

When is Bonding Worth the Risk? How Status Differences Moderate the Effect of Auditor-Manager Social Bonding on Manager Behavior

Abstract: Social bonding with client managers comes with the risk of impaired auditor independence, but also with the benefit of improving manager behavior towards the auditor, making it important to anticipate when the effects of social bonding on managers are stronger or weaker. Across two experiments that manipulate social bonding and status differences between subjects, we find that higher-status managers are more resistant to the incremental effects of social bonding with auditors. An abstract Experiment 1 finds that status differences prevent social bonding activity from making managers feel closer to auditors and, in turn, influencing manager behavior. A more contextualized Experiment 2 finds that sharing a social bond with an equal-status auditor makes client managers more cooperative during evidence collection, but not when the auditor is lower in status. Our results suggest auditors should consider existing social status differences when assessing the costs and benefits of bonding with client managers.