

COMMUNICATION BETWEEN AN ACCOUNTING FIRM AND ITS CLIENTS: WHAT DO CLIENTS PREFER?

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ABSTRACT

This paper presents the results of a study designed to gather information on communication between an accounting firm and its clients. We provide descriptive information on clients' perceptions regarding the frequency, method, and importance of communication with their accounting firm. Information on how clients want to be communicated with can assist accounting firms in establishing effective communication policies and better managing client relationships. The results of this study suggest that accounting firms can effectively use collaborative communication, which focuses on using communication to build better relationships between firms, to manage client relations.

INTRODUCTION

The importance of communication in business relationships is well established. In fact, communication has been described as the most important element to the successful interchange between firms (Bleeke and Ernst, 1993, p. xvi). Marketing researchers have made significant strides in understanding how communication between firms can be effectively managed (see e.g., Mohr, Fisher and Nevin, 1996; Mohr, Fisher and Nevin, 1999).

One method used by firms to manage relationships with customers is collaborative communication, which focuses on using communication to build better relationships between firms. Collaborative communication involves four components:

(1) frequency of communication, (2) direction of communication (emphasizing two-way communication), (3) formality of communication (having set communication policies and procedures in place), and (4) the use of influence tactics to emphasize common goals between the firms (Mohr, Fisher and Nevin 1996; Mohr, Fisher and Nevin 1999). Collaborative communication has been found to be effective in increasing client satisfaction with and commitment to a firm (Anderson and Weitz 1992; Morgan and Hunt 1994; Keith, Jackson, and Crosby 1990).

Although a significant amount of research has been conducted on using communication to manage client relationships, we are unaware of any dealing specifically with accounting firms. While there is considerable evidence that effective communication skills are positively related to success in accounting (see e.g., Stowers and White, 1999; Gingras, 1987; Henry and Razzouk, 1988), such research has only examined communication at the individual level. Research on communication at the accounting firm level is lacking. This study is an initial step in extending research on firm-to-firm communication to the accounting firm setting. Extending this research to accounting will fill a significant gap in the accounting literature.

This paper reports the results of a study focusing on methods of communication between an accounting firm and its clients. The data gathered provide descriptive information on clients' perceptions regarding the frequency, method, and importance of communication with their

accounting firm. Information comparing the firm's communication methods to how clients prefer to be communicated with can assist accounting firms in establishing more effective communication policies and better managing client relationships.

METHODOLOGY

This research was conducted by mail survey. The survey instrument was developed by the researchers and designed to gather information on communication between an accounting firm and its clients. The survey instrument collected information on (1) frequency of communication, (2) the method of communication actually used by the accounting firm, (3) the method of communication preferred by clients, and (4) the importance of the issues discussed. Demographic data on the clients also was collected.

The survey was mailed to all 292 sole proprietorship, partnership, and corporate clients of a large regional accounting firm. (Clients that were either estates or trusts and clients for whom preparing personal federal or state income tax returns was the only professional service rendered were not included in the sample.) The survey was addressed to the primary client contact person for coordinating professional services with the accounting firm. A second request was sent to non-respondents one month after the original survey was mailed. Usable responses were received from 154 clients, a response rate of 53%.

SAMPLE CHARACTERISTICS

The 154 clients included in data analysis are a representative sample of the accounting firm's clients. As shown in Tables 1 and 2, the sample contained a wide range of industries and client sizes.

Table 1
Industry of Participating Clients

<u>Industry</u>	<u>Number</u>	<u>Percent</u>
Manufacturing	17	11.0
Construction	20	13.0
Wholesale/Retail	46	29.9
Not-for-profit	18	11.7
Health care	9	5.8
Other	42	27.3
Missing data	<u>2</u>	<u>1.3</u>
Total	<u>154</u>	<u>100.0</u>

Table 2
Size of Participating Clients

<u>Annual Revenue</u>	<u>Number</u>	<u>Percent</u>
Less than \$500,000	26	16.9
\$500,001-\$2,000,000	43	27.9
\$2,000,001-\$10,000,000	55	35.7
\$10,000,001-\$20,000,000	14	9.1
Greater than \$20,000,000	11	7.2
Missing data	<u>5</u>	<u>3.2</u>
Total	<u>154</u>	<u>100.0</u>

Respondents were asked what percent of contact with their accounting firm was related to auditing, consulting, tax services, and financial statement preparation, respectively. As reported in Table 3, respondents used their accounting firm for a wide variety of issues.

