been treated in two ways: a) Descriptive analysis of some structured questions furnished by the respondents and, b) Content analysis of qualitative data reported voluntarily. The analysis proceeded by inserting data collected into NVivo - Qualitative data analysis software by observing the categorization and classification of data aiming at identifying some significance of the phenomena, the expressions and symbols that were represented.

4.1 DESCRIPTIVE STATISTICS AND THE SAMPLES PROPERTIES

As mentioned, the data collected in this study consisted of responses from 8 auditors of Big-four Audit firms predominantly Managers and/ Audit Partners and 8 Clients mainly Executives and Directors of big organizations who had a say on the choice of auditors or their nomination. The summary of their characteristics can be found in Panel 1, Tables 1 and 2. The male gender dominates Auditing profession with 87.5% and also 75% from the clients' side. Data in the table shows that the respondents are persons whose age ranges from 45 and above 50. Auditors and the clients in the majority individually accumulate a wealth of experience spanning over two decades which is highly suggestive of their professional calibre. Their areas of concentration extend to all works of life and covered major regions of Brazil.

Table 1: Gender of Respondents

	AUDITORS (n=8)	CLIENTS (n=8)
Male	87.5%	75%
Female	12.5%	25.5%
	100%	100%

Table 2: Age group of the Respondents

	AUDITORS (n=8)	CLIENTS (n=8)
<34	-	-
35 - 39	-	-
40 - 44	-	-
45 - 49	50.0	25.0
>50	50.0	75.0
	100%	100%

As could be observed in Table 3 and Table 4, showing the auditors' responses "A" and "C" showing the clients' responses respectively, we note that competitive priorities converges to alignment. For the Auditors, we observe in Table 3 the distribution of priorities given by the respondents.

Table 3: Distribution of Auditors within competitive priorities

Priorities	CompPrio 1 - Qlty	CompPrio 2 - Price	CompPrio 3 - Timeliness	CompPrio 4 - Flexibility	CompPrio 5 - Versat	
1st	5	-	2	-	1	8
2nd	1	4	-	1	2	8
3rd	-	1	4	2	1	8
4th	1	3	-	3	1	8
5th	1	-	2	2	3	8
	8	8	8	8	8	

As for the Clients, we observe in Table 4 the distribution of priorities given by the respondents. What looks very curious is none of the clients chose Timeliness of the reporting financial statements and

the flexibility of the auditor as the first to be considered for nomination of the auditors. Considering the case of timeliness, probably this seems to be implied in the audit charter, knowing full well that the client has to take decisions and report to stakeholders on a timely basis.

Table 4: Distribution of Clients within competitive Priorities

Priorities	CompPrio 1 -Qty	CompPrio 2 - Price	CompPrio 3 – Timeliness	CompPrio 4 - Flexibility	CompPrio 5 - Versatility	
1st	4	2	-	-	2	8
2nd	2	2	2	-	2	8
3rd	1	2	3	2	-	8
4th	1	-	3	3	1	8
5th	-	2	-	3	3	8
	8	8	8	8	8	

Thus, in order to position in respect to which competitive priorities have been voted according to relative importance, one sums up the scores for the auditors as in Table 5.

Table 5: Statement of responses of ompetitive priorities of the Auditors

Audit Response	CompPrio Quality	CompPrio Price	CompPrio Timeliness	CompPrio Flexibility	CompPrio Versatility
A1	1	5	2	4	3
A2	5	1	3	2	4
A3	1	4	3	2	5
A4	3	2	5	1	4
A5	1	2	3	4	5
A6	1	2	3	4	5
A7	3	5	4	2	1
A8	1	2	4	5	3
$\sum_i^m A$	16	23	27	24	30

Thus, we observe that *Versatility* carries the vote with 30 whereas *Timeliness* follows as the second with 27 and the least voted was *Quality* with 16.

