

Moderating influence of tax practitioner's explaining behaviour on the relationship between clients' service satisfaction and relationship commitment

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Abstract

Research increasingly points to tax practitioners fulfilling the need for non-technical or "soft" skills, such as communication can reduce uncertainty and vulnerability in terms of client trust and increase satisfaction with services received. This article examines the direct as well as moderating effect of tax practitioner's explaining behaviour on the relationship between client's satisfaction with tax practitioner services and their relationship commitment. To explore how explaining behaviour influences the relationship between client's service satisfaction and relationship commitment, a total of 211 responses from clients of various accounting and law firms in New Zealand were analysed.

The data is analysed using the Hayes conditional process modelling tool for SPSS. The findings suggest that trust has positive relationship and explaining behaviour has a negative relationship with client satisfaction. In addition, the results establish that relationship between service satisfaction and relationship commitment will be stronger when practitioners provide detailed information to the clients about their tax issues.

The study suggests that practitioners should focus on building clients' confidence about effectiveness of the working papers which could enhance the overall client's commitment to their service relationship and promote more client referrals.

1.0 INTRODUCTION

The tax practitioners' role involves dealing with financial affairs of clients and also a legal obligation to abide by the tax laws and responsibilities to the profession and to society.¹ Given this intangible, ambiguous and technical nature of tax practitioners' services and tax practitioners fulfilling the need for non-technical or "soft" skills, such as communication can reduce uncertainty and vulnerability in terms of client trust and increase satisfaction with services received. The influence of client satisfaction with services received and trust results in variations in their relationship commitment. Taxpayers are concerned with filing an accurate return, and have been found to be more risk averse than their practitioners² which may explain why they rely on practitioners for help to legitimately minimise their taxes. Once

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¹ LS Shapiro, "Doing What is Right" (1996) 41:12 *The National Public Accountant* 7.

² PA Hite and G McGill, "An Examination of Taxpayers Preference for Aggressive Tax Advice" (1992) 45:4 *National Tax Journal* 389; Y Sakurai and V Braithwaite, "Taxpayers' Perceptions of Practitioners: Finding One Who is Effective and Does the Right Thing?" (2003) 46:3 *Journal of Business Ethics* 375 and LM Tan "Taxpayers' Preference for Type of Advice from Tax Practitioner: A Preliminary Examination" (1999) 20:4 *Journal of Economic Psychology* 431.

taxpayers know what they want, they set out to look for a practitioner that matches their needs. It is interesting to note that there are also tax practitioners who gave more conservative advice to clients who expected aggressive advice³ which results in a mismatch between advice desired and advice received. Sometimes, taxpayers' expectations are not clearly communicated to practitioners, or taxpayers themselves have conflicting expectations.⁴ Accordingly, different taxpayers are bound to have different motivations, expectations and preferences and taxpayers' expectations may not always be congruent with their experiences of practitioners' service.

There are two possible outcomes when taxpayers' expectations are not met and they are not satisfied with the services of a tax practitioner. The taxpayers could resort to putting more pressure on the practitioner to comply with their requirements. Should this fail, then the outcome may be dissatisfaction with the service and loss of trust on the practitioner and as a consequence the clients would change their practitioner, at least in the near future. But this may not necessarily be the case. As shown in the studies,⁵ the clients' intentions to retain or dismiss their practitioners were not influenced by their preference for type of advice and services received. There may be other considerations which clients take into account when deciding whether to retain or change their practitioners. However, the literature to date is not clear whether those who were dissatisfied with the service or lost trust on their tax practitioner in fact changed practitioners or would change practitioners in the future and the role of other relevant factors.

A considerable body of research in marketing and economic literature⁶ has argued that the relationship between self-reported satisfaction with the service and intent to use the service in future is determined by relationship quality. However, most research has focused on the association of trust with relationship commitment. Studies in the consumer market or accounting and tax literature in New Zealand and overseas, have largely neglected, the role of explaining behaviour on the association between service satisfaction and relationship commitment and the role of service satisfaction on the association between trust and relationship commitment. Additionally, due to personal and confidential nature of services

³ WA Duncan, D LaRue and P M J Recker, "An Empirical Examination of the Influence of Selected Economic and Noneconomic Variables on Decision Making by Tax Professionals" (1989) 2 *Advances in Taxation* 291-106; B K W Pei, P M J Reckers and R W Wyndelts, "Tax Professionals Belief Revision: The Effects of Information Presentation Sequence, Client Preference, and Domain Experience" (1992) 23 *Decision Sciences* 175-199.

⁴ Y Sakurai and V Braithwaite, "Taxpayers' Perceptions of Practitioners: Finding One Who Is Effective and Does the Right Thing?" (2003) 46:4 *Journal of Business Ethics* 375-387; LM Tan, "Giving Advice Under Ambiguity in a Tax Setting" (2011) 26:1 *Australian Tax Forum* 73-101.

⁵ PA Hite and G McGill, "An Examination of Taxpayers Preference for Aggressive Tax Advice" (1992) 45:4 *National Tax Journal* 389; LM Tan "Taxpayers' Preference for Type of Advice from Tax Practitioner: A Preliminary Examination" (1999) 20:4 *Journal of Economic Psychology* 431.

⁶ D Tse and P Wilton, "Models of Consumer Satisfaction Formation: An Extension" (1988) 25:2 *Journal of Marketing Research* 204; E Gummesson and C Gronroos "Quality Services-Lessons from the Product Sector" (1987) *Add Value to Your Service: The Key to Success*, C. Suprenant ed., American Marketing Association, Chicago, II 35-39; A Wong and L Zhou "Determinants and Outcomes of Relationship Quality: A Conceptual Model and Empirical Investigation" (2006) 18:3 *Journal of International Consumer Marketing* 81; G Fullerton and S Taylor, "Mediating, Interactive and Non Linear Effects in Service Quality and Satisfaction with Service Research" (2002) 19:2 *Canadian Journal of Administrative Science* 124.

for different service industries, such as tax practitioner services, legal services, medical services and management consulting, it is believed that service satisfaction and explaining behaviour is crucial and may play a greater role. In these services it is common for customers to be dissatisfied with the relationship they have with their service providers.⁷ Accordingly, some customers take various actions e.g. complain directly to the provider about the services or switching providers. Dissatisfied customers' switching providers diminishes a service provider's customer base and can erode their reputation.⁸ In such situations, the service provider's justifiable response to the customer's reactions is crucial in retaining the customer.

Owing to the complex nature of tax practitioner service, variations in their relationship commitment might be stronger or weaker than other service sectors and a good relationship is critical to both clients and tax practitioners. It is conceivable that explaining behaviour moderate the effects of service satisfaction on relationship commitment. The limited attention from tax and accounting researchers on the variations in relationship commitment restricts our understanding of the tax practitioner-client relationship. It also inhibits our understanding on how to develop and maintain a healthy relationship. Indeed, more research is warranted to provide further insights into roles of service satisfaction, trust and explaining behaviour in determining clients' relationship commitment to their tax practitioner.

The objective of the present study is to address this potential research gap. Drawing on the concept of relationship commitment, a set of factors associated with client's trust on tax practitioner, satisfaction with tax practitioner services, and client's judgment of explaining behaviour are derived by reviewing the literature. The direct and moderating mediation effect of these identified factors on the association of relationship commitment with client's service satisfaction is then investigated.

