1-1-2023

The Effects of Social Status, Expertise, and Previous Experience on Auditor Advice Reliance

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THE EFFECTS OF SOCIAL STATUS, EXPERTISE, AND PREVIOUS EXPERIENCE ON AUDITOR ADVICE RELIANCE

A Dissertation
presented in partial fulfillment of requirements
for the degree of Doctor of Philosophy
in the Patterson School of Accountancy
The University of Mississippi

by

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March 2023

ABSTRACT

Auditors often seek the advice of coworkers and others when they encounter unfamiliar areas of the audit. The quality of this advice is important, since it can determine the quality of auditor decision making. However, the quality of advice auditors receive varies as a result of varied expertise within audit firms, and it is therefore important that auditors recognize advice and source quality when making advice reliance decisions. Source quality is commonly determined by observing the characteristics of an advisor. Extant research has yet to explore how advisor characteristics, such as expertise and social status, impact an auditor's reliance on an advisor. Further, little is known of the effects of previous experience with an advisor on future advice reliance decisions. I fill these gaps via two experiments. I separately analyze the interactive effects of social status and relevance of expertise on an auditor's advice reliance and the interactive effects of social status and previous experience with an advisor on advice reliance. I do not find that auditors are more likely to rely on an advisor in future tasks after previously working with the advisor. That said, I do find that auditors consider the expertise of an advisor when relying on advice. However, they also fall prey to bias resulting from differences in social status. Specifically, if an advisor has relevant expertise and low social status, the auditor is less likely to rely on the advisor than if the advisor had high social status. These results are troubling because while the relevance of an advisor's expertise is generally a good indicator of advice quality, social status is not. Therefore, audit decision making that does not incorporate expert advice due to social status is likely to be suboptimal, and the quality of the audit is likely to suffer.

DEDICATION

To my wife, Taylor. I could not have done it without your constant love, support, and encouragement.

LIST OF ABBREVIATIONS AND SYMBOLS

ADA	Audit Data Analytics
AFDA	Allowance for Doubtful Accounts
AICPA	American Institute of Certified Public Accounting
ALLL	Allowance for Loan and Lease Losses
ANOVA	Analysis of Variance
ASB	Auditing Standards Board
CI	Confidence Interval
DF	Degrees of Freedom
LLCI	Lower Level Confidence Interval
MS	Mean Square
PCAOB	Public Company Accounting Oversight Board
SCT	Status Characteristics Theory
SE	Standard Error
ULCI	Upper Level Confidence Interval

ACKNOWLEDGEMENTS

I would be remiss not to acknowledge the many efforts of others made in the creation of this project. It truly would not be what it is without the efforts and encouragement made by several others along the way. I would like to thank my dissertation committee: chair Kendall Bowlin, Jeff Pickerd, Jeremy Griffin, and John Bentley. I cannot sufficiently express my gratitude for the countless hours that each of you have shared with me throughout this project. You have each made unique contributions of expertise, encouragement, and time throughout this dissertation process and during my tenure in the Ph.D. program. I would also like to thank Mark Wilder and the Patterson School of Accountancy for the investment in this project and in my career as an academic. I appreciate the time, helpful comments, and encouragement from fellow doctoral students at the University of Mississippi. I am grateful to Christy Nielson and Emily Hornok for their helpful comments on previous drafts of this manuscript. This paper has benefited from helpful comments of workshop participants at the University of Mississippi, Mississippi State University, and Samford University. Finally, I thank my Lord and Savior, Jesus Christ. All glory be to Him.

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I. INTRODUCTION

Auditors often lack the expertise and skill to perform all audit tasks on their own (Cannon and Bedard 2017; Bauer, Estep, and Griffith 2021). In order to compensate for this lack of expertise and skill, auditors generally seek advice from coworkers and others (hereafter referred to as "advisors") (Kadous, Leiby, and Peecher 2013; Griffith, Hammersley, and Kadous 2015; Knechel and Leiby 2016). The advice-seeking process can increase judgment quality, and thereby has the potential to improve audit quality (Danos, Eichenseher, and Holt 1989; Kadous et al. 2013; Knechel and Leiby 2016). That said, in order for judgment quality to increase, the advice implemented must be sound (Danos et al. 1989; Knechel and Leiby 2016; Causholli, Floyd, Jenkins, and Soltis 2021). Therefore, it is important that auditors seek relevant expertise and accurately judge the quality of the advice received (AICPA 2012). Auditors generally consider advisor expertise prior to relying on advice (Gochnauer 2018); however, they often fall prey to cognitive biases during the advice-seeking process (Kadous et al. 2013; Wright and Bhattacharjee 2018; Griffith, Kadous, and Proell 2020). When auditors rely on non-experts for advice, audit quality can be diminished (Hammersley 2006). This study addresses an open question regarding the determinants of who auditors rely on for advice by investigating the effects of an advisor's social status and expertise relevance on auditor advice reliance decisions. Further, I examine how previous experience with an advisor affects an auditor's subsequent reliance on advice.

The impact of social status in the audit environment is a relatively new stream of literature. Extant accounting research notes that differences in social status lead to diminished knowledge sharing as well as tentativeness on the part of lower social status individuals (Bennett and Hatfield 2013; Haesebrouck, Cools, and Van den Abbeele 2018; Rimkus 2021). Though expertise and social status are often correlated, there are several circumstances within the audit environment in which an advisor might hold more expertise but lower social status, or vice versa. For example, the university that one attended, the prestige of one's client, or the office to which one belongs may indicate social status, but they are not necessarily indicators of expertise in a particular task. Psychology studies suggest that social status is often a determinant of social influence (Berger, Cohen and Zelditch 1972; Hasty and Maner 2020). I expect that auditors are less prone to rely on lower social status advisors for advice, even if they have relevant expertise. This is problematic because social status is not necessarily correlated with advice quality, and auditors could often benefit by relying on the advice of experts rather than on their own limited knowledge, regardless of social status. To the extent that auditors fail to rely on experts, their decision quality is likely to diminish, threatening the quality of the audit.

Consistent with Gochnauer (2018), I predict that auditors are likely to rely on an advisor that has relevant expertise to a greater extent than an advisor whose expertise is task irrelevant. Further, I examine whether the relevance of an advisor's expertise moderates the effects of advisor social status on an auditor's decision to seek and use advice. These hypotheses are guided by Status Characteristics Theory (SCT). SCT is a framework that explains differences in social influence by comparing the differences in characteristics between two or more individuals (Berger et al. 1972). When individuals work together on a task, their individual characteristics inform performance expectations which are used to allocate influence (Berger et al. 1972). When

individuals possess unequal levels of characteristics, unequal influence is likely to exist (Berger et al. 1972). Two characteristics that commonly vary between auditors and their advisors are social status and expertise. The applicability of a characteristic to the task at hand determines the strength of its effect on influence allocations (Foddy and Smithson 1996). Advice seeking studies indicate that advisors are heavily discounted when they lack expertise (Bonaccio and Dalal 2006). I predict that this discounting decreases the salience of other characteristics, such as social status. Therefore, when advisors lack relevant expertise, they will be discounted, and social status will be less salient. I expect this loss of salience to attenuate the effect of any differences in social status between an auditor and their advisor. Alternatively, advisors that have relevant expertise are less likely to be discounted, and thus other characteristics will be viewed as more salient during the auditor's evaluation of advice. As a result, the effects of social status are likely not attenuated when an advisor has relevant expertise. Therefore, I expect that the effects of social status are stronger when an advisor has relevant expertise than when the advisor has irrelevant or no expertise.

It is quite common for auditors to work together on a variety of tasks, and in doing so, auditors often advise one another. Since audit tasks are diverse, it is unlikely that an advisor will have expertise that is relevant to each of these tasks. I examine whether working with an advisor who has expertise relevant to a previous task leads auditors to rely more heavily on the advisor in the present, even if that expertise is no longer task relevant. SCT notes that influence gained in an initial task can transfer to a subsequent task, so long as the two tasks appear to be similar to one another (Berger and Zelditch 1998). Many tasks within the audit environment are similar enough that this transfer of influence could occur, even though one's expertise in each task may vary in relevance. For example, estimates of the allowance for loan and lease losses (ALLL) are

in many ways relatable to estimates of the allowance for doubtful accounts (AFDA). However, these two estimates are often found in different industries and require different types of expertise, therefore, expertise in one does not necessarily transfer to the other. If auditors seek the advice of someone with irrelevant expertise as a result of the transfer of influence from one task to another, auditor judgement is likely to suffer.

I conduct two experiments to address my hypotheses using an instrument adapted from Gochnauer (2018). In these experiments, participants take the role of auditors tasked with estimating the number of gumballs and the weights of corn kernels in various containers, which is analogous to audits of complex estimates. Prior to beginning the estimation tasks, participants are assigned an advisor that they remain with for the duration of the experiment. This advisor provides estimates to the auditor for the same containers of gumballs and the same containers of corn kernels. Each round, auditors provide an initial estimate for a container. Auditors then have the option to pay to see their advisor's estimate for the same container. Then, auditors are asked to provide a final estimate for the container. The primary measure, *Advice Reliance*, is the ten-round average of the product of *Advice Seeking* and *Advice Utilization.* I measure *Advice Seeking* as the frequency with which auditors choose to pay for their advisor's estimate. *Advice Utilization* is measured by the degree to which the final estimate is adjusted from the initial estimate toward the advisor's estimate. For each round, *Advice Seeking* is equal to zero when auditor's do not pay for advice and one when they do pay for advice. For each round, *Advice Reliance* is therefore equal to zero when auditors do not pay for advice and equal to *Advice Utilization* when they do pay for advice.