Therefore, considering that criterion marked 1 has least priority and with 5 the highest priority, we will have the rearrangement of the positioning with matrix showing the importance the Auditors give to the criteria, where the letters show the first character of each competitive priority.

$$A = \begin{bmatrix} 1 & Q & \dots & 16 \\ 2 & P & \dots & 23 \\ 3 & T & \dots & 27 \\ 4 & V & \dots & 30 \\ 5 & F & \dots & 24 \end{bmatrix}$$

In the same manner, in Table 6 for the clients, we observe that *Flexibility* carries the vote with 33 were *Versatility* follows as the second with 25 and the least voted was *Quality* with 15.

Table 6: Statement of responses of competitive priorities of the Clients

Client Response	CompPrio Quality	CompPrio Price	CompPrio Timeliness	CompPrio Flexibility	CompPrio Versatility
C1	4	3	2	5	1
C2	2	1	3	4	5
C3	2	1	3	4	5
C4	3	2	4	5	1
C5	1	3	2	4	5
C6	1	5	4	3	2
C7	1	2	3	5	4
C8	1	5	4	3	2
$\sum_i^m C$	15	22	25	33	25

Therefore, represented in the relationship matrix showing the importance the Clients “C” attributed to the criteria we found as follows:

$$C = \begin{bmatrix} 1 & Q & \dots & 15 \\ 2 & P & \dots & 22 \\ 3 & T & \dots & 25 \\ 4 & V & \dots & 25 \\ 5 & F & \dots & 33 \end{bmatrix}$$

Thus, comparing the competitive priorities stated above, we accept the hypothesis that there is an association of competitive priorities more valued by the auditors aligned strategically with the clients. In other words, auditors and the clients are aligned with their competitive priorities.

4.2 QUALITATIVE ANALYSIS

The analysis considered the qualitative aspects which involve the content analysis of the data gathered from unstructured questionnaires which were mostly from additional comments given by the respondents and also the literature.

Thus, the Pearson correlation coefficient was run considering the word content. On this, results show a significant relationship among the codes predominantly drawn from the literatures to support the qualitative analysis when matched with the interviewee responses as in Table 7.

Table 7: Relationship of the Auditor/Client as per responses

SOURCE A	SOURCE B	PEARSON CORRELATION COEFFICIENT
Internals\\Interviewee\\Client 8 -	Internals\\Interviewee\\Client 7 -	0,99624
Internals\\Interviewee\\Auditor 6 -	Internals\\Interviewee\\Auditor 4 -	0,992543
Internals\\Interviewee\\Auditor 7 -	Internals\\Interviewee\\Auditor 3 -	0,991516
Internals\\Interviewee\\Auditor 7 -	Internals\\Interviewee\\Auditor 5 -	0,991512
Internals\\Interviewee\\Auditor 3 -	Internals\\Interviewee\\Auditor 2 -	0,991073
Internals\\Interviewee\\Auditor 5 -	Internals\\Interviewee\\Auditor 1 -	0,990346
Internals\\Interviewee\\Auditor 7 -	Internals\\Interviewee\\Auditor 1 -	0,990346
Internals\\Interviewee\\Auditor 5 -	Internals\\Interviewee\\Auditor 3 -	0,990304
Internals\\Interviewee\\Auditor 7 -	Internals\\Interviewee\\Auditor 2 -	0,989863
Internals\\Interviewee\\Cliente 6 -	Internals\\Interviewee\\Client 5 -	0,989423
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 7 -	0,989268
Internals\\Interviewee\\Auditor 3 -	Internals\\Interviewee\\Auditor 1 -	0,989153
Internals\\Interviewee\\Auditor 4 -	Internals\\Interviewee\\Auditor 3 -	0,988741
Internals\\Interviewee\\Auditor 2 -	Internals\\Interviewee\\Auditor 1 -	0,988672
Internals\\Interviewee\\Auditor 5 -	Internals\\Interviewee\\Auditor 2 -	0,988664
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 3 -	0,988083
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 1 -	0,988074
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 5 -	0,988068
Internals\\Interviewee\\Auditor 6 -	Internals\\Interviewee\\Auditor 3 -	0,987868
Internals\\Interviewee\\Auditor 6 -	Internals\\Interviewee\\Auditor 5 -	0,987838
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 6 -	0,987766
Internals\\Interviewee\\Client 6 -	Internals\\Interviewee\\Client 4 -	0,987547
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 2 -	0,987541
Internals\\Interviewee\\Auditor 5 -	Internals\\Interviewee\\Auditor 4 -	0,987528
Internals\\Interviewee\\Auditor 4 -	Internals\\Interviewee\\Auditor 1 -	0,987449
Internals\\Interviewee\\Auditor 8 -	Internals\\Interviewee\\Auditor 4 -	0,987382
Internals\\Interviewee\\Auditor 6 -	Internals\\Interviewee\\Auditor 2 -	0,987188
Internals\\Interviewee\\Client 5 -	Internals\\Interviewee\\Client 4 -	0,986984
Internals\\Interviewee\\Auditor 4 -	Internals\\Interviewee\\Auditor 2 -	0,986811
Internals\\Interviewee\\Auditor 7 -	Internals\\Interviewee\\Auditor 6 -	0,986652
Internals\\Interviewee\\Auditor 6 -	Internals\\Interviewee\\Auditor 1 -	0,986606
Internals\\Interviewee\\Client 6 -	Internals\\Interviewee\\Client 2 -	0,986558
Internals\\Interviewee\\Auditor 7 -	Internals\\Interviewee\\Auditor 4 -	0,986351
Internals\\Interviewee\\Client 5 -	Internals\\Interviewee\\Client 1 -	0,986033
Internals\\Interviewee\\Client 5 -	Internals\\Interviewee\\Client 2 -	0,985984
Internals\\Interviewee\\Client 6 -	Internals\\Interviewee\\Client 1 -	0,983904