The findings of the present study may shed some light on the role of trust, explaining behaviour of service providers, satisfaction with services and variations in clients' relationship commitment. The results of this study could potentially assist tax practitioners in increasing customer retention and enable development of methods to better serve their clients. Results from empirical research of Profit Impact of Market Strategies ("PIMS") demonstrate that product quality (as judged by customers) has a strong positive relationship with profitability. Based on PIMS findings, it could be hypothesised that better relationship commitment will result in more profitability for the tax practitioners from increased client retention as well as more revenue per client.⁹

⁷ M Colgate and B Lang, "Switching Barriers in Consumer Markets: An Investigation of the Financial Services Industry" (2001) 18:4 *Journal of Consumer Marketing* 332-47; M Colgate and M Norris, "Developing a Comprehensive Picture of Service Failure" (2001)12:3/4 *International Journal of Service Industry Management* 215-34; L White and V Yanamandram, "Why Customers Stay: Reasons and Consequences of Inertia in Financial Services" (2004) 14:2/3 *Managing Service Quality* 183-194.

⁸ T J Levesque and G H McDougall, "Customer Dissatisfaction: The Relationship between Types of Problems and Customer Response" (1996)13:3 *Canadian Journal of Administrative Sciences* 264-76.

⁹ S Schoeffler, RD Buzzell, and DF Heany, PIMS: A Breakthrough in Strategic Planning. Marketing (1973) Science Institute, Cambridge, MA. Marketing Science Institute in 1972 and 1973 examined the relationship between superior perceived quality and profitability among some 950 individual business units from 93 different companies.

The paper proceeds as follows; Section 2 of the paper considers an understanding of who is classified as a “tax practitioner”. Section 3 provides a succinct review of the literature relevant to client’s service satisfaction, trust in a tax practitioner, their relationship commitment, with particular reference to the role of explaining behaviour of service providers, and hypothesis development. Section 4 of the paper details the research design and methodology employed. The results of the survey are outlined in Section 5. Finally, Section 6 summarises the findings, considers the limitations and sets out the conclusions emerging from this study.

2.0 ROLE OF TAX PRACTITIONER

The term “tax practitioner” covers a diverse group of individuals, business structures and professional groups who provide a range of tax services for their clients.¹⁰ The current study adopts a broad definition of the term “tax practitioner” and includes tax professionals, tax preparers, tax agents, tax accountants and tax lawyers with the terms being used interchangeably.

Since there is no statutory definition of the words ‘tax accountant’ or ‘tax practitioner’ it effectively allows anyone to set up a business as a tax accountant or tax practitioner without having to satisfy any legal requirements.¹¹ In New Zealand any person who owns a business where annual income tax returns are prepared or has a professional practice and prepares annual income tax returns for ten or more taxpayers can register with Inland Revenue as a tax agent.¹² During the 2013-14 income year more than 2.5 million individuals and businesses in New Zealand relied on the assistance of a tax practitioner to assist them to plan and structure their tax affairs.¹³ This large reliance on a tax practitioner’s expertise shows the importance of a tax practitioner’s services to the clients.

A tax practitioner’s role in tax compliance lies between satisfying the taxpayers and the revenue authorities. The services of a tax practitioner have a significant influence on taxpayers’ voluntary compliance behaviour and minimisation of compliance and administrative costs.¹⁴ The tax practitioner’s knowledge of tax laws and procedures is much greater than that of an ordinary taxpayer and the purpose clients use a tax practitioner’s

¹⁰ R Marshall, M Smith and R Armstrong, “The Impact of Audit Risk, Materiality and Severity on Ethical Decision Making: An Analysis of the Perceptions of Tax Agents in Australia” (2006) 21:5 *Managerial Auditing Journal* 497.

¹¹ It is in contrast to the highly regulated position in Australia and United States of America. M McKerchar, K Bloomquist and S Leviner, “Improving the Quality of Services Offered by Tax Agents: Can Regulation Assist?” (2008) 23:4 *Australian Tax Forum* 399.

¹² A practising tax agent or adviser must be a registered New Zealand Inland Revenue customer. About 5,400 active tax agents are registered with inland Revenue Department at 31 March 2014 and on an average there were 470 clients per agent. Inland Revenue processed 11.9 million returns during the year ending 31 March 2013. Available at <http://www.ird.govt.nz/aboutir/external-stats/tax-agents/>

¹³ Available at <http://www.ird.govt.nz/aboutir/external-stats/tax-agents/>.

¹⁴ B Erard, “Taxation with Representation: An Analysis of the Role of Tax Practitioners in Tax Compliance” (1993) 52:2 *Journal of Public Economics* 163.

services is to avail the benefit of this knowledge and expertise.¹⁵ Tax practitioners can be considered important gatekeepers to the tax system for taxpayers.¹⁶ Tax practitioners have a duty to uphold the integrity of the tax system and the vast majority of tax practitioners' work involves helping their clients in complying with the regulations. If the tax practitioner makes an incorrect computation or provides incorrect information to the Revenue, the client may insist that the tax practitioner rather than the taxpayer themselves suffer the monetary consequences. In these circumstances, clients may feel compelled to issue legal proceedings against the tax practitioner as they are dissatisfied with the quality of tax services received.

The marketing literature suggests that relationship between trust and relationship commitment is determined by self-reported satisfaction with the service and interaction behaviour factors viz explaining and listening skills of service providers.¹⁷ Therefore in order to build a sustained competitive advantage, tax practitioners should invest more in erecting relationship.

3.0 PRIOR LITERATURE

This section presents work covered in the literature relevant to client's satisfaction with services received, trust on a tax practitioner and their relationship commitment, with reference to the role of explaining behaviour in particular.

Sakurai and Braithwaite's¹⁸ study reports that taxpayers' ideal tax practitioners were people who were competent, honest and whom they can trust to keep them on the right side of the law and were risk averse. The results revealed that taxpayers did not feel any need to trade off honesty for cleverness.

Christensen¹⁹ surveyed taxpayers and tax practitioners to investigate their perception on tax service quality on technical and functional quality dimensions. Her findings suggest that client satisfaction with a tax service was more based on what a client actually received in the form of advice or a completed tax return rather than the way in which the service is delivered. The results revealed that many clients do not believe tax preparers adequately understand their individual needs with regard to tax services. The study aptly pointed out that tax

¹⁵ S E Kaplan, P MJ Reckers, S G West and J C Boyd, "An Examination of Tax Reporting Recommendations of Professional Tax Preparers" (1988) 9:4 *Journal of Economic Psychology* 427.

¹⁶ P A Hite and G McGill, "An Examination of Taxpayers Preference for Aggressive Tax Advice" (1992) 45:4 *National Tax Journal* 389; K J Newberry, P M `J Reckers and R W Wyndelts "An Examination of Tax Practitioner Decisions: The Role of Preparer Sanctions and Framing Effects Associated with Client Condition" (1993) 14:2 *Journal of Economic Psychology* 439 and L M Tan "Taxpayers' Preference for Type of Advice from Tax Practitioner: A Preliminary Examination" (1999) 20:4 *Journal of Economic Psychology* 431.