The purpose of Experiment One is to test my predictions of whether auditors consider an advisor's expertise relevance and social status when determining the degree to which they rely

on them for advice and incorporates a 2x3 between-subjects design. I manipulate the relevance of an advisor's expertise across three levels. Advisors in the *relevant expertise* condition complete a training session in which they practice estimating the number of gumballs in various containers prior to performing the gumball estimation tasks described above. Advisors in the *irrelevant expertise* condition also complete a training session but practice estimating the weight of corn kernels in various containers rather than the number of gumballs. Completing these training sessions allows advisors to develop expertise in their assigned domain (Bonaccio and Dalal 2006). Advisors in the *no expertise* condition receive no training at all. I manipulate an advisor's relative social status between *high* and *low social status*. Specifically, I assign auditors the title of junior (senior) examiner and their assigned advisors the title of senior (junior) consultant in the *high (low) social status* condition (Fast, Halevy, Galinsky 2012; Haesebrouck et al. 2018; Rimkus 2021).

I find that auditors are more likely to rely on advisors when they have relevant expertise, which is consistent with prior literature (Bonaccio and Dalal 2006). As predicted, auditors are more likely to consider social status in advice reliance decisions if the advisor has relevant expertise. Specifically, auditors are less reliant on advisors with relevant expertise and lower social status than advisors with relevant expertise and high social status.

My advice reliance construct can be decomposed into two auditor decisions. First, auditors must choose whether to seek the advice, and then, contingent on having sought advice, auditors must choose whether to incorporate the advice they receive into a judgment or decision. Therefore, I separately analyze *Advice Seeking* and *Advice Utilization.* While auditors are more likely to seek advice from advisors with relevant expertise, social status does not appear to influence this process. However, I find the same interaction of social status and relevance of

expertise for *Advice Utilization* that is present for *Advice Reliance*. Specifically, when auditors are paired with advisors who lack relevant expertise, they do not consider the social status of the advisor when deciding whether to incorporate received advice into their judgements. However, when auditors are paired with advisors who have relevant expertise, they incorporate advice from lower-status advisors to a lesser degree than advice from higher-status advisors. Overall, these results indicate that auditors do consider the expertise of advisors during consultations, as is required by the Auditing Standards Board (ASB) (AICPA 2012). However, when making decisions on how to incorporate that advice into their own judgments, auditors are prone to bias induced by the social status of the advisor. These results are concerning, because they suggest that audit quality could be diminished because auditors under-utilize advice from lower-status colleagues even when those colleagues hold relevant expertise.

In Experiment Two, participants complete the same gumball estimation task described in Experiment One, in addition to a corn estimation task. In the corn estimation task, participants follow the same procedures as the initial task, only they are asked to estimate the weights of corn kernels in containers instead. All advisors in this experiment receive gumball estimation training. The purpose of this experiment is to examine whether an auditor's experience with an advisor with relevant expertise in initial tasks (i.e., the gumball estimation task) leads them to seek advice in subsequent tasks (i.e., the corn estimation task) where the advisor's expertise is task irrelevant. I analyze the interaction of social status and previous experience in the form of a 2x2 between-subjects design. Specifically, auditors in the *previous experience* condition are assigned an advisor in the initial and subsequent tasks. Therefore, these auditors are paired with advisors whose expertise is relevant for the first task (i.e., the gumball estimation task) but irrelevant for the second task (i.e., the corn estimation task). Auditors in the *no previous experience* condition

are also assigned an advisor with gumball estimation expertise but only for the second task. Therefore, auditors in the *no previous experience* condition complete first on their own but are paired with advisors with irrelevant gumball estimation expertise in the second task. Social status is manipulated in the same manner as Experiment One.

I find that auditors are not more likely to rely on advice from advisors with whom they have previous experience. Further, since the experiment's pattern of means does not align with the predicted pattern, I am unable to analyze whether there are interactive effects of social status and previous experience. It is possible that SCT's transfer of influence is a poor fit for the present study. Alternatively, it is possible that the *Experience* manipulations had unintended effects on participant behavior. Further research is required to determine which explanation is valid.

This dissertation provides three contributions to literature and practice. First, I identify issues that arise when audit advisors have incongruent expertise and social status. I hypothesize and demonstrate that auditors are less likely to incorporate advice from advisors who have relevant expertise and lower social status. This is concerning because auditors should rely on the advice of others with relevant skills and expertise in order to improve audit decisions and quality (AICPA 2012). The experiment does not provide evidence that social status impacts whether auditors ask for advice; however, good advice is only effective if it is used. There are several areas within the audit environment in which an incongruence of expertise and social status exists. For example, the auditors with the most audit data analytic (ADA) training are often those lowest in the hierarchy of audit firms because many universities have only recently begun to integrate data analytics in their curricula. These individuals are often of low social status due to their lower rank. Therefore, the integration of ADA is likely to be slowed if auditors choose not to

rely on these low status experts. Audit firms employ subject matter experts across various domains whose level of social status varies, therefore my findings are of interest to practitioners.

Further, this research adds to the extant accounting literature on the effects of social status on auditor decision making (Bennett and Hatfield 2013; Haesebrouck et al. 2018; Rimkus 2021). Social status is a ubiquitous and impactful feature of life and the literature surrounding its effects in the accounting environment is growing. However, many unanswered questions remain in this area of research. I help to illuminate some of these yet unexplored questions by examining the effects of social status on auditor advice reliance.

Additionally, I conduct supplemental analyses on the durability of social status to the introduction of new information about an advisor and also on the path through which social status affects advice reliance. I find that social status continues to affect advice reliance even after auditors develop perceptions of the advisor's performance. Further, I find that social status impacts an auditor's perception of advisor expertise which then determines their advice reliance. It appears that auditors use social status as an additional proxy for expertise, which is more heavily weighted than the new information obtained as auditors continue to work with an advisor. This is concerning, as auditors often work together for long periods of time, and it appears that social status may be a significant factor throughout these working relationships.

The remainder of this paper is as follows: Section II discusses related literature and develops hypotheses; Section III outlines the methodology for Experiment One; Section IV explores results for Experiment One; Section V describes the methodology for Experiment Two; Section VI examines the results of Experiment Two; Section VII concludes this manuscript.

II. BACKGROUND AND HYPOTHESES DEVELOPMENT

Auditor Advice Seeking

Expertise is unevenly distributed within audit firms (Vera-Muñoz, Ho, and Chow 2006). This uneven distribution results from varied training, experience, education level, and client assignment amongst auditors (Vera-Muñoz et al. 2006). Therefore, it is not feasible for a single auditor to individually maintain the ability to complete each audit task that is faced. In order to access the required knowledge and skill, auditors often seek advice (Kadous et al. 2013; Griffith et al. 2015; Knechel and Leiby 2016). For example, when auditing complex estimates, auditors may seek formal advice from in-house or external specialists. In new or unfamiliar areas (e.g., data analytics, ESG, IT, tax, etc.), auditors may seek informal advice from advisors at various levels of their firms' hierarchical structure (Kadous et al. 2013; Knechel and Leiby 2016; Boritz, Kochetova, Robinson, and Wong 2020). When seeking advice from others, auditors commonly weigh an advisor's expertise, especially when task complexity is high (Goldsmith and Fitch 1997; Schrah, Dalal, and Sniezek 2006; Gino and Moore 2007). The purpose of advice seeking is to improve judgment quality and to justify audit decisions (Kadous et al. 2013; Griffith et al. 2020; Griffith 2020). Thus, the quality of a given audit depends on how effectively auditors access and share their expertise with one another then deploy that expertise appropriately to specific audit tasks (Danos et al. 1989; Knechel and Leiby 2016; Causholli et al. 2021; Bowlin, Christ, Hornok, and Nielson 2022).

Auditor advice seeking does not always improve audit quality. Though ASB quality control standards encourage auditors to consider source and advice quality when consulting others (AICPA 2012), the quality of advice that auditors seek often varies, and auditors have a difficult time evaluating advice quality (Kadous et al. 2013; Wright and Bhattacharjee 2018; Griffith et al. 2020). Auditors are more likely to receive sound advice when the advisor has expertise in the task at hand, and thus the auditor's subsequent decisions are often more justifiable (Kennedy, Kleinmuntz, and Peecher 1997). Therefore, while it is important for auditors to seek help in complex tasks, it is just as important that they choose appropriate advisors and that they carefully consider advice quality prior to implementation (Causholli et al. 2021).

Extant research examines the kinds of advice that auditors seek (e.g., Griffith 2020; Boritz et al. 2020), how auditors consider advice (e.g., Kadous et al. 2013; Griffith 2018), the circumstances that prompt them to seek advice (Schaefer 2013), and interventions to improve how auditors assess advice quality and implement advice (e.g., Knechel and Leiby 2016; Wright and Bhattacharjee 2018). However, few studies examine the psychological factors that influence who auditors choose to rely on for advice (e.g., Schaefer 2013; Boo, Ng, and Shankar 2020). Even fewer studies focus on auditor-peer consultation as opposed to auditor-specialist consultations. As noted by Trotman, Bauer, and Humphreys (2015) the sparseness of research in this area leaves open fertile ground for studying important research questions.