Thus, by analyzing the codes we create Panel 2 describing the categories, process of competitive priorities and the categories involved.

Panel 2: Description and Interpretation of Categorized Results

PROCESS OF GENERATING COMPETITIVE PRIORITIES	CATEGORY	DESCRIPTION OF THE ESSENCE OF THE CATEGORY
Consequence of scandals	COS	The scandals felt in capital market had some influences on business processes and auditor/client relationships. Measures were implemented by all stock markets to safeguard asset and the interest of stakeholders
Auditor regulation worldwide	ARW	Auditors are going through tough regulations worldwide considering SOX in US and CONSOB in Italy for instance.
Watch the Key Priorities	WKP	In order to create amicable environments for work auditor and clients would have to watch their key competitive priorities for monitoring purposes
Relative Importance	RMP	Eventually, everyone associates different importance to all competitive criteria that feature in literature.
Measurable criteria of competitive priorities	MCP	What are the scores to be attributed to each criteria, say: from 1 to 5?
Organization aligned to its strategy	OAS	strategy tends to provide better information for decision making, generating reports in a timely manner, that translate into valuable data to stakeholders
Auditing Services adding values	SAV	In the time of crisis, auditing values must add value to the clients to make a difference
Ontology of alignment	OAL	Alignment indicates it as action or effect of aligning towards axis direction considering client/auditor strategy or using all networks that are available
Consequences of business alignment	CBA	There is a favourable environment to tackle crisis auditor and clients could reach agreement through the consequences of business alignment
Competitive dimensions	CPD	The criteria used as dimensions in this study are cost, quality, ethics, benefit realisation and versatility
Competitive priorities and strategy	CPP	Stipulation of strategies by the organisation considering SWOT and conclusion upon the competitive priorities.
Competitive priorities	CPI	Considering the peculiarity of each control environment of Brazil Flexibility has been indicated as important,
Differences between competitive priorities and auditor specialty	DPS	Specialisations be it on the side of client or the auditor impacts competitive priorities.

Observe that the process of generating the competitive priorities expands as we thoughtfully detail on the competitive dimensions. Thus, the categories assist in understanding the phenomena of comparative competitive priorities of the auditors and that of the clients.

5. DISCUSSION

As a detailed analysis of the responses connected to the categories, we expatiate as follows with enlightening comments given by the interviewees in the following discussion. Observe that any number after "A" shows a comment from Auditor and "C" from the Client respectively:

"In Brazil, we auditors have felt the impact of the financial scandals". For instance, A1 assures that: after Anderson's lesson, audit partners are now more involving than before in the engagement management.