¹⁷ G Fullerton, "When Does Commitment Lead to Loyalty?" (2003) 5:4 *Journal of Service Research* 333-344. This relationship is shown in Figure 1, Conceptual Model of this paper.

¹⁸ Y Sakurai and V Braithwaite, "Taxpayers' Perceptions of Practitioners: Finding One Who is Effective and Does the Right Thing?" (2003) 46:3 *Journal of Business Ethics* 375.

¹⁹ AL Christensen, "Evaluation of Tax Services: A client and Preparer Perspective" (1992) 14:2 *Journal of the American Taxation Association* 60.

advisers' perceptions of what clients expect from a quality service differ significantly from actual client expectations.

Chang and Bird²⁰ investigated the determinants of client satisfaction with their tax practitioner's services. Their findings suggest that actual tax and time savings, accuracy in tax return preparation, ease and quick accessibility of services play a key role in taxpayers' selection of a tax practitioner. Their study reports that professional image did not significantly affect performance of a tax practitioner and satisfaction of clients. However, it is not clear whether those who were dissatisfied with the service in fact changed practitioners or would change practitioners in the future.

Tan²¹ and Hite and McGill²² investigated taxpayers' preferred attributes in a tax practitioner, preference for types of advice, risk engagement and retention/termination of taxpayers' services. They found that taxpayers prefer a tax adviser who gives them the confidence that their tax matters are under control, their tax paying behaviour is lawful and when clients disagree with the advice they will tend not retain the tax adviser. Their findings also suggest that taxpayers interested in tax minimisation were open to having a tax practitioner who knew both low and high risk strategies. In contrast, Finn et al.²³ found that tax practitioners were dealing with client pressure to adopt overly aggressive reporting positions.

Tan²⁴ investigated the tax practitioners' and the business taxpayers' roles and relationship, competency and skills of a tax practitioner, using a Tax Practitioner-Client Role Model. Her findings suggest that qualities of good tax practitioners as perceived by taxpayers are competency, honesty, trustworthiness, good communication skills and acting in the interest of the client. The results also revealed ambiguity around the tax practitioner's role. The research shows that tax practitioners are unaware that they fall short of taxpayers' technical proficiency and trust expectations of them. Tan et al.²⁵ study on commitment of small business taxpayers to their tax practitioners reported that 75 percent taxpayers would very likely or definitely change their tax practitioner if they were treated in an unprofessional manner. Their findings showed the sustained importance of use of a letter of engagement in relation to commitment.

²⁰ O H Chang and C J Bird, "What Clients Really Want From Their Tax Preparers" (1993) 52:4 *The Ohio CPA Journal* 21.

²¹ L M Tan, "Taxpayers' Preference for Type of Advice from Tax Practitioner: A Preliminary Examination" (1999) 20:4 *Journal of Economic Psychology* 431.

²² P Hite and G McGill, "An Examination of Taxpayer Preference for Aggressive Tax Advice" (1992) 45:4 *National Tax Journal* 389.

²³ D Finn, L Chonko and S Hunt, "Ethical Problems in Public Accounting: The View from the Top" (1988) 7 (August) *Journal of Business Ethics* 605.

²⁴ L M Tan, *Towards an understanding of the tax practitioner-client role relationship: A role analysis*, (Thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy, The Australian National University 2009), available online at <https://digitalcollections.anu.edu.au/handle/1885/10069?mode=full>.

²⁵ LM Tan, V Braithwaite and M Reinhart, "Why do Small Business Taxpayers Stay with their Practitioners? Trust, Competence and Aggressive Advice" (2014) *International Small Business Journal*. Epub ahead of print 30 October 2014. DOI: 10.1177/0266242614555556.

Coyne and Smith²⁶ investigated the nature of client expectations and preferences. The research found that client expectations and preferences were influenced by a tax practitioner's firm size and provided incentives and constraints on the use of a tax practitioner. Fleischman and Stephenson's²⁷ US study examined the association between the key perceptions of clients in hiring a tax practitioner and specific motivations to hire. Their findings suggest that clients are desirous of having their tax practitioner be their advocate in a manner that shields them from the revenue authorities.

Devos²⁸ investigated whether or not a relationship exists between taxpayers retaining/terminating their client/advisor relationship based on the tax advice they receive from their tax practitioners and their own compliance behaviour. The results revealed a statistically significant relationship between an engagement of a tax practitioner and taxpayers' compliance behaviour. The findings show that the demand for aggressive tax advice is not always supported by the taxpayer. The research suggest that users of tax practitioner services tend to be loyal to their practitioner regardless of tax ethics with respect to compliance.

However, to the best of author's knowledge, no systematic empirical study in accounting and tax literature has yet been conducted on the issue of retaining/terminating the client/advisor relationship, identifying the role of explaining behaviour of service provider. At the same time to the best of author's knowledge, virtually no empirical study to date in consumer market and economic literature conceptualise in a single model, service provider's explaining behaviour association to service satisfaction as well as its moderated mediation²⁹ effect on the relationship between service satisfaction and relationship commitment. This study is important because it links the role of service provider's explaining behaviour, trust on tax practitioner and service satisfaction with outcomes such as client commitment.

Consequently, the present study addresses these gaps and contributes to published literature by reporting the direct effect of client's trust and tax practitioner's explaining behaviour on their relationship commitment and on client's satisfaction with tax practitioner services. Secondly, **it sought to measure indirect effect of client's trust on their relationship commitment through intervening variable, satisfaction with tax practitioners' services, moderated by tax practitioner's explaining behaviour.**

The relationship among the studied variables is presented in figure 1.

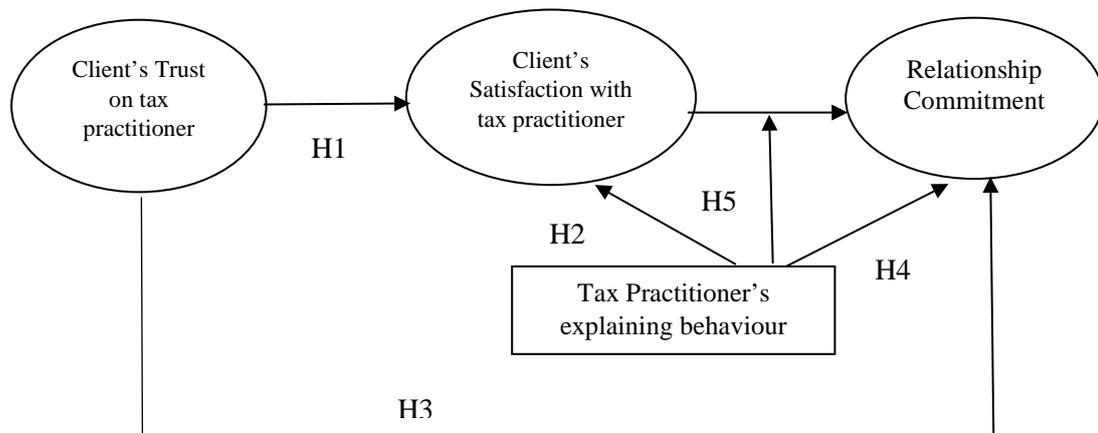
Figure1: Conceptual Model

²⁶ M L Coyne and K W Smith, *A Conceptual Framework of the Incentives and Constraints of Tax Practices* (Mimeo, American Bar Foundation 1987).