Status Characteristics Theory

Status Characteristics Theory describes how social influence is formed by mapping an individual's characteristics to expectations of their performance (Berger et al. 1972). SCT theorizes that the level of influence an individual has during interactions with others can be

determined by comparing both diffuse characteristics and specific characteristics. Diffuse characteristics have multiple differentially evaluated states (e.g., race, gender, title, etc.) that are associated with general expectations of competency in a wide range of tasks (Berger et al. 1972). Importantly, these expectations of competency are not required to be well founded or true. In the current study, an advisors' social status is a diffuse characteristic, because it does not directly diagnose ability for a specific task, though it is associated with expectations of general competence. Specific characteristics have multiple differentially evaluated states (e.g., quantitative abilities) that are associated with specific expectations of competency in specific tasks (e.g., math problems) (Berger et al. 1972). The relevance of an advisor's expertise is a specific characteristic because it directly diagnoses ability for a specific task. When combined, diffuse and specific characteristics determine task-performance expectations which impact one's level of influence in a given setting. In the following two sections, I will discuss social status and relevance of expertise and use SCT to develop the expected relationships between these two characteristics.

Social Status

Social status is defined as an "index of the social worth that observers ascribe to an individual or a group" (Chen, Peterson, Phillips, Podolny, and Ridgeway 2012; Blader and Chen 2014). Stated differently, social status is the ability to influence others as a result of the respect or admiration that one receives (Hasty and Maner 2020). Social hierarchies and their effects are present in everyday life and can determine social influence (Hasty and Maner 2020).[1] Individuals obtain status based on how others perceive the value of the individual's contributions to the

[1] One's status is not equivalent to their influence (Blader and Chen 2012). There are other factors, such as social power, that likely factor into one's influence level as well (Blader and Chen 2012).

successful completion of a task (Ridgeway and Nakagawa 2017). Status is wholly attributed by the observer based on discrete attributes ranging from experience and title to age and gender (Blader and Chen 2014).

For this study, differentiating expertise and status is important. Though individuals are often awarded higher status because of their expertise, the two represent distinct constructs that are not always correlated. One may lack task-relevant expertise and yet achieve high social status as a result of other advantageous characteristics that they possess. Inversely, one may possess task-relevant expertise and still have low social status as a result of other disadvantageous characteristics that they possess. The following paragraph identifies several examples of incongruent social status and expertise within the audit environment.

I expect that auditors are less likely to rely on an advisor with lower relative social status. Ignoring lower-status experts is problematic because such individuals are common in the audit environment, and lower-status experts are no less experts. If auditors fail to incorporate expert advice, they're likely to rely on inexpert knowledge, whether that be their own or someone else's. One example of expertise-status incongruence exists as a result of the incorporation of ADA in audit procedures. Many lower ranked audit staff who have recently completed ADA training at the university level likely possess greater ADA expertise than higher ranked auditors who graduated prior to the widespread incorporation of ADA in academic accounting curricula. Recent research indicates that audit firms underutilize ADA (Eilifsen, Kinserdal, Messier, and McKee 2021). It is possible that this underutilization occurs because those most highly trained in ADA rank near the bottom of audit firm hierarchies, causing their input to be underweighted. Further, some firms now award accelerated promotions to new hires whom the firm sponsored as

college students.[2] In such a case, a newly-hired auditor who attends the same university as a sponsored new hire may possess similar expertise and yet lower social status by virtue of different promotion tracks. Another example of lower-status experts within the audit setting are non-accountant consultants. Auditors often seek the expertise of individuals who are not accountants, such as environmental consultants, actuaries, and valuation specialists (PCAOB 2003). It is possible that auditors consider these individuals to be outgroup members and therefore, afford them lower status, especially since these relationships are at times contentious (Griffith 2020). That said, auditors are likely to benefit from the incorporation of a specialist's or consultant's expertise, and status differences that cause the discounting of their advice potentially threaten audit quality. Other sources of social status that may be unrelated to the task-relevance of an advisor's expertise include education level, university attended, CPA status, client prestige, or office location. Differing levels of status and expertise create an interesting dynamic in the advice-seeking process; however, this has yet to be explored in prior literature.

The impact of status within the audit environment is an emerging stream of accounting literature. Generally speaking, the common thread throughout this literature is that the effects of social status are largely situationally dependent. For example, Haesebrouck et al. (2018) find that status differences are detrimental to knowledge sharing when individuals are incentivized for their own performance, while Bol and Leiby (2022) find that employees seeking to gain more status are more likely to share information within an organization. Bennett and Hatfield (2013) study how status differences between audit staff and client managers affect audit requests, and they discover that staff auditors generally avoid uncomfortable status differences which

[2] For example, KPMG's Master of Accounting with Data and Analytics Program allows sponsored new hires to begin work as experienced associates (KPMG 2018).

ultimately diminishes audit quality. Comparatively, Rimkus (2021) finds that high-status client managers are more cooperative with lower-status auditors in order to maintain their own high status, and Leiby (2018) finds that managers' prestige impacts stakeholder expectations of the manager's behavior, which in turn, impact the manager's actual behavior. That said, whether auditors are more (less) likely to seek advisors with higher (lower) status than their own is an open question. This is an important question because social status and expertise are often not correlated, and therefore, one should be careful when relying, or not relying, on an advisor on the basis of social status.

I posit that the social status of an advisor impacts whether an auditor decides to seek and use the advisor's advice. Other things held constant, social status measures one's social worth, and therefore social influence (Chen et al. 2012; Blader and Chen 2014; Hasty and Maner 2020). Additional research indicates that influential individuals are perceived as more competent (Anderson and Kilduff 2009; Agut, Blasi, and Nomdedeu 2019). As a result, the perspectives of higher-status individuals are often heavily weighted while perspectives of lower-status individuals are often ignored altogether (Bunderson and Reagans 2011; Haesebrouck et al. 2018). Further, social status determines an individual's influence in groups, regardless of the actual relevance of status to the task at hand (Berger et al. 1972). In other words, even if an advisor has task-relevant expertise, if the advisor also has lower social status, the expertise will likely not be enough to convince the auditor to fully rely on the advisor (Blader and Chen 2014; Berger et al. 1972). Interestingly, some studies have found that high social status increases perspective taking from others, including lower status individuals (Blader, Shirako, and Chen 2016; Rimkus 2021). Higher status individuals are willing to listen to others in an effort to maintain their status. That said, I do not expect for the findings of Blader et al. (2016) and

Rimkus (2021) to apply in my experiments, because 1.) status motives, a desire to increase one's status, are unlikely to be activated in an advice reliance setting and 2.) the status of the advisor, not the auditor, is the focal point in this setting.

Relevance of Expertise

SCT states that specific characteristics, as opposed to diffuse characteristics, have the strongest effect on an individual's influence (Berger et al. 1992). This is because these characteristics are most relevant to success in the task at hand, and task-relevance determines how heavily weighted a characteristic will be (Foddy and Smithson 1996). Therefore, an important determinant of an advisor's influence is likely the relevance of their expertise to the task at hand. Stated differently, auditors are more likely to rely on an advisor when the advisor has relevant expertise as opposed to irrelevant expertise. This expectation is consistent with the findings of other advice seeking studies (Bonaccio and Dalal 2006). Based on the above theory, I posit the following:

H1: Auditors rely on an advisor who has relevant expertise more than an advisor with irrelevant or no expertise.

Auditors and their advisors are likely to possess several characteristics that differentiate them, and the presence of relevant expertise does not overshadow all other characteristics (Berger and Fisek 2006). However, the lack of relevant expertise, may overshadow other characteristics, as auditors are likely to discount advisors that lack expertise (Bonaccio and Dalal 2006). Applying SCT to the present study, I predict that the effects of diffuse characteristics (e.g., status) on advice reliance are weakest when an advisor lacks a specific characteristic (e.g., relevant expertise). When an advisor does not have relevant expertise, the auditor is likely to

discount the advisor, leading to a decrease in the relevance of other characteristics that that the advisor holds. In such a case, social status will be considered to a lesser degree by auditors when deciding whether to rely on advice. Alternatively, when advisors possess a specific characteristic, relevant expertise, they are less likely to be discounted by auditors (Bonaccio and Dalal 2006). As a result, the advisor's diffuse characteristic, social status, is less likely to lose relevance to the auditor's decision making, and therefore, the impact of their status will not be attenuated. Based on these arguments, I formulate the following hypothesis:

H2: Auditor advice reliance will be more positively related to advisor social status when an advisor has relevant expertise compared to irrelevant or no expertise. Specifically, when an advisor has irrelevant or no expertise, auditor advice reliance will not depend on the advisor's social status. When an advisor has relevant expertise, auditor advice reliance will be greater if the advisor has higher social status than the auditor compared to when advisor's social status is lower than the auditor.

Subsequent Interactions

Berger and Zelditch (1998) extend SCT by theorizing how one's influence on a previous task affects one's influence on subsequent tasks. They posit that expectations from a particular interaction can transfer to future interactions, subject to the degree of similarity of the previous and subsequent tasks (Berger and Zelditch 1998). If two tasks are completely different, then influence is unlikely to carryforward from one task to the next (Berger and Zelditch 1998). Though the day-to-day tasks that auditors complete are often diverse, influence is still likely to transfer from one task to another because 1) they share the same domain and 2) many tasks seem similar enough on their face, though they require separates sets of expertise (e.g., ALLL and AFDA). Based on this, I posit that the influence dynamics established in the initial tasks of my

study will transfer to subsequent tasks. Stated differently, if an advisor has influence in an initial task, that influence is expected to carry forward to subsequent tasks. The implications of this are that an auditor may rely on an advisor with irrelevant expertise in a present task because the auditor worked with the same advisor in past tasks when the advisor had relevant expertise. Based on this theory, I form the following hypothesis:

H3: Auditors are more likely to rely on an advisor with task-irrelevant expertise if they have previously worked with the advisor when their expertise was task-relevant compared to if they have never worked with the advisor before.