Considering Relative Importance – RMP, A2: sees a great importance in providing services that exceed the expectation of the clients in terms of versatility by supporting activities such as tax, advisory, consulting, forensic accounting, to mention just a few and lives the clients to see value in it

and not complain about the fees. C2 does see value in auditor versatility in that his organization takes advantage of the low salaries of the auditor to offer them the post when hiring, knowing full well that they would not spend additional resources to train them if hired.

A4 says that the Consequences of Business Alignment – CBA is creating interesting scenarios in Brazil; the clients are now open to dialogues. There is probably an answer to this type of openness to dialogue by the client, they now see that with the compliance to certain regulations, they partake in the responsibilities in the reporting process and not just leave that to the auditor, saying that just auditor opinion was what interests them.

In light of the point raised in the previous comments, the Competitive dimension – CPD is very narrow in the Brazilian market. According to C7: no gain saying the Big4 is quality and that we need to pay for that work. In spite of this known quality, *Price* is decided by the market and we follow suit by converging all to business objectives.

Finally, the competitive priorities addressed in prior researches such as that of Boyer and Lewis (2002), Moori, Ghobril and Marcondes (2009) among others, and the ones listed to guide the interviews do not seem to be the only ones that concern the auditors and the clients in their corporate environments. During the survey we noted the following competitive priorities different from those cited so far in this research. They are presented considering their relative importance and priorities associated with the best practices of each company and auditors researched for maintaining the auditor-client relationship, see Panel 3.

Panel 3: The competitive priorities associated with the best practices of the respondents/companies surveyed for maintaining auditor-client relationship.

AUDIT/ CLIENT	1st	2nd	3rd	4th	5th
A1	Independence	Ethics	Globalization	Sharpness	Close Relationship
A2	Zealousness	Innovative	Availability	Benchmark	Commercial
A3	Credibility	Knowledge-Sharing	Risk	Confidence	Security
A4	Confidence	Added Value	Knowledge Transfer	Client Knowledge	Independence
A5	Ethic	Independence	Scientism	Transparency	Compensating fees
A6	Compromise	Knowledge Sharing	Confidence	Aggregate Value	Independence
A7	Integrity	Ethics	Profitable	Knowledgeable	Risk
A8	Profitable	Ethics	Cost Benefit	Globalization	Benefit Realization
C1	Responsive	Integrity	Ethic	Process Assurance	Seniority of staff
C2	Advisory	Team involvement	Maturity	Hireable Staff	Training
C3	Team	Internationalization	Integrity	Concentration of Market	Professional Know-How
C4	Market Reference	Ethics	Open to Dialogue	Confidentiality	Globalized
C5	Added Value	Confidentiality	Ethics	Partnership	Timeliness
C6	Partnership	Ethics	Globalization	Influential	Reference
C7	Knowledgeable	Ethics	Globalization	Responsible	Team Maturity
C8	Relationship	Up-to-date	Knowledge of Client	Business Knowledge	Ethics

Therefore, considering the aforementioned additional competitive priorities one is able to provoke the following model in Figure 3 where certain enhancing tools help gear competitive priorities toward alignment to strategies.