²⁷ G M Fleischman and T Stephenson, "Client Variables Associated With Four Key Determinants of Demand for Tax Preparer Services: An Exploratory Study" (2012) 26:3 *Accounting Horizons* 417.

²⁸ K Devos, "The Impact of Tax Professionals upon the Compliance Behaviour of Australian Individual Taxpayers" (2012) 22:1 *Revenue Law Journal* 1.

²⁹ When the strength of the relationship between two variables is dependent on a third variable, moderation is said to be occurring. The third variable, or moderator (W), interacts with X (independent variable) in predicting Y (dependent variable) if the regression weight of Y on X varies as a function of W.



The model is grounded in recent relationship commitment research that stresses an integrated role of service satisfaction, trust and relationship commitment.³⁰ Thus, to achieve the objectives of the present study, the following hypotheses are proposed from the model (Figure 1) and tested:

- H1: Client's trust on tax practitioner positively influences client's satisfaction with tax practitioner.
- H2: Practitioner's explaining behaviour positively influences client's satisfaction with tax practitioner.
- H3: Client's trust on tax practitioner positively influences relationship commitment.
- H4: Practitioner's explaining behaviour positively influences relationship commitment.

It is particularly worthy to investigate whether trust on tax practitioner is postulated to exert an effect on creation and sustainment of long-term relationship between the tax practitioners and clients through intervening variable, service satisfaction. The nature of a mediating relationship is that the inclusion of a third variable substantially explains the relationship between an independent variable and a dependent variable.³¹ In a situation where there is full mediation, a significant relationship between the primary independent variable and the dependent variable becomes non-significant with the addition of the mediator variable. In a situation where there is partial mediation, the relationship between the primary independent variable and dependent variable will become weaker and less significant with addition of

³⁰ G Fullerton, "When Does Commitment Lead to Loyalty?" (2003) 5:4 *Journal of Service Research* 333-344.; L White and V Yanamandram, "Why Customers Stay: Reasons and Consequences of Inertia in Financial Services" (2004) 14:2/3 *Managing Service Quality* 183-194.

³¹ RM Baron and DA Kenny, "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations" (1986) 51:6 *Journal of Personality and Social Psychology* 1173.

mediator variable.³² Thus, when service satisfaction mediates the relationship between trust and relationship commitment, trust become a non-significant or less significant predictor of relationship commitment.

The nature of an interactive or moderating effect is that the relationship between an independent and a dependent variable varies according to the level of a third variable (the moderator) also present in the relationship.³³ In the model, the relationship between service satisfaction (mediator) and relationship commitment is hypothesized to be moderated by explaining skills. The variation in the relationship between client's service satisfaction and relationship commitment depends upon the practitioner's explaining skills felt by the client. This means that variation in the relational outcome would become more positive at higher levels of explaining skills or would become less positive at lower levels of explaining skills.

Accordingly, to examine whether the strength of the relationship between service satisfaction and relationship commitment is dependent on explaining skills following hypothesis is proposed.

H5: Client's trust on tax practitioner increases service satisfaction and the relationship between service satisfaction (mediator) and relationship commitment will be stronger (weaker) when tax practitioners explaining skills are strong (weak).

Since testing of the theoretical model required mediation and moderation analysis, therefore Hayes³⁴ process model for mediation and moderation analysis as well as their analytical integration in the form of "conditional process analysis" was used. For this a composite measure for the dependent, mediating, moderating and independent variables by taking an average of different items in a scale was developed. The study took the composite measure for all variables (dependent and independent) by averaging all items on a scale which is based on an assumption that all the items contribute equally to the construct. Such an assumption is reasonable in the present study because all the scales used in the study are well established and frequently used in literature.

4.0 RESEARCH DESIGN AND METHOD

This section describes the sample, survey questionnaire and measures used in the analysis.

The survey was designed to provide information about client expectations and perceptions with respect to tax practitioners' behaviour and services in New Zealand.

To determine the effect of clients' trust on tax practitioner, service satisfaction, explaining behaviour of tax practitioners' and their relationship commitment, the questionnaire (along

³² RM Baron and DA Kenny, "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations" (1986) 51:6 *Journal of Personality and Social Psychology* 1173.

³³ A moderator moderates the relationship between predictor and dependent variable for values of the moderator where the confidence bands do not contain zero. Confidence bands can easily be plotted to facilitate the interpretation of interaction effects. (Preacher, Curran, & Bauer, 2003, 2006).

³⁴ AF Hayes, *Introduction to mediation, moderation, and conditional process analysis: A regression based approach*, Chapter 5-7 (The Guilford Press, New York, 2013).

with a self-addressed prepaid postage envelope) was mailed to the potential respondents. Ball³⁵ considered it an advantage to mail the questionnaires as this could lead to a better response rate. Accordingly, accounting and law firms were randomly selected from the telephone directory and were invited to participate in the survey. 1,510 copies of the survey instrument were distributed to the accounting and law firms who agreed to mail the survey instrument to their clients.

The respondents' ethical and privacy requirements were taken into consideration as names and address details were not required to be provided by respondents. The survey was completed by 211 respondents.

4.1 Questionnaire Development

The survey questionnaire included the following two sections:

- Section 1: taxpayers' perception about the services of their present tax practitioner. It contained questions concerning client satisfaction with the services, trust on their present tax practitioner, tax practitioner's explaining behaviour and their relationship commitment; and
- Section 2: background information including items on types of returns filed, services used, and previously or currently under audit by New Zealand Inland Revenue. The respondents were invited to give reasoning regarding their views on their current tax practitioner in the last question.

The survey questionnaire items are provided in Appendix 2 of this article.

The survey questionnaire for the study was developed on the basis of the literature review and a focus-group interview data. A focus-group is a data collection method that combines the features of brainstorming and brain writing.³⁶ A focus-group was appropriate for this research as it could generate and help prioritise ideas about tax practitioner behaviour and client relationships with their tax practitioners in New Zealand. Four clients from two accounting firms and two clients from one law firm were recruited to discuss and explain their viewpoints regarding their relationship with their tax practitioner.

The following items were drawn in the questionnaire:

- Items for the measurement of client's trust on their tax practitioner were developed based on the work of Crosby et al.³⁷; Moorman et al.³⁸ and Sharma and Patterson.³⁹ Trust items represent confidence in and reliance on tax practitioners.

³⁵ C Ball, "Rural Perceptions of Crime" (2001) 17:1 *Journal of Contemporary Criminal Justice* 37.

³⁶ RA Krueger & MA Casey, *Focus Groups: A Practical Guide for Applied Research* (Thousand Oaks, CA: Sage Publications, 3rd ed. 2000)

³⁷ LA Crosby, KR Evans and D Cowles, "Relationship Quality in Services Selling: An Interpersonal Influence Perspective" (1990) 54:3 *Journal of Marketing* 68.

³⁸ C Moorman, G Zaltman and R Deshpande, "Relationship between Providers and Users of Marketing Research: The Dynamics of Trust within and Between Organisations" (1992) 29:3 *Journal of Marketing Research* 314.