Berger and Zelditch (1998) also note that the degree that expectations transfer from one task to another is in part dependent upon the consistency of status characteristics. Consistent status characteristics arise when one individual in a group has an advantage (or disadvantage) over the others in the group on all compared characteristics (Berger and Zelditch 1998). Alternatively, inconsistent status characteristics arise when one individual has both advantageous and disadvantageous comparisons to the group in compared characteristics (Berger and Zelditch 1998). The magnitude of expectations transferred from one task to another is greatest when the original task has consistent status characteristics. Applied to the current study, consistent status characteristics arise when an advisor has higher social status and relevant expertise in the original task. I therefore posit that these advisors transfer the greatest influence to subsequent tasks. Alternatively, inconsistent status characteristics arise when an advisor has lower social status and relevant expertise in initial tasks. Though these advisors likely transfer some influence to subsequent tasks, I posit that it is to a lesser degree. Similar to H2, I expect for advisors that have not previously worked with an auditor to be discounted due to their lack of both task-relevant expertise and previous experience with the auditor. Therefore, auditors will not consider

the social status of the advisor if there is no previous experience with them, and the construct will have little impact on advice reliance decisions. I therefore present the following hypothesis:

H4: Previous experience with an advisor whose expertise is task-relevant increases auditor advice reliance in subsequent tasks more when advisors have higher social status compared to when advisors have lower social status. When auditors lack previous experience with an advisor, auditor advice reliance will not depend on the advisor's social status.

III. EXPERIMENT ONE METHODOLOGY

Overview and Setting

To address my hypotheses, I conduct two experiments under the tenets of experimental economics. Experiment One is a 2x3 between-subjects design while Experiment Two is a 2x2 between-subjects design. H1 and H2 are tested via Experiment One while H3 and H4 are tested via Experiment Two. These experiments feature a game that is stylized to resemble an auditor advice-seeking context. The tasks completed by participants, as well as certain cooperative features of the game, are adapted from Gochnauer (2018).

In these experiments, participants are tasked with estimating the number of gumballs within separate containers for ten rounds and estimating the weight of corn kernels within separate containers for ten rounds. These tasks, though abstract, are intended to mirror tasks with ambiguous solutions that auditors lack expertise in, as is common in the audit environment. Participants have the opportunity to receive advice from an advisor during each round. In order to imitate the incentives present in the audit environment, participants are compensated on their respective performance in each round.[3]

[3] Participant compensation for each round = $\$.25 \times (1 - \frac{|Actual\ Number - Participant's\ Estimate|}{Actual\ Number})$. The maximum participant compensation per round is $.25, or $2.50 for the entire experiment.

Participants

Participants are recruited using CloudResearch.[4] Though these experiments explore professional auditors' responses to the risks and incentives present in the advice reliance process, the instrument is abstract and requires the completion of simple tasks. By abstracting away much of the context that exists in the audit environment, participants are able to respond to the risks and incentives that are present.[5] Further, auditors are assumed to respond to risks and incentives in a similar manner to the average individual. Therefore, knowledge of the audit environment is unnecessary to complete the instrument, and as advised by Libby, Nelson, and Bloomfield (2002), I avoid the use of professional participants. 198 (131) participants complete Experiment One (Experiment Two). The average participant age for Experiment One (Experiment Two) is 40 (42) years old. 103 (55) participants were male in Experiment One (Experiment Two) while 94 (76) were female, and one chose not to provide their gender. Average completion time for Experiment One (Experiment Two) was approximately 13 (14) minutes.

Pre-Experiment Procedures

In each round of the experiments, participants have the opportunity to buy advice from an advisor. The advice provided to participants consists of the advisor's estimate of the number of gumballs or the weight of corn kernels in a particular container. In order to generate advisor response sets that are absent of researcher bias and that possess realistic variance, I collect responses using Qualtrics from undergraduate students from a public university in the United

[4] Institutional Review Board approval was obtained prior to conducting the experiment and pre-experiment procedures.
[5] The abstract nature of these experiments also removes demand effects associated with the role of an auditor. Further, it allows me to disentangle power and social status to a degree that would be difficult to achieve in a contextually rich setting.

States prior to the experiment.[6] The same advisor responses are used in both the *high* and *low social status* conditions of the experiments, therefore controlling for advice quality. This is important since advice quality is not dependent on an advisor's social status relative to the advisee. In order to incentivize effort, I conduct a lottery for a $100 gift card to award to a participant from each of the advisor sessions. Participants receive entries into this lottery based upon performance. Specifically, the higher a participant's average estimate accuracy, the more entries that they receive.

During these procedures, I sequentially provide participants with individual pictures of containers filled with varied quantities of gumballs and corn kernels for ten rounds each. The same pictures are shown to each participant in the same order. I collect each participant's estimates for each picture and use these response sets as advice in my experiments.[7] Prior to completing estimation tasks, participants are randomly assigned to receive training in gumball quantity estimation, corn kernel weight estimation, or to receive no training at all. Participants from the first two groups receive a ten-round, uncompensated training session. Participants that do not receive training proceed directly to the estimation tasks described in the previous paragraph. During the training sessions, gumball (corn kernel) trained participants sequentially estimate the number of gumballs (weight of corn kernels) in ten separate containers. After submitting each estimate, these participants receive feedback indicating the actual number of gumballs or weight of corn kernels in the previous container. I conduct these training sessions in order to allow these participants to develop domain-specific expertise (Bonaccio and Dalal

[6] I do not examine the behavior of advisors in my study, and therefore, it is unnecessary to collect unique advisor responses for each individual participant response. As a result, the sample size in the pre-experiment is smaller than the sample sizes in the experiments.

[7] 1 of 53 participants was excluded from these response sets because the participant was unable to complete the instrument within the one-hour session.

2006). These training sessions were effective, as participants who received training were far more accurate within their domain than those who lacked domain expertise.[8] To prevent additional learning effects, participants only receive feedback during the training sessions.

Experiment One Procedures

I conduct Experiment One using Qualtrics. Participants fill the role of auditors tasked with estimating gumball quantities and corn kernel weights. Participants are randomly assigned one of the advisor response sets collected in the pre-experiment procedures.[9] During the experiment, I refer to participants and their advisor counterparts as examiners and consultants, respectively, in order to encourage participants to respond to the information and incentives available to them instead of the behavioral expectations associated with filling the role of auditors (Haynes and Kachelmeier 1998).

Participants begin the experiment by reading a set of instructions describing their role, the experiment's tasks, and compensation scales. Depending on the conditions to which they are randomly assigned, participants learn that their assigned advisor is an expert in a particular field and whether the advisor's rank is higher than, or lower than, the participant's rank. They then complete a set of manipulation checks.[10] Next, participants begin the estimation task. In each of

[8] In the gumball rounds, the average overall error for gumball-trained participants was 42% compared to 71% for corn-kernel-trained participants and 79% for non-trained participants. In the corn kernel rounds, the average overall error for corn-kernel-trained participants was 49% compared to 117% for gumball-trained participants and 438% for non-trained participants.

[9] Due to the difference in sample sizes between advisors and participants, each advisor's response set is assigned to multiple participants during the experiment. I rotate between 17 advisors for *relevant expertise*, 15 advisors for *irrelevant expertise*, and 19 advisors for *no expertise*.

[10] I elect to implement these manipulation checks prior to the dependent variable. It is possible that a participant's perception of expertise or social status would be impacted by the perceived performance of the advisor. Therefore, in order for these to be clean measures of the manipulations' effectiveness, they must occur prior to a participant receiving advice, and therefore, prior the dependent measures. Results of H2 indicate that participants do not respond as predicted when seeking advice. It is therefore unlikely that significant demand effects resulting from the placement of manipulation checks are present, since *Advice Seeking* is a measure of a very conscious decision.

the ten rounds of the estimation task, the computer provides participants with a single picture of a container filled with gumballs participants then submit an initial estimate of the number of gumballs in the container. Participants then have the option to seek the advice of an advisor at a cost of five percent of their earnings for the round.[11] Participants that choose to seek advice are shown their assigned advisor's estimate for the same picture. Participants then submit a final estimate for the round. This process is repeated for ten rounds. After completing all ten rounds of the estimation task, participants complete a post-experimental questionnaire that includes attention checks and a demographical survey.

Experiment One Independent Variables

Experiment One incorporates a 2x3 between-subjects design. The first independent variable, *Status Level*, is the social status of the assigned advisor relative to that of the participant. I manipulate this variable using procedures adapted from previous research (e.g., Fast et al. 2012; Haesebrouck et al. 2018; Rimkus 2021). In a separate untabulated study, I measure the perceived status of 16 job titles and select two that are perceived to be of approximately equal status: examiner and consultant.[12] Participants in the *high* (*low*) *social status* condition are informed that their assigned advisor is a senior (junior) consultant. Additionally, participants in the *high* (*low*) *social status* condition are informed that they hold the position of junior (senior) examiner. Since examiner and consultant job titles are perceived to have similar social status, advisor status is varied using the senior and junior adjectives. Participants in the *high social status* condition are also truthfully informed that a recent survey

[11] This imposed cost serves two purposes: 1) charging participants for advice encourages them to be more cognizant of the risks and incentives present in the experiment and forces the advice seeking decision to be more conscious and 2) it is representative of the social costs of seeking advice present in the audit environment (Schaefer 2013).
[12] Respondents perceived these titles to receive approximately equal levels of affect.

indicates that respondents perceive the title of senior consultant to garner higher levels of respect and admiration than the title of junior examiner. Alternatively, participants in the *low social status* condition are told the title of senior examiner garners higher levels of respect and admiration that the title of junior consultant.[13, 14] Conferring these titles upon the participants and their advisors impacts the participant's perceptions of status differences between them and their advisor. This manipulation allows me to examine whether auditor advice reliance is dependent upon advisor social status.