Table 3
Type of Contact with Participating Clients

<u>Type of Client</u>	<u>Number</u>	<u>Percent</u>
Predominantly audit	28	18.2
Predominantly tax	57	37.0
Predominantly financial statement preparation	21	13.6
Predominantly consulting	6	3.9
Uses several services	38	24.7
Missing data	<u>4</u>	<u>2.6</u>
Total	<u>154</u>	<u>100.0</u>

Tables 4 through 8 summarize the position, experience, gender, age, and education level of the person within each client firm that answered the survey. Individual respondents held a variety of positions in their firms and had diverse experience and educational backgrounds. In general, however, the individual respondents were experienced professionals who held positions of authority in their company. The wide range of client firms and individual respondents included in the data analysis improves the generalizability of our results.

Table 4
Position of Individual Respondent

<u>Position</u>	<u>Number</u>	<u>Percent</u>
Owner/General Manger	46	29.9
President/CEO	52	33.8
Vice-President/CFO	15	9.7
Controller	19	12.3
Accounting Manager	11	7.1
Other	8	5.2
Missing data	3	2.0
Total	<u>154</u>	<u>100.0</u>

Table 5
Experience of Individual Respondent
(Years in Industry)

<u>Years of Experience</u>	<u>Number</u>	<u>Percent</u>
Less than 6	15	9.7
6 – 9	11	7.1
10 – 15	30	19.5
16 – 20	25	16.2
21 – 30	46	29.9
More than 30	21	13.6
Missing data	6	4.0
Total	<u>154</u>	<u>100.0</u>

Table 6
Gender of Individual Respondent

<u>Gender</u>	<u>Number</u>	<u>Percent</u>
Female	52	33.8
Male	101	65.6
Missing data	1	0.6
Total	<u>154</u>	<u>100.0</u>

Table 7
Age of Individual Respondent

<u>Age</u>	<u>Number</u>	<u>Percent</u>
Less than 40	25	16.2
40 – 49	61	39.6
50 – 59		40
	26.0	
60 or more	21	13.6
Missing data	7	4.6
Total	<u>154</u>	<u>100.0</u>

Table 8
Education Level of Individual Respondent

<u>Education Level</u>	<u>Number</u>	<u>Percent</u>
High school graduate	12	7.8
Some college	43	27.9
College graduate	55	35.7
Some postgraduate study	18	11.7
Masters degree or more	24	15.6
Missing data	2	1.3
Total	<u>154</u>	<u>100.0</u>

ANALYSIS OF RESULTS

Respondents were asked whether they were satisfied with the frequency of communication with their accounting firm. The results are reported in Table 9. The large majority of clients (79.2%) felt that their accounting firm communicated with them as often as expected. 11.7% felt that frequency of communication was not enough. Only 7.8% of clients surveyed thought communication exceeded expectations.

Table 9
Frequency of Communication with Accounting Firm
(Client's Perception)

<u>Frequency of Communication</u>	<u>Number</u>	<u>Percent</u>
Not often enough	18	11.7
As often as expected	122	79.2
Exceeds expectations	12	7.8
Missing data	2	1.3
Total	<u>154</u>	<u>100.0</u>

Tables 10 and 11 report the methods of communication used by the accounting firm and the methods preferred by clients, respectively. As can be seen in Table 11, personal contact is important to accounting firm clients. Almost 80% of clients preferred either a personal visit (11.0%) or a telephone call (67.5%).