- For the measurement of client satisfaction with their tax practitioner, the items were drawn from the scale developed by Oliver and Swan⁴⁰ and Westbrook and Oliver.⁴¹
- Items for the measurement of relationship commitment were adopted from the scale developed by Anderson and Weitz⁴² and Morgan and Hunt.⁴³
- Items for the measurement of tax practitioners' explaining skills were measured using the items drawn from the scale developed by Stewart et al.⁴⁴

The questionnaire was pilot tested with New Zealand taxpayers' who fairly represented the clients that the researcher sought to survey and fine-tuned in the light of participants' feedback before the final version was posted to the accounting and law firms.⁴⁵

To facilitate data analysis, the respondents' ratings for each construct in the research model was codified into a seven-point quantitative scale where one represented strongly disagree and seven represented strongly agree. Moderate scores were found between the two extremes. The scales are highly reliable in measuring the strength of beliefs and intentions.⁴⁶

The survey recruitment strategy was designed to include all taxpayers in New Zealand who were either clients of chartered accounting firms, solicitors practising in the area of tax and other accounting firms in New Zealand. About 60 tax practitioner firms identified as tax services providers were randomly selected from the telephone directory. These firms were from different parts of New Zealand and a request was made to them to support the research. A participant information sheet explaining the purpose of the study and the survey questionnaire was attached to the requisition letter. The requisition letter indicated that if tax practitioners decide to support the study, the researcher would provide a sealed research pack consisting of a questionnaire, an information sheet and a self-addressed prepaid postage envelope. To protect client privacy, tax practitioner firms conducted the distribution of surveys and the survey responses were posted to the researcher's University address.

³⁹ N Sharma and PG Patterson, "Switching Costs, Alternative Attractiveness and Experience as Moderators of Relationship Commitment in Professional, Consumer Services" (2000)11:5 *International Journal of Service Industry Management* 470.

⁴⁰ RL Oliver and JE Swan, "Consumer Perceptions of Interpersonal Equity and Satisfaction in Transactions: A Field Survey Approach" (1989) 53:2 *Journal of Marketing* 21.

⁴¹ RA Westbrook and RL Oliver, "The Dimensionality of Consumer Patterns and Consumer Satisfaction" (1991)18:1 *Journal of Consumer Research* 84.

⁴² E Anderson and B Weitz, "The Use of Pledges to Build and Sustain Commitment in Distribution Channels" (1992) 24:1 *Journal of Marketing Research* 18.

⁴³ RM Morgan and SD Hunt, "The Commitment-trust Theory of Relationship Marketing" (1994) 58:3 *Journal of Marketing* 20.

⁴⁴ AL Stewart, A Nápoles-Springer, EJ Pérez-Stable, SF Posner, AB Bindman, HL Pinderhughes and AE Washington, "Interpersonal Processes of Care in Diverse Populations" (1999) 77:3 *The Milbank Quarterly* 305.

⁴⁵ Ethics approval for the survey was duly sought and granted by the University Ethics Committee, (application 12/164).

⁴⁶ R Czajka and J Blair, *Designing Surveys: A Guide to Decisions and Procedures* (Thousand Oaks, CA: Sage, Pine Forge Press, 1996).

To encourage candid responses to the survey, the cover letter explained that the responses would remain anonymous. Since respondents were asked for their personal perceptions, the survey emphasised there was no right or wrong answer.

4.2 Respondent Recruitment Procedures and Data Collection

After two weeks, a reminder was posted to potential tax practitioners firms to participate in research. Seven days before the due date for returning the survey, a telephone follow-up was conducted by the researcher. In all, up to three series of contacts were made with potential tax practitioner firms. The successive reminder and telephone follow-ups delivered a total of nine tax practitioner firms' responses.

1,510 copies⁴⁷ of the research pack were distributed to these tax practitioner firms, who were asked to mail the research pack to their clients. These firms maintain a master list of their clients who have volunteered to receive tax updates email (generally monthly but sometimes bi-monthly) and had agreed to participate in the research.

Ten days before the due date for the return of the survey forms, the firms reminded the potential respondents by an email to participate in the research. Out of a total of 1,510 surveys administered, 226 were completed. Via the data screening process, 15 questionnaires were abandoned, because of numerous missing values. Consequently, there were 211 valid questionnaires for use in the data analysis, giving a response rate of 14 per cent.

4.3 Response Rate

This is a relatively low response rate compared to prior studies⁴⁸ but given the sensitive nature of the topic it is considered to be acceptable to provide insight into the area of relationship commitment in the context of tax practitioners. Also, there are several possible explanations for the low response rate in identified taxpayers. However, without extensive tracking the author cannot conclude a definite explanation for the low response rate in the identification of potential survey respondents.⁴⁹

5.0 ANALYSIS

⁴⁷ Floyd Fowler Jr, *Survey Research Methods* (Thousand Oaks, CA: Sage Publications, 2nd ed., 1993). A sample of 150 people would describe a population of 15000 or 15 million with virtually the same degree of accuracy. Following this representativeness of samples to population basis, it was determined that somewhere between 150- 250 usable responses would be desirable for this study given the taxpaying population in New Zealand.

⁴⁸ Added to this, tax researchers have claimed that tax surveys consistently produce lower response rates and it is more realistic to expect a rate around 30% (see IG Wallschutzky, *Issues in Research Methods: With Reference to Income Tax Research*. (Unpublished manuscript, University of Newcastle: Australia 1996); Oxley achieved a 29 percent response rate (see P Oxley, "Women and Paying Tax", in C Scott (ed), *Women and Taxation*, (Wellington, Institute of Policy Studies, 1993)); and Hasseldine et al achieved a 22 percent response rate (see DJ Hasseldine, SE Kaplan, and LR Fuller, "Characteristics of New Zealand Tax Evaders: A Note", (1994) 34:2 *Accounting and Finance* 79).

⁴⁹ David de Vaus, *Surveys in Social Research* (Sydney: Allen & Unwin, 2002), 128.

The data was tested for non-response bias by comparing responses received shortly after mailing to those received last and no statistically significant differences were found.⁵⁰ Overall, the frequency of demographic data suggests that the survey consisted of a fairly representative sample as on an average more than 87 per cent of the respondents were using the accounting services and tax advice services, increasing the richness of the data. Summary profile for the 211 respondents to the survey (that is, type of return filed using tax practitioner's service, type of services used, years the services of current tax adviser being used, whether likely to change the tax adviser during next year) is provided in Appendix 1 (Table 4) of this article. The results show that the majority of respondents (90%) had not changed their tax adviser in the last 3 years. 44% of respondents were using the services of the same adviser for last 10 years. Most of the respondents (74%) were either very unlikely or unlikely to switch to a new tax adviser during the next year.

Before performing any analysis, the validity of the measurements for relationship commitment constructs was investigated. Interrelated items were summed to obtain an overall score for each participant for the constructs. The *Cronbach alpha* coefficient was calculated to determine the internal consistency. All of the measurement scales exhibited high reliability.⁵¹ The reliability values and values for total variance explained by each construct are presented in Table 1. The reliability values (Cronbach alpha coefficient) for all the constructs were higher than .70 and ranged from .83 to .90.