The second independent variable, *Expertise,* is the type of expertise held by the participant's advisor, which I manipulate by providing the advisor with a gumball training session in the relevant expertise condition, a corn kernel training session in the irrelevant expertise condition, or no training session in the no expertise condition. In the *relevant expertise* (*irrelevant expertise*) condition, participants are truthfully informed that their assigned advisor is an expert in gumball quantity (corn kernel weight) estimation. Additionally, participants receive a description of the training that their advisor received. Participants in the *no expertise* groups are informed that like them, the advisor has not received any training in estimating gumball quantities or corn kernel weights. By manipulating this variable, I am able to determine the overall effects of relevance of expertise on advice reliance, in addition to the interactions of expertise relevance and status.

[13] In the same untabulated survey, participants are asked to choose whether the junior or senior adjective conveys higher social status to job title holders.
[14] Participants are informed that the advisor does not hold authority over the participant, and vice versa. Therefore, this is not a study of whether the participant seeks advice from a superior/subordinate.

Experiment One Dependent Variables

Experiment One features a primary dependent variable, *Advice Reliance,* that is composed of two subcomponents that are described below: *Advice Seeking* and *Advice Utilization*. I calculate *Advice Reliance* as the ten-round average of the product of a participant's *Advice Seeking* and *Advice Utilization* scores. For each round, *Advice Seeking* is coded as a one if the participant purchases advice and as a zero if the participant does not. Therefore, *Advice Reliance* for a particular round is equal to *Advice Utilization* when a participant purchases advice and is equal to zero when the participant does not purchase advice. Doing so combines the two components of the advice reliance process into one composite measure and allows for analysis of the entire sample.

Advice Seeking is the number of times across the ten rounds that a participant chooses to pay for the advisor's estimate. *Advice Seeking* is a whole number that ranges from zero to ten. A higher (lower) *Advice Seeking* score indicates a greater (lesser) degree of auditor advice seeking. This measure allows me to examine whether the decision to seek advice is impacted by relevance of expertise and social status. Whether participants make use of the advice is a separate question from whether they seek the advice. Therefore, in order to measure the extent to which participants utilize the advice they receive, I also implement *Advice Utilization.*

Advice Utilization is a metric commonly used in judge-advisor studies that measures the portion of the difference in the participant's initial and final estimates that is influenced by their advisor's estimate (e.g., Harvey and Fischer 1997; Kadous et al. 2013). This variable is calculated as follows: (Participant Final Estimate – Participant Initial Estimate) / (Advisor Estimate – Participant Initial Estimate). A positive *Advice Utilization* score indicates that the participant moved in the direction of the advice, with a value of one indicating 100 percent

utilization. Therefore, the closer that *Advice Utilization* is to a value of one, the less discounting that occurs. A negative *Advice Utilization* score indicates that the participant moved in the opposite direction of the advice. Finally, if *Advice Utilization* is zero, this indicates that an advisor's advice had no effect on the participant's decision. For purposes of analysis, an *Advice Utilization* score is averaged over all rounds in which advice is purchased for each participant. Rounds in which the participant does not buy advice are excluded from this measure. Further, if a participant never purchases advice, they are excluded from this measure.[15] Rounds in which the purchased advice is equal to the participant's initial estimate result in an undefined value.[16] Therefore, these instances are also excluded from this variable.

[15] 24 participants chose not to buy advice in any round between the two experiments.
[16] 43 out of 4,620 advisor-paired rounds between the two experiments fit this description.

IV. EXPERIMENT ONE RESULTS

Manipulation Checks

I ask participants a set of manipulation check questions after they have been assigned an advisor in order to confirm the efficacy of the experiment's manipulations. To determine whether the task-relevance of the advisor's expertise was salient to participants, I ask them to rate the expertise of their advisor in both gumball quantity and corn kernel weight estimation tasks using a 7-point Likert scale from 1 (no expertise at all) to 7 (a great deal of expertise). Participants paired with gumball trained advisors rate their advisors as having higher gumball expertise than those trained in corn kernels or those with no training (mean = 5.37 versus 2.57 and 1.95, respectively; $p < 0.001$ for both comparisons) while participants paired with corn kernel trained advisors rate their advisors as having the higher corn kernel expertise than those paired with gumball trained advisors and untrained advisors (mean = 5.51 versus 2.86 and 1.97, respectively; $p < 0.001$ for both comparisons).[17] This manipulation therefore appears to be effective.

Additionally, in order to determine the efficacy of the social status manipulation, I ask participants to rate the perceived social status held by them and their advisor using a 7-point Likert scale from 1 (no social status at all) to 7 (a great deal of social status). Participants paired with a low status advisor rate their advisor's status as lower than participants paired with a high social status advisor (mean = 3.11 versus 5.86, t-stat = 19.44, $p < 0.001$). Further, participants

[17] One-way ANOVAs were conducted for both variables prior to pairwise comparisons. Statistically significant differences exist between the three groups for both variables ($p < 0.001$).

paired with low status advisors rate their own status as higher than participants paired with a high social status advisor (mean = 5.71 versus 3.01, t-stat = 17.19, $p < 0.001$). The manipulation of social status therefore appears to be effective.

Hypothesis Tests

In order to examine how social status and relevance of expertise affect an auditor's decision to rely on advice, as hypothesized in H1 and H2, I implement three factorial analyses of variance (ANOVA) using the experiment's independent and dependent variables. Descriptive statistics for key variables in this experiment are presented in Table 1.

TABLE 1

Descriptive Statistics of Key Variables: Experiment One

Panel A: Means (Std Error) [n] by Independent Variables

	Expertise			Status Level	
	None	**Irrelevant**	**Relevant**	**High**	**Low**
Advice Reliance	0.19	0.16	0.41	0.27	0.24
	0.03	0.03	0.04	0.03	0.03
	[66]	[67]	[65]	[102]	[96]
Advice Seeking	4.88	3.91	6.48	4.97	5.19
	0.48	0.42	0.43	0.38	0.37
	[66]	[67]	[65]	[102]	[96]
Advice Utilization	0.34	0.34	0.58	0.43	0.41
	0.03	0.04	0.04	0.03	0.03
	[56]	[58]	[60]	[89]	[85]
Advice Reliance	0.19	0.16	0.41	0.27	0.24
(Winsorized)	0.03	0.03	0.04	0.03	0.02
	[66]	[67]	[65]	[102]	[96]
Advice Utilization	0.34	0.34	0.60	0.45	0.41
(Winsorized)	0.03	0.04	0.03	0.03	0.03
	[56]	[58]	[60]	[89]	[85]
Perceived Gumball	1.95	2.57	5.37	3.56	2.99
Expertise	0.16	0.14	0.16	0.20	0.18
	[66]	[67]	[65]	[102]	[96]
Perceived Corn Kernel	1.97	5.51	2.86	3.64	3.27
Expertise	0.18	0.14	0.21	0.22	0.20
	[66]	[67]	[65]	[102]	[96]
Perceived Social	4.39	4.22	4.34	3.01	5.71
Status: Auditor	0.21	0.22	0.21	0.10	0.12
	[66]	[67]	[65]	[102]	[96]
Perceived Social	4.71	4.48	4.40	5.86	3.11
Status: Advisor	0.20	0.22	0.21	0.09	0.11
	[66]	[67]	[65]	[102]	[96]

TABLE 1 Continued

Descriptive Statistics of Key Variables: Experiment One

Panel B: Means (Std Error) [n] by Experimental Condition

	High Social Status			Low Social Status		
	None	**Irrelevant**	**Relevant**	**None**	**Irrelevant**	**Relevant**
Advice Reliance	0.22	0.14	0.45	0.17	0.18	0.36
	(0.05)	(0.04)	(0.05)	(0.03)	(0.04)	(0.06)
	[33]	[35]	[34]	[33]	[32]	[31]
Advice Seeking	4.79	3.60	6.56	4.97	4.25	6.39
	(0.73)	(0.55)	(0.61)	(0.64)	(0.64)	(0.62)
	[33]	[35]	[34]	[33]	[32]	[31]
Advice Utilization	0.36	0.32	0.61	0.33	0.36	0.54
	(0.05)	(0.06)	(0.05)	(0.04)	(0.05)	(0.07)
	[28]	[29]	[32]	[28]	[29]	[28]
Advice Reliance	0.22	0.15	0.44	0.16	0.18	0.38
(Winsorized)	(0.05)	(0.04)	(0.05)	(0.03)	(0.04)	(0.05)
	[33]	[35]	[34]	[33]	[32]	[31]
Advice Utilization	0.36	0.34	0.62	0.32	0.35	0.57
(Winsorized)	(0.05)	(0.05)	(0.04)	(0.04)	(0.05)	(0.05)
	[28]	[29]	[32]	[28]	[29]	[28]
Perceived	2.24	2.69	5.74	1.67	2.44	4.97
Gumball Expertise	(0.26)	(0.22)	(0.20)	(0.17)	(0.18)	(0.22)
	[33]	[35]	[34]	[33]	[32]	[31]
Perceived Corn	2.21	5.77	2.82	1.73	5.22	2.90
Kernel Expertise	(0.28)	(0.19)	(0.30)	(0.21)	(0.20)	(0.31)
	[33]	[35]	[34]	[33]	[32]	[31]
Perceived Social	3.06	2.83	3.15	5.73	5.75	5.65
Status: Auditor	(0.20)	(0.16)	(0.17)	(0.18)	(0.22)	(0.23)
	[33]	[35]	[34]	[33]	[32]	[31]
Perceived Social	6.06	5.89	5.65	3.36	2.94	3.03
Status: Advisor	(0.14)	(0.14)	(0.18)	(0.17)	(0.20)	(0.19)
	[33]	[35]	[34]	[33]	[32]	[31]

TABLE 1 Continued

Descriptive Statistics of Key Variables: Experiment One

Notes:

Variable Definitions

Advice Reliance = ten round average of *Advice Seeking* x *Advice Utilization*. For each round that a participant purchases advice, this measure equals Advice Utilization, where it equals zero for each round that a participant does not purchase advice.