Table 10
Usual Method of Communication
(How the Client is Contacted)

<u>Method of Communication</u>	<u>Frequency</u>	<u>Percent</u>
Personal visit	8	5.2
Telephone	118	76.6
Fax	1	.6
Mail	23	14.9
E-mail	2	1.3
Other	1	.7
Missing data	<u>1</u>	<u>.7</u>
Total	<u>154</u>	<u>100.0</u>

Table 11
Preferred Mode of Communication
(How the Client Wants to be Contacted)

<u>Mode of Communication</u>	<u>Frequency</u>	<u>Percent</u>
Personal visit	17	11.0
Telephone	104	67.5
Fax	2	1.4
Mail	15	9.7
E-mail	10	6.5
Other	1	.7
Missing data	<u>5</u>	<u>3.2</u>
Total	<u>154</u>	<u>100.0</u>

These results demonstrate the importance of personal communication with clients. Accounting firms should make a concerted effort to stay in touch with their clients. As the old saying goes, they should "let their fingers do the walking." Accounting firms can improve client relations by simply picking up the phone and staying in touch with clients.

Personal communication involves two-way communication – an important element

in collaborative communication. Although further research is needed, our finding of a strong client preference for personal communication suggests that collaborative communication may be an effective way to manage an accounting firm/client relationship.

Table 12 reports the clients' perception of the importance of issues discussed during communication with their accounting firm. As can be seen, over 97% of respondents felt that the issues discussed were either very important (74.0%) or somewhat important (23.4%). Clients do not appear to be bothered by communication regarding issues they consider unimportant. These results, combined with those reported in Table 9 where more clients felt communication was not often enough than thought it was too frequent, suggest that accounting firms should communicate with their clients more frequently. Since the use of frequent interaction with customers to improve the relationship is another component of collaborative communication, these results provide further evidence that accounting firms can use collaborative communication to manage client relationships.

Table 12
Importance of Issues Discussed
(Client's Perception)

<u>Importance of Issues</u>	<u>Number</u>	<u>Percent</u>
Frequently unimportant	3	1.9
Somewhat important	36	23.4
Very important	114	74.0
Missing data	<u>1</u>	<u>.6</u>
Total	<u>154</u>	<u>100.0</u>

The results of this study reveal other strategies that accounting firms should consider. E-mail communication was preferred by 6.5% of clients, but used by accounting firms only 1.3% of the time. Regular mail service, on the other hand, was preferred by only 9.7% of clients, but used

by accounting firms 14.9% of the time. E-mail is an easy and relatively inexpensive form of communication. Accounting firms may be able to improve client relations by increasing e-mail communication. Given the ease of pressing a button and responding to e-mail, communication via e-mail is an easier and more timely form of two-way communication than regular mail. The use of two-way communication is an important component of collaborative communication that can easily and inexpensively be increased by the use of e-mail.

We performed several ANOVAs to determine if the preferred method of communication varied by type of respondent. None of the ANOVAs was significant. The preferred method of communication did not vary as a function of industry type or size of the client. It also did not vary as a function of the personal characteristics (position in the firm, years of experience, gender, age, or education level) of the individual respondents. Finally, we found no significant difference in the method of communication preferred based on the type of services (e.g., audit, tax, financial statement preparation, bookkeeping) the communication regarded.

These findings suggest that accounting firms can effectively manage client relationships by establishing set communication policies — an important component of managing client relationships by collaborative communication. Accounting firms should establish consistent communication policies that call for frequent personal contact (mainly telephone calls and personal visits) for clients of all sizes, in all types of industries, and in all areas of practice.

CONCLUSION

This study provides descriptive information on communication between an accounting firm and its clients. The results

suggest that clients prefer personal communication with their accounting firm. Telephone calls and personal visits were the preferred method of communication for over 78% of respondents. This preference does not vary as a function of the characteristics of either the firm or the individual respondent within the firm.

The overall results of this study suggest that accounting firms can effectively use collaborative communication techniques to manage client relations. Further research examining the use of collaborative communication by accounting firms is warranted.

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