Table 1: Construct Validity and Reliabilities

Construct	Number of items	Cronbach alpha	Total Variance Explained
Tax practitioner's explaining behaviour (EXPL)	4	0.89	75.28
Trust (TRU)	5	0.85	71.18
Service satisfaction (SAT)	3	0.83	68.12
Relationship commitment (COMMIT)	5	0.90	85.68

An exploratory factor analysis was performed to confirm the validity of scales and to ensure that the items that make up one construct were highly correlated with each other and not with those items that make up the other constructs and their goodness-of-fit indices.⁵² All four constructs: tax practitioner's explaining behaviour, trust, service satisfaction, and relationship commitment were entered into the factor analysis and the eigenvalues of each of the factor was greater than 1.0. No items had loading on two factors with a difference of less than 0.25. Factor loadings for tax practitioner's explaining behaviour ranged from .69 to .89, client's trust on tax practitioner from .79 to .85, client's satisfaction with tax practitioner from

⁵⁰ The appropriate t tests of differences in means between the respondents and nonrespondents to test for nonresponse bias was calculated.

⁵¹ (alpha 0.70 or higher as suggested by Hair et al. Refer to JF Hair, RE Anderson, RL Tatham and WC Black, *Multivariate Data Analysis* 5th ed. (New Jersey: Prentice Hall, 1998).

⁵² RG Netemeyer, WO Bearden and S Sharma, *Scaling procedures: Issues and applications* (Thousand Oaks: Sage Publications, Inc. 2003); JM Lattin, JD Carroll and PE Green, *Analyzing Multivariate Data* (Pacific Grove, California: Thomson Learning Inc. 2003).

.91 to .95, and relationship commitment from .60 to .94, all being above the 0.50 as recommended to be statistically significant.⁵³

5.1 Results

The data was tested for multicollinearity between various variables but did not find any problem because the VIF values were all well below 10.

Table 2: Descriptive Statistics and Inter-correlations.

Variables	Mean	S.D.	EXPL	TRU	SAT	COMMIT
EXPL	5.51	1.21	--			
TRU	5.16	1.29	0.76**	--		
SAT	4.60	1.37	0.50**	0.74**	--	
COMMIT	4.61	1.33	0.39	0.51**	0.71**	--

Note: N 211; ** $\rho < 0.001$ (two tailed).

As can be seen in Table 2, service satisfaction and explaining were moderately-positively correlated ($r=0.50^{**}$). Trust and relationship commitment were also moderately-positively correlated ($r=0.51^{**}$). The results also imply that trust and service satisfaction were strongly correlated ($r=0.74^{**}$). Trust and explaining were also strongly correlated ($r=0.76^{**}$) and explaining was also associated to relationship commitment ($r=-0.39$).

Preacher and Hayes⁵⁴ recommend that the non-parametric bootstrapping procedure provides the most powerful and reasonable method of obtaining confidence limits for specific indirect effects under most conditions. Path analysis-based moderation and mediation analysis as well as their combination as a “conditional process model” was conducted using Hayes⁵⁵ process tool for SPSS. Relationship commitment was entered as a dependent variable; client’s trust on tax practitioner was entered as independent variable; tax practitioner’s explaining behaviour was entered as moderating variable; and client’s satisfaction with tax practitioner was entered as mediating variable in the model. The moderation effects of explaining behaviour on service satisfaction and relationship commitment has been bootstrapped using process procedure macro for SPSS. The current analysis was conducted using 5,000 bootstrapped samples from the original data and computing the product of paths “H1”, “H2”; “H3”, “H4” and “H5”. This bootstrapping approach overcomes the limitations

⁵³ JF Hair, RE Anderson, RL Tatham and WC Black, *Multivariate Data Analysis* 5th ed. (New Jersey: Prentice Hall, 1998).

⁵⁴ KJ Preacher and AF Hayes, “Asymptotic and Resampling Strategies for Assessing and Comparing Indirect Effects in Multiple Mediator Models” (2008a) 40:3 *Behavior Research Methods* 879-891; AF Hayes “Beyond Baron and Kenny: Statistical Mediation Analysis in the New Millennium” (2009)76:4 *Communication Monographs* 408; KJ Preacher and AF Hayes, “SPSS and SAS Procedures for Estimating Indirect Effects in Simple Mediation Models” (2004) 36 *Behavior Research Methods, Instruments and Computers* 717-731.

⁵⁵ AF Hayes, *Introduction to mediation, moderation, and conditional process analysis: A regression based approach*, Chapter 5-7 (The Guilford Press, New York, 2013).

of the widely used Barron and Kenny⁵⁶ and Sobel⁵⁷ approaches thus yielding the results that are more accurate and less influenced by sample size.⁵⁸ The results of path analysis-based moderation and mediation analysis as well as their combination as a “conditional process model” are presented in Table 3.

Table 3: Results of path analysis-based moderation and mediation analysis as well as their combination as a “conditional process model”

Dependent variable: Client’s satisfaction with tax practitioner

Model 1: Summary

R	R-sq	F	df1	df2	p
.75	.56	181.83	2	206	.000

Model 1

	Coefficient	se	t	p	LLCI	ULCI
Constant	.83	.30	2.77	.006	.24	1.42
Trust	.92	.08	12.12	.000	.77	1.06
Explaining	-.17	.08	-2.15	.033	-.33	-.01

Dependent variable: Relationship Commitment

Model 2: Summary

R	R-sq	F	df1	df2	p
.73	.53	56.79	4.00	204.00	.000

Model 2

	Coefficient	se	t	p	LLCI	ULCI
constant	5.30	.53	10.14	.000	4.27	6.33
Satisfaction	.73	.07	10.36	.000	.59	.87
Trust	.15	.10	1.50	.135	-.35	.05
Explaining	.20	.09	2.31	.021	.03	.38
int_1	.11	.05	2.36	.019	.02	.19

Interactions: int_1 Satisfaction X Explaining

DIRECT AND INDIRECT EFFECTS

⁵⁶ RM Baron and DA Kenny, “The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations” (1986) 51:6 *Journal of Personality and Social Psychology* 1173.

⁵⁷ ME Sobel, “Asymptotic Confidence Intervals for Indirect Effects in Structural Equation Models” (1982) 13 *Sociological Methodology* 290.

⁵⁸ KJ Preacher and AF Hayes, “SPSS and SAS Procedures for Estimating Indirect Effects in Simple Mediation Models” (2004) 36 *Behavior Research Methods, Instruments and Computers* 717; KJ Preacher and AF Hayes, “Asymptotic and Resampling Strategies for Assessing and Comparing Indirect Effects in Multiple Mediator Models” (2008) 40:3 *Behavior Research Methods* 879; AF Hayes “Beyond Baron and Kenny: Statistical Mediation Analysis in the New Millennium” (2009)76:4 *Communication Monographs* 408.

Direct effect of Trust on Relationship Commitment

Effect	SE	t	p	LLCI	ULCI
-15	.10	-1.45	.135	-.35	.05

Conditional indirect effect (s) of Trust on Relationship Commitment at values of the moderator (Explaining)

Mediator (Satisfaction)

	Explaining	Effect	Boot SE	Boot LLCI	Boot ULCI
Satisfaction	-1.21	.48	.08	.32	.65
Satisfaction	.00	.58	.07	.45	.72
Satisfaction	1.21	.68	.08	.52	.83

Values for moderators are the mean and plus/minus one SD from mean.