Advice Seeking = the count of each round that a participant chooses to buy the advice of their advisor.

Advice Utilization = the average of: (Participant Final Estimate-Participant Initial Estimate)/(Advisor Estimate-Participant Initial Estimate) for the rounds that a participant purchased advice in.

Advice Reliance (Winsorized) = *Advice Reliance* winsorized at the 3rd and 97th percentiles.

Advice Utilization (Winsorized) = *Advice Utilization* winsorized at the 3rd and 97th percentiles.

Perceived Gumball Expertise was obtained after the manipulating *Expertise*. Participants assessed their partner's expertise in gumball quantity estimation using a seven-point Likert scale.

Perceived Corn Kernel Expertise was obtained after manipulating *Expertise*. Participants assessed their partner's expertise in corn kernel weight estimation using a seven-point Likert scale.

Perceived Social Status: Auditor was obtained after manipulating *Status Level*. Participants assessed their own social status using a seven-point Likert scale.

Perceived Social Status: Advisor was obtained after manipulating *Status Level*. Participants assessed their partner's social status using a seven-point Likert scale.

Hypothesis One

I hypothesize that auditors are more likely to rely on advisors that have task-relevant expertise compared to advisors that do not have task-relevant expertise. ANOVA results for each measure are recorded in Panel A of Tables 2-4. I find a significant effect of *Expertise* on *Advice Reliance* ($F = 17.31$; $p < 0.001$). Post hoc comparisons reveal that *Advice Reliance* is higher for auditors paired with advisors that possess task-relevant expertise compared to advisors with irrelevant or no expertise (mean = 0.41 versus 0.16 and 0.19, respectively; $p < 0.001$ and $p < 0.001$, respectively) (Table 2, Panel C).[18] To determine whether either component of *Advice Reliance* is differently impacted by relevance of expertise, I next analyze the main effects of *Expertise* on *Advice Seeking* and *Advice Utilization.* In doing so, I find a significant effect of *Expertise on Advice Seeking* ($F = 8.30$; $p < 0.001$). Specifically, auditors seek advice more from advisors when they possess relevant expertise as opposed to irrelevant or no expertise (mean = 6.47 versus 3.91 and 4.88, respectively; $p < 0.001$ and $p = 0.03$, respectively) (Table 3, Panel C). I also find a significant effect of *Expertise* on *Advice Utilization* ($F = 13.13$; $p < 0.001$). Post hoc comparisons reveal that auditors use advice more when it is provided by advisors that have relevant expertise compared to advisors with irrelevant or no expertise (mean = 0.58 versus 0.34 and 0.34, respectively; $p < .001$ and $p < .001$, respectively) (Table 4, Panel C). Overall, these results indicate that *Expertise* plays a significant role in auditor's advice reliance decisions. This further confirms the findings of prior research (Bonaccio and Dalal 2006). These results provide initial support for the interaction predicted by H2. In order to determine whether the predicted interaction exists between social status and relevance of expertise, I next analyze H2.

[18] Bonferroni adjustments are used for all comparisons.

TABLE 2

Analysis of Status Level and Expertise on Advice Reliance Including No Expertise Groups

Panel A: Factorial ANOVA results for Advice Reliance

	df	**MS**	**F**	***p* -value**
Expertise	2	1.15	17.31	<0.001
Status Level	1	0.05	0.71	0.40
Expertise x Status Level	2	0.07	1.04	0.36
Error	192	0.07		
n=198				

Panel B: Planned Contrast Test of Interaction[2]

Source of Variance	**df**	**MS**	**F**	***p* -value[1]**
Contrast	1	2.36	35.80	<0.001
Residual Variance	4	0.04	0.64	0.64
Total Variance	5	0.71	7.64	<0.001
Error	192	0.51		

Panel C: Pairwise Comparisons

Source of Variance	***p* -value[1]**
Relevant Expertise v Irrelevant Expertise	<0.001
Relevant Expertise v No Expertise	<0.001

Notes:

[1] All significant contrast tests and pairwise comparisons are one-tailed.

[2] Weights: *No Expertise Groups* = -1, *Irrelevant Expertise Groups* = -1, *Relevant Expertise* x *Low Social Status* = 1, *Relevant Expertise* x *High Social Status* = 3.

Variable Definition

Advice Reliance = ten round average of *Advice Seeking* x *Advice Utilization*. For each round that a participant purchases advice, this measure equals Advice Utilization, where it equals zero for each round that a participant does not purchase advice.

TABLE 3

Analysis of Status Level and Expertise on Advice Seeking Including No Expertise Groups

Panel A: Factorial ANOVA results for Advice Seeking

	df	**MS**	**F**	***p* -value**
Expertise	2	108.86	8.30	<0.001
Status Level	1	2.39	0.18	0.67
Expertise x Status Level	2	2.80	0.21	0.81
Error	192	13.12		
n=198				

Panel B: Pairwise Comparisons

Source of Variance	***p* -value**[1]
Relevant Expertise v Irrelevant Expertise	<0.001
Relevant Expertise v No Expertise	0.02

Notes:

[1] All significant pairwise comparisons are one-tailed.

Variable Definition

Advice Seeking = the count of each round that a participant chooses to buy the advice of their advisor.

TABLE 4

Analysis of Status Level and Expertise on Advice Utilization Including No Expertise Groups

Panel A: Factorial ANOVA results for Advice Utilization

	df	**MS**	**F**	***p* -value**
Expertise	2	1.07	13.13	<0.001
Status Level	1	0.02	0.18	0.67
Expertise x Status Level	2	0.05	0.59	0.56
Error	168	0.08		
n=174				

Panel B: Planned Contrast Test of Interaction[2]

Source of Variance	**df**	**MS**	**F**	***p* -value[1]**
Contrast	1	2.20	26.81	<0.001
Residual Variance	4	0.03	0.32	0.87
Total Variance	5	0.46	5.64	0.01
Error	168	0.51		

Panel C: Pairwise Comparisons

Source of Variance	***p* -value[1]**
Relevant Expertise v Irrelevant Expertise	<0.001
Relevant Expertise v No Expertise	<0.001

Notes:

[1] All significant contrast tests and pairwise comparisons are one-tailed.

[2] Weights: *No Expertise Groups* = -1, *Irrelevant Expertise Groups* = -1, *Relevant Expertise* x *Low Social Status* = 1, *Relevant Expertise* x *High Social Status* = 3.

Variable Definition

Advice Utilization = the average of: (Participant Final Estimate-Participant Initial Estimate)/(Advisor Estimate-Participant Initial Estimate) for the rounds that a participant purchased advice in.

Hypothesis Two

I hypothesize an ordinal interaction for H2, and therefore, I follow the advice of prior literature and implement planned contrasts to analyze H2 (Buckless and Ravenscroft 1990; Guggenmos, Piercey, and Agoglia 2018; Bentley 2021). I predict that the effects of social status are moderated by the relevance of an advisor's expertise. Specifically, I expect that the effects of social status will be strongest when advisors possess relevant expertise compared to when they have irrelevant expertise. In order to test this hypothesis, I follow the 3-step process for custom contrast testing proposed by Guggenmos et al. (2018). There is no statistical difference between the *irrelevant expertise* and *no expertise* conditions. Therefore, for expositional purposes, I analyze H2 as a 2x2 between-subjects design where *Expertise* contains only the *relevant expertise* and *irrelevant expertise* conditions. However, I present results for the original 2x3 design in Panel B of Tables 2-4.

Visual inspection of the plot of means for *Advice Reliance* (Figure 1) indicates that these results do align with my predictions. There appears to be little difference in the effect of *Status Level* for *irrelevant expertise*. However, in the *relevant expertise* groups, it appears that participants relied on advisors with higher social status at a higher rate than advisors with lower social status. I therefore proceed to tests of significance using the planned contrast weights. Specifically, I apply a weight of +3 to *relevant expertise* x *high social status*, +1 to *relevant expertise* x *low social status*, and a weight of -2 to both *irrelevant expertise* x *high social status* and *irrelevant expertise* x *low social status*. The weights used in the planned contrasts are informed by both H1 and H2. Results of this analysis are reported in Table 5, Panels A and B. I find a statistically significant interaction of *Status Level* and *Expertise* (F =27.24; $p < 0.0001$, one-tailed). The semi-omnibus F test for this contrast is statistically insignificant ($p = 0.67$) while

Guggenmos et al. (2018)'s q^2 = 2.5%, indicating that there are no additional effects in the sample that are unaccounted for.[19]

[19] For purposes of sensitivity analysis, the analyses described in this section was also performed with *Advice Reliance* winsorized at the 3rd and 97th percentiles by round. The same general patterns of means and significant results are present. Descriptive statistics for this analysis are available in Table 1, while results of the analysis are presented in Table 5, Panels C and D.

