This dissertation proposal investigates how and when auditors become biased toward a client. First, I argue that breakdowns in auditor independence can be explained by a psychological mechanism known as “psychological closeness”—that is, feeling attached and connected to another person or people. I suggest that auditors who define themselves in terms of their close relationships with others—otherwise known as high “relational-interdependent self-construal”—are most vulnerable to the effects of psychological closeness. Furthermore, I suggest that long (vs. short) auditor tenure promotes feelings of psychological closeness to a client, which in turn leads to audit decisions biased toward the client.

I investigate these theorized relationships in one completed study (Study 1) and two proposed studies (Studies 2 and 3). Study 1 provides evidence that psychological closeness to a client contributes to audit reporting failures. More specifically, auditors committed more audit reporting failures when they were (vs. were not) psychologically close to a client who overreported on a financial statement. This effect was stronger for auditors who viewed (vs. did not view) close relationships as central to their sense of self. In proposed Study 2, I will examine auditor tenure as an antecedent of psychological closeness to a client. In addition, Study 2 seeks to replicate the moderating effect of RSC on psychological closeness and audit reporting failures. In proposed Study 3, I will test whether the negative effects of psychological closeness to a client can be mitigated by making the centrality of close relationships temporarily inaccessible to auditors. In studying these questions, this stream of research seeks to offer new solutions for helping auditors maintain independence and objectivity in the workplace.