ANALYSIS NOTES

Number of bootstrap samples for bias corrected bootstrap confidence intervals: 5000

Level of confidence for all confidence intervals in output: 95.00

NOTE: The following variables were mean centered prior to analysis: Satisfaction, Explaining

Model 1 illustrates that client's trust on tax practitioner ($\beta = 0.92, p \leq 0.000$) has a significant positive relationship with client's satisfaction with tax practitioner and provide support for *H1*. Interestingly, tax practitioner's explaining behaviour ($\beta = -.17, p \leq 0.05$) has a significant negative relationship with client's satisfaction with tax practitioner and *H2* which posits that tax practitioner's explaining behaviour positively influences client's service satisfaction is not supported.

The results in Model 2 show that as well as tax practitioner's explaining behaviour ($\beta = 0.20, p \leq 0.05$) have a significant positive relationship with relationship commitment and provide support for *H4*. It also shows that client's satisfaction with tax practitioner ($\beta = 0.73, p \leq 0.000$) have a significant positive relationship with relationship commitment. However, client's trust on tax practitioner ($\beta = .15, p = 0.135$) has no significant relationship with relationship commitment and *H3* which posits that client's trust on tax practitioner positively influences their relationship commitment is not supported but it confirms full mediation effect of client's satisfaction with tax practitioner. The results in Model 2 further shows the positive moderating effect of tax practitioner's explaining behaviour ($\beta = .11, p \leq 0.05$) on the relationship between client's satisfaction with tax practitioner services and client's relationship commitment with their tax practitioner. Absence of a zero value between bias corrected bootstrapped lower limit of confidence interval (Boot LLCI) and bias corrected bootstrapped upper limit of confidence interval (Boot ULCI) further indicates that this moderating effect is found for all values of moderating variables and provide support for *H5*. In sum, the results show that service satisfaction is buffering the effect of trust to relationship commitment and relationship between service satisfaction and relationship commitment will be stronger when tax practitioners explaining skills are strong. The relationship between tax practitioners' explaining behaviour and clients' trust on tax practitioner was also tested using OLS regression. This relations was also found to be positive and significant ($\beta = 0.81, p \leq 0.000$).

It is certainly relevant and interesting to test whether being audited affects the behaviour factors being tested, thus affecting the outcome variables. Therefore, to investigate the relative impact of explaining behaviour factor on trust, service satisfaction and relationship

commitment, an audit was held as constant. Hayes⁵⁹ SPSS and SAS routines for bootstrap-based inference were used to find out indirect as well as direct effects in mediation and moderation. The indirect effects of trust on relationship commitment was bootstrapped using Hayes⁶⁰ PROCESS macro for SPSS. The model shows the indirect impact of trust (independent variable (IV)) to relationship commitment (dependent variable (DV)) via clients' satisfaction with tax practitioner as mediating variable (MV) and explaining behaviour as moderator, with a number of Inland Revenue audits entered as a control variable and also the direct impact of the trust on relationship commitment with a number of Inland Revenue audits entered as a control variable. Interestingly, the number of Inland Revenue audits was not found to have a statistically significant effect on the measured relationship.

The survey instrument also allowed respondents to explain the reasoning behind their views. As only a minority of respondents elaborated on their reasoning, it was not possible to analyze their reasoning statistically. A number of respondents (26)⁶¹ used almost similar reasoning stating that after giving a tax practitioner an authority to act on their behalf, they believe that the tax practitioner understands their tax service needs and should accordingly make the judgment on their behalf, rather than wasting their time and charging for time involved in explaining the accounting and legal implications of different approaches. These results confirm the analysis shown in Table 3 that tax practitioners' explaining behaviour has a significant negative effect on clients' service satisfaction. It shows that in ambiguous situations, if clients are risk seeking and want to reduce their tax liability, providing conservative advice and explanation of ethics results in low satisfaction with services. The Christensen⁶² and Hite et al⁶³ studies also suggest that tax practitioners' and taxpayer expectations are not necessarily consistent.

6.0 Conclusion

This New Zealand based study contributes to the literature by testing the direct effect of tax practitioner's explaining behaviour on client's satisfaction with them and their relationship commitment as well as moderated mediation effect of tax practitioner's explaining behaviour on the relationship between client's satisfaction with tax practitioner and their relationship commitment. The study also measured the direct relationship between client's trust on tax practitioner and client relationship commitment.

To evaluate the impact of tax practitioner's explaining skills in the context of client relationship commitment, two key points were examined. First, the study measured the direct

⁵⁹ AF Hayes, *Introduction to mediation, moderation, and conditional process analysis: A regression based approach*, Ch 5 (The Guilford Press, New York, 2013).

⁶⁰ AF Hayes, *Introduction to mediation, moderation, and conditional process analysis: A regression based approach*, Chs 5-7 (The Guilford Press, New York, 2013).

⁶¹ The number of respondents who made an almost similar statement.

⁶² AL Christensen, "Evaluation of Tax Services: A client and Preparer Perspective" (1992) 14:2 *Journal of the American Taxation Association* 60.

⁶³ PA Hite and G McGill, "An Examination of Taxpayers Preference for Aggressive Tax Advice" (1992) 45:4 *National Tax Journal* 389.

relationship between explaining behaviour and client satisfaction/relationship commitment. Explaining behaviour is found to have a positive effect on relationship commitment. Interestingly, the most noteworthy finding of the study is that tax practitioner's explaining behaviour has a significant negative relationship with client satisfaction. This implies that client's satisfaction with tax practitioner significantly reduces when tax practitioners focus on their service quality; explain implications of tax laws and regulations for clients' tax affairs using terminologies which they understand; explain the risks associated with a particular issue; and also explain their obligations under the law. Therefore, this study raises the issue whether tax practitioners should continue to provide detailed explanations to their clients particularly because it reduces their clients' satisfaction which is linked to their relationship commitment.

Secondly, to provide a solution to the issue raised this study sought to explain the effect explaining behaviour on the association of relationship commitment and client's service satisfaction. The moderated mediation results establish that service satisfaction enhance client's trust on tax practitioner and explaining behaviour strengthen relationship between client's service satisfaction and relationship commitment.

Most tax practitioners in New Zealand follow the norm and provide detailed explanation to their clients. They often take clients through a detailed questionnaire to ensure that all the relevant information is included in the tax return. The author believes that key reasons for clients disliking detailed explanation is that after giving their tax practitioner an authority to act on their behalf, clients believe that the tax practitioner understands the clients' tax service needs and should accordingly make the judgment on their behalf, rather than wasting their time and charging for time involved in explaining the implications of different approaches. It suggests that for aggressive taxpayers, financial gains outweigh financial costs of compliance and they are more likely to break the law. The Murphy⁶⁴ study also suggests that a taxpayer was likely to break the law unless anticipated deterrence exceeded the additional earnings made by tax evasion.