FIGURE 1

Plot of Means: *Expertise* x *Status Level* on *Advice Reliance*

Panel A: Including No Expertise Groups

Panel B: Excluding No Expertise Groups

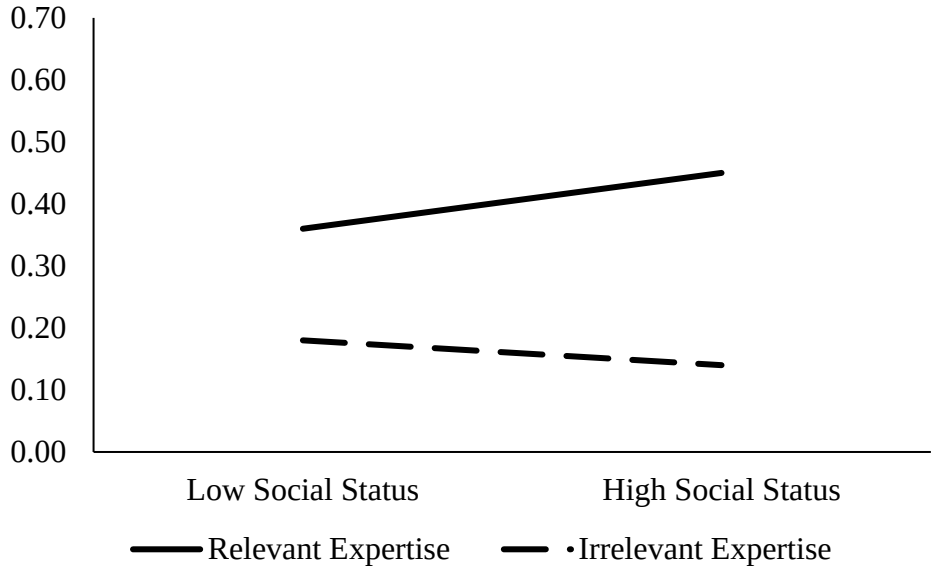


TABLE 5

Analysis of Status Level and Expertise on Advice Reliance Excluding No Expertise Groups

Panel A: Factorial ANOVA results for Advice Reliance

	df	**MS**	**F**	***p* -value**
Expertise	1	1.94	25.66	<0.001
Status Level	1	0.01	0.17	0.68
Expertise x Status Level	1	0.13	1.66	0.20
Error	128	0.08		
n=132				

Panel B: Planned Contrast Test of Interaction[2]

Source of Variance	**df**	**MS**	**F**	***p* -value[1]**
Contrast	1	2.07	27.24	<0.001
Residual Variance	2	0.03	0.40	0.674
Total Variance	3	0.71	9.38	<0.001
Error	128	0.08		

Panel C: Factorial ANOVA results for Advice Reliance (Winsorized)

	df	**MS**	**F**	***p* -value**
Status Level	1	0.01	0.15	0.70
Expertise x Status Level	1	0.06	0.81	0.37
Error	128	0.07		
n=132				

Panel D: Planned Contrast Test of Interaction (Winsorized)[2]

Source of Variance	**df**	**MS**	**F**	***p* -value[1]**
Contrast	1	1.95	27.79	<0.001
Residual Variance	2	0.03	0.42	0.66
Total Variance	3	0.67	9.54	<0.001
Error	128	0.07		

TABLE 5 Continued

Analysis of Status Level and Expertise on Advice Reliance Excluding No Expertise Groups

Notes:

[1] All significant contrast tests are one-tailed.

[2] Weights: *Irrelevant Expertise Groups* = -2, *Relevant Expertise* x *Low Social Status* = 1, *Relevant Expertise* x *High Social Status* = 3.

Variable Definitions

Advice Reliance = ten round average of *Advice Seeking* x *Advice Utilization*. For each round that a participant purchases advice, this measure equals Advice Utilization, where it equals zero for each round that a participant does not purchase advice.

Advice Reliance (Winsorized) = *Advice Reliance* winsorized at the 3rd and 97th percentiles.

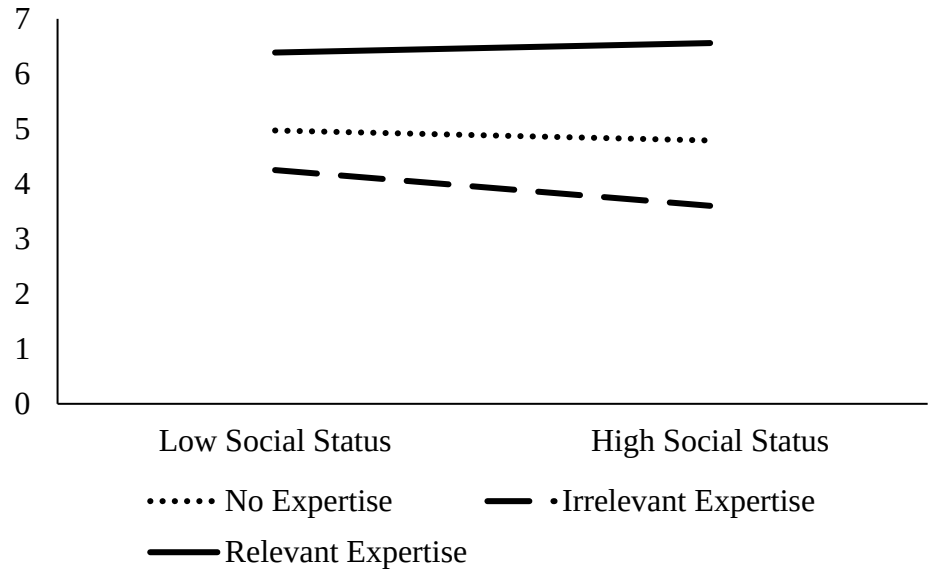
This analysis indicates that auditors fall prey to bias from social status when relying on others for advice. This is concerning, since social status is not necessarily indicative of advice quality, and therefore, should not be considered during the advice seeking process. In order to determine whether the interaction between *Status Level* and *Expertise* exists in the decisions to seek advice and how much advice to utilize, I now separately analyze *Advice Seeking* and *Advice Utilization* using the same 3-step process.

Visual inspection of the plot of means for *Advice Seeking* (Figure 2) indicates that the results do not align with my predictions for this variable. Rather, there appears to be little difference in *Status Level* across the *Expertise* conditions. I therefore forgo contrast analysis using this dependent measure. H2 is not supported in terms of *Advice Seeking*.

FIGURE 2

Plot of Means: *Expertise* x *Status Level* on *Advice Seeking*

Panel A: Including No Expertise Groups



Panel B: Excluding No Expertise Groups

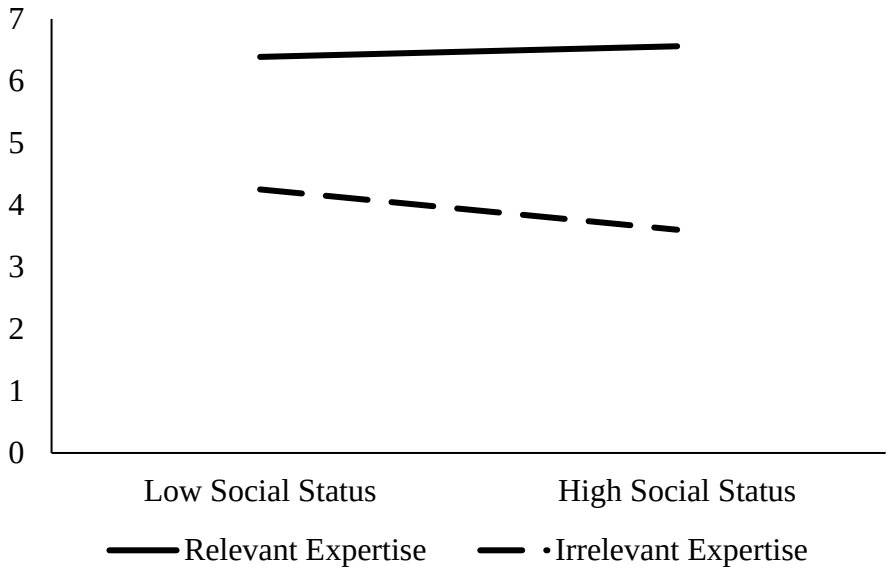


TABLE 6

Analysis of Status Level and Expertise on Advice Seeking Excluding No Expertise Groups

Panel A: Factorial ANOVA results for Advice Seeking

	df	MS	F	*p* -value
Expertise	1	213.75	17.97	<0.001
Status Level	1	1.88	0.16	0.69
Expertise x Status Level	1	5.56	0.47	0.50
Error	128	11.90		
n=132				

Notes:

Variable Definition

Advice Seeking = the count of each round that a participant chooses to buy the advice of their advisor.