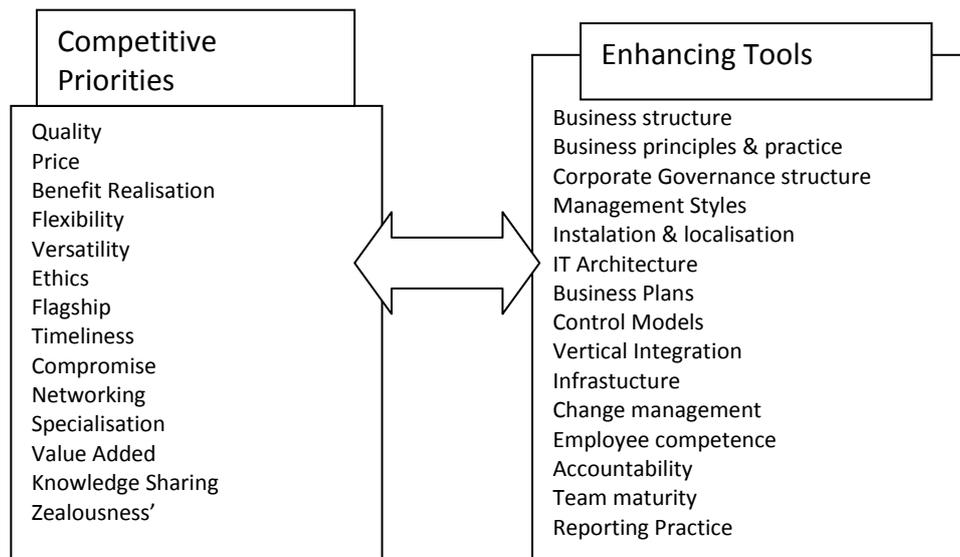


Figure 3: Provoked Model of Competitive Priorities for Auditor / Client

Thus, in order to raise contributions that effectively generate predictions for future reflections, we set up the Scales of Adaptive Efficiencies Driven by Competitive Priorities (AEDCP) that make up set of the attributes of adaptive efficiency of auditor in client's environment. This will in turn as shown in Table 8 help us in this process of reflection on future researches.

Table 8: Attributes of Adaptive Efficiency of Auditor in Client’s environment (*aaeac*)

SCALES OF AEDCP	NUMERIC VALUE	ATTRIBUTES
Severe ineffectiveness	$0 \leq aaeac < 0,25$	A
Ineffectiveness	$0,25 \leq aaeac < 0,50$	B
Effectiveness	$0,50 \leq aaeac < 0,75$	C
Significant Effectiveness	$0,75 \leq aaeac < 1,00$	D
Very Significant Effectiveness	$aaeac = 1,00$	E

Noteworthy, that the adaptive efficiency of the auditor in the business scenario can be derived through competitive classification as shown in Panel 2, thereby making us to concord that independence cannot be put aside if we have to comply with standards.

In this context, the stage in which the study is at this moment makes us stress on the following challenging questions: Are the independent audit companies really aligned to their clients based on the competitive priorities? If so, what makes sustainability of the relationship the function of values of attributes of the Auditor’s or Clients culture?

Is the sustainability of a relationship *sr* a function of values of attributes of the Adaptive Efficiency Auditor in Client Environment (*eaac*) and has this turned real?

Thus, taking the scenario in the Italian environment in which according to Imoniana, Bianchi and Tampieri (2013) *price* is the most valued competitive priority by the clients, and according to them the finding may be related to a new positioning of auditor-client relationship after the damage inflicted on investors as a result of financial scandals, this been a different scenario in Brazil. Also, the crisis which Europe is passing through might have added to clients rethinking their competitive priorities. It is a food for thought.

6. FINAL REMARKS

The present study investigates the strategic alignment of the independent auditors (big-four) firms and their respective clients in Brazilian environment.

The competitive priorities presented by the literature could be summarised as: Quality – Working in accordance with the terms of reference and engagement agreements; Price – Offering the services at affordable price and costs relative to competitors; Timeliness R- Presenting results satisfactorily in a timely manner and decision-oriented; Flexibility – Accepting the suggestions of the client but upholding standards and independence; Versatility – Maintaining presence through professional support when needed and maturity to meet up service requirements and diverseness of approach as needed by services.

However, depending on the area of expertise of the auditor (financial statements audit, forensic auditor, etc.) this influences the competitive priorities which can be totally different taking the same auditing firm.

Versatility is the competitive priority mostly valued by the auditors and the clients in the Brazilian environment and price is the least considered showing that services rendered speak for themselves.

Auditors and clients are able to reach a dialogue concerning topics of engagement charter, work done and the reporting procedures thus signalling alignment taking the competitive drivers.

Therefore, based on the data collected and analysis, one is forced to agree that there is an association between competitive priorities most valued by auditors strategically aligned to the clients in Brazilian environment.

It is possible that this finding be mainly related to a new position of auditor-client relationship that emulates the scenario in United States of America after the damage inflicted on investors as a result of financial scandals have been duly mitigated with various regulations issued by various SECs.

Finally, it is important to observe that with the quantity of interviews it is not ripe for one to generalise on the current research sample, maybe there is need for a larger sample for one to draw a broader conclusion thereby paving way for future researches.

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