These findings raise a very important question for the tax practitioners. However, it is essential that tax practitioners must keep devoting sufficient time to preparing working papers and notes for clients to evaluate their tax issues and treat clients in a similar manner whether the amount involved in a given issue is large or small. Working papers will help the clients to understand a tax practitioner's explanation of ambiguous areas of tax laws involved and the associated risks. The smaller tax practitioner firms tend to deal directly with the taxpayers who have a financial stake in the result of tax advice provided and so they are likely to be placed under greater pressure. In the author's view, most tax practitioners in New Zealand are afraid of being held liable by their clients for giving incorrect advice and, as a consequence, they tend to give conservative advice to their clients and provide detailed explanations on the tax consequences of their operations, and they should continue doing that under ethical pronouncement of the profession. Accordingly, this shows that to enhance the service satisfaction of their clients, the practitioners' should build clients' confidence about effectiveness of the working papers and awareness of risk associated in future with taxpayer's

⁶⁴ K Murphy, "Aggressive Tax Planning: Differentiating Those Playing the Game from Those who Don't" (2004) 25 *Journal of Economic Psychology* 307.

tax position. The tax practitioners should make clients aware that addressing non-compliance stems from the Inland Revenue's 2014-15 compliance program⁶⁵ to focus on the hidden economy, tax evasion and fraud investigations. They can create perceived value for clients by increasing awareness amongst clients that the Inland Revenue uses the most sophisticated technology and can detect any suspicious activity and therefore it is vital for clients to minimise their taxes legitimately and to take riskless tax position. Also, this is increasingly important for clients in the long term with the administration of the Inland Revenue disputes procedure. Therefore, the results demonstrate that tax practitioners have to be careful in dealings with clients and marketing their skills in a way that is suitable to their clients and promote a tax compliance culture without any need to trade off their responsibilities to the revenue authorities and the government.

The results establish that service satisfaction contributes to clients' willingness and desire to engage in long term relationships. Given the nature of tax practitioner profession and cluster of services they provide it is suggested that to gain clients' service satisfaction the tax practitioners should differentiate their services from others and give assurance to clients that they will receive the services agreed upon in the scope of engagement. To ensure that clients are informed and have peace of mind against any potential Inland Revenue audits, a tax practitioner can provide a tax warrant of Fitness (WOF) for audit by taking a look "under the bonnet". This is effectively a method of looking at things⁶⁶ from the point of view of an Inland Revenue investigator and enhancing service satisfaction. To provide assistance to clients in maintaining records promptly and without error, firms may develop their websites to provide a more effective method to access to relevant information, recent changes, tax dates and rates, penalties and interest rates and Inland Revenue calculators etc. Alternatively, their websites might direct clients to authoritative websites such as the Inland Revenue website. Thus, the findings provide empirical evidence to a vital question theoretically unanswered and adds incremental knowledge to marketing tax practitioners' skills.

The study identified the following limitations. The principal usual limitation that applies to any behavioural survey research applies to this study as well, including possible same source bias, and self-selection bias. Each respondent is subjected to a set of factors that are unique to him/her. There is no reason to assume that participants did not answer honestly or that self-selection bias would render the results invalid. The nonresponse bias was tested by comparing responses received shortly after mailing to those received last but no statistically significant differences were found.

Furthermore, given the smaller sample, it is not feasible to separate the subjects of the study into larger and smaller firms to test the effect of firm size or industry. A survey methodology measuring a single point in time also limits the conclusions about causality in relationship. The study relies on theory and existing literature to suggest the causal direction of various relationships, but it would be useful for future studies to statistically test the causality.

Despite such concerns, the validated multidimensional scale adopted in the current study may encourage and enable researchers and practitioners to address the many unanswered

⁶⁵ Available at <http://www.ird.govt.nz/compliance>.

⁶⁶ Checking bank records, sales and purchases records, debtors and creditors, stock, PAYE etc

questions that remain regarding the role of explaining behaviour in the client retention process. **The overall findings suggest that tax practitioners should continue with their explaining behaviour without worrying about the reduction in clients' satisfaction because this reduction will be compensated by increased trust and commitment of their clients.** Potentially this could also lead to more client referrals, and ultimately, higher revenues. Therefore, it is recommended that to gain and maintain their client's trust and relationship, tax practitioners should survey their clients regularly to determine their clients' needs and to assess the strengths and weaknesses of their existing tax services. The author believes that these findings will extend the tax practitioner, legal and management consulting services literature and tax practitioners should find the results of this study useful in client retention and assist in serving the needs of their clients better.

However, there may be other considerations which clients take into account when deciding whether to retain or change their practitioners. Therefore, it is suggested that more investigation needs to be carried out to provide further insights into roles and expectations of taxpayers and tax practitioners. Finally, determining whether there are demographics consistent with any other parameter would assist practitioners to assess the client relationship commitment.

Appendix 1

Table 4: Summary of Demographic Data

Type of return filed using tax practitioner's service	Number	%
Individual (IR 3)	194	92
Company (IR 4)	109	51.7
Partnership income (IR 7)	62	29.4
Trust (IR 6)	110	52.1
Clubs or Societies (IR 9)	11	5.2
GST returns	166	78.7
Other, please specify	4	1.9
Type of services used (excluding tax advise)		
Business Advisory services	91	43.1
Accounting services	184	87.2
Audit services	18	8.5
Other	4	1.9
None	6	2.8
Audited by the Inland Revenue before		
Once	60	28.4
More than once	5	2.4
Never	146	69.2
Total	211	100
Switch to a new tax adviser during the next year		
Very unlikely	85	40.3
Unlikely	71	33.6
Undecided	41	19.4
Likely	9	4.3
Very likely	5	2.4
Total	211	100
Using the services of current tax adviser		
Last 5 years	69	32.7
Last 10 years	93	44.1
Last 15 years	37	17.5
Last 20 years	12	5.7

Appendix 2

Questionnaire Items

Client's Trust on Tax Practitioner (1-7 Likert type Scale)

1. My tax practitioner can be relied upon to keep his/her promises.
2. My tax practitioner is very sincere in his/her dealings with me.
3. My tax practitioner puts the client's interests before his /her own.
4. I find that my tax practitioner never withholds any piece of critical information that might affect my decision making.
5. My tax practitioner is trustworthy.

Tax Practitioner's explaining behaviour (1-7 Likert type Scale)

1. My tax practitioner gives me enough information about my tax issues.
2. My tax practitioner explains implications of tax laws and regulations for my tax affairs using words I understand.

3. My tax practitioner tells me the risks associated with the tax advice.
4. My tax practitioner explains to me my obligations under the law.

Client's Service Satisfaction with Tax Practitioner (1-7 Likert type Scale)

1. I am very satisfied with my present choice of tax practitioner.
2. I feel good about the decision to choose my present tax practitioner.
3. If I had to do it all over again, I would choose the same tax practitioner.

Relationship Commitment (1-7 Likert type Scale)

1. I am very committed to my relationship with my tax practitioner.
2. I intend to maintain my relationship indefinitely
3. I make a good effort to maintain the relationship with my tax practitioner.
4. I have a strong sense of loyalty toward my tax practitioner.
5. I do not look out for an alternative tax practitioner.

Apart from tax advisory services does your tax advisor provide any of the following services?

(Please tick as many as apply)

- | | |
|--------------------------------|---------------------------|
| (1) Business Advisory services | (3) Audit services |
| (2) Accounting services | (4) Other, please specify |
| (5) None | |