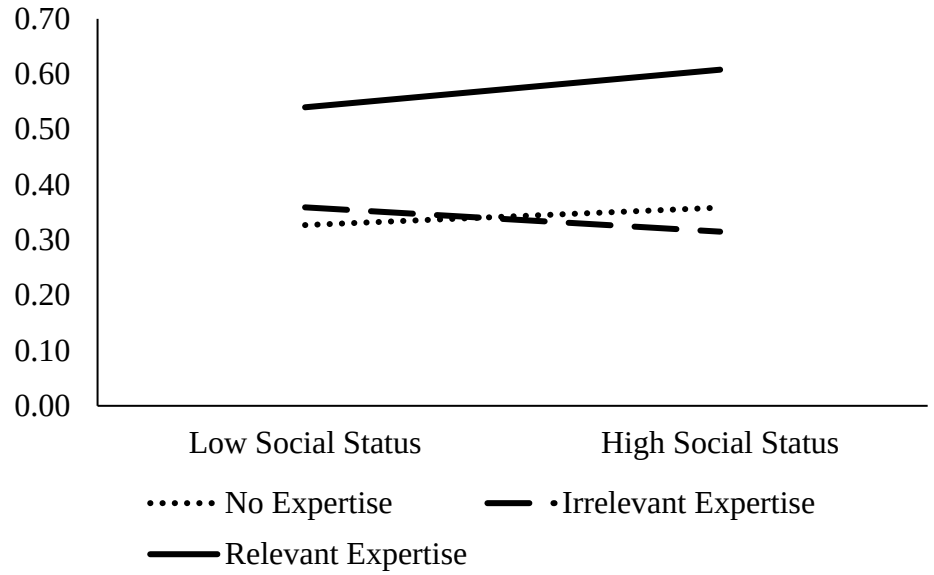
The plot of means for *Advice Utilization* (Figure 3) does match expectations, so I proceed to tests of significance using the same weights described in the *Advice Reliance* analysis (Table 7, Panels A and B). I find a statistically significant interaction of *Status Level* and *Expertise* for *Advice Utilization* ($F = 18.86$; $p < 0.0001$, one-tailed). The semi-omnibus F test for this contrast is also statistically insignificant ($p = 0.79$) while $q^2 = 3.6\%$. H2 is supported for *Advice Utilization*.[20]

[20] For purposes of sensitivity analysis, the analyses described in the results section was also performed using an alternative to *Advice Utilization.* In this alternative, I winsorize values outside of the 3rd and 97th percentiles by round. The same general patterns of means and significant results are present. Descriptive statistics for this analysis are available in Table 1, while results of the analysis are presented in Table 6, Panels C and D.

FIGURE 3

Plot of Means: *Expertise* x *Status Level* on *Advice Utilization*

Panel A: Including No Expertise Groups



Panel B: Excluding No Expertise Groups

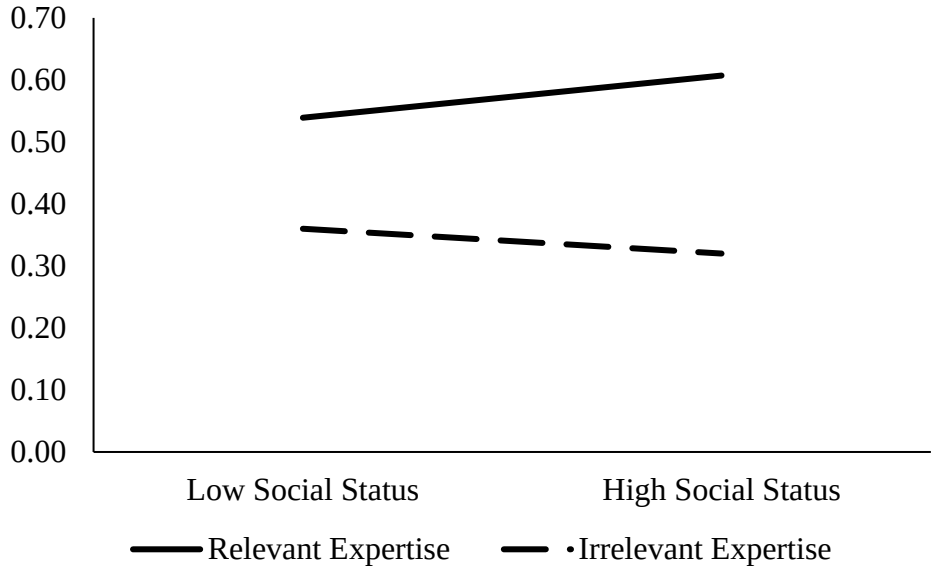


TABLE 7

Analysis of Status Level and Expertise on Advice Utilization Excluding No Expertise Groups

Panel A: Factorial ANOVA results for Advice Utilization

	df	**MS**	**F**	***p* -value**
Expertise	1	1.65	17.85	<.001
Status Level	1	0.004	0.04	0.83
Expertise x Status Level	1	0.09	1.00	0.32
Error	114	0.09		
n=118				

Panel B: Planned Contrast Test of Interaction[2]

Source of Variance	**df**	**MS**	**F**	***p* -value[1]**
Contrast	1	1.74	18.86	<0.001
Residual Variance	2	0.02	0.24	0.79
Total Variance	3	0.59	6.43	<0.001
Error	114	0.09		

Panel C: Factorial ANOVA results for Advice Utilization (Winsorized)

	df	**MS**	**F**	***p* -value**
Expertise	1	1.88	25.26	<0.001
Status Level	1	0.01	0.15	0.70
Expertise x Status Level	1	0.04	0.52	0.47
Error	114	0.07		
n=118				

Panel D: Planned Contrast Test of Interaction (Winsorized)[2]

Source of Variance	**df**	**MS**	**F**	***p* -value[1]**
Contrast	1	2.12	28.66	<0.001
Residual Variance	2	0.08	1.08	0.34
Total Variance	3	0.07	8.79	<0.001
Error	114	0.07		

TABLE 7 Continued

Analysis of Status Level and Expertise on Advice Utilization Excluding No Expertise Groups

Notes:

[1] All significant contrast tests are one-tailed.

[2] Weights: *Irrelevant Expertise Groups* = -2, *Relevant Expertise* x *Low Social Status* = 1, *Relevant Expertise* x *High Social Status* = 3.

Variable Definitions

Advice Utilization = the average of: (Participant Final Estimate-Participant Initial Estimate)/(Advisor Estimate-Participant Initial Estimate) for the rounds that a participant purchased advice in.

Advice Utilization (Winsorized) = *Advice Utilization* winsorized at the 3rd and 97th percentiles.

On its face, it is unclear why H2 holds for *Advice Utilization*, but not *Advice Seeking.* That said, whether or not to seek advice is certainly a more conscious decision than how much of the advice should be used. SCT theorizes that the calculations of performance expectations are not made consciously. Therefore, the impact of a diffuse characteristic, such as social status, may be attenuated when a conscious decision is made on the basis of characteristics. Comparatively, diffuse characteristics do play a role in the less-conscious choice of advice utilization. Future research to model the use of social status in these two processes is warranted. Even still, sound advice is of little use if it is not implemented.

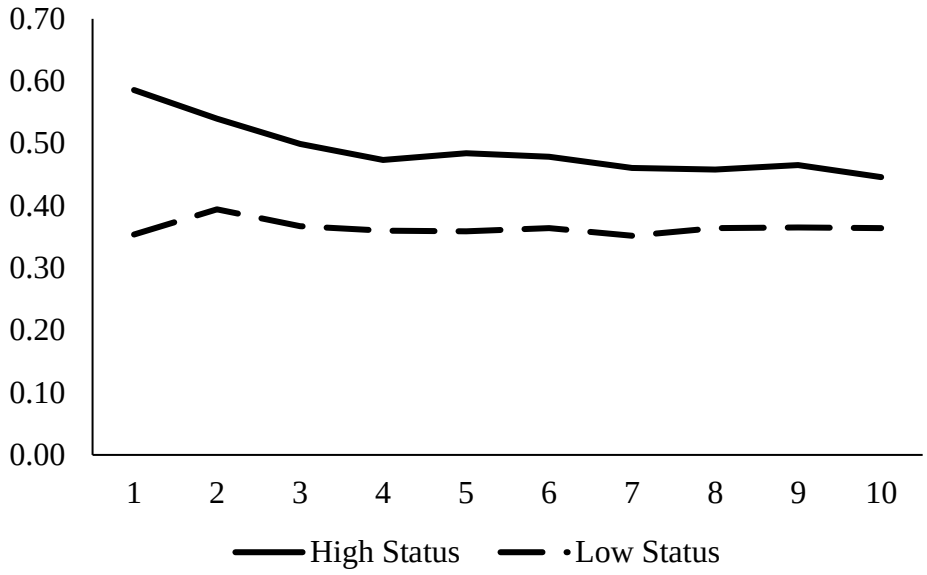
Supplemental Analysis of Status Effects Over Time

It is likely that auditors gain new information about their advisors each time that they choose to ask for advice. In Experiment One, I do not provide feedback on the accuracy of a participant's estimate, nor of their advisor's advice. However, it is likely that participants develop perceptions of the quality of advice that they receive based on how reasonable the advice appears. The perceived performance of the advisor has the potential to impact an auditor's perception of their expertise (Palmeira 2020). It is likely that participants incorporate the perceived quality of past advice into their decisions to rely on an advisor in the present round. If this is the case, the effect of social status may be weakened over time. A plot of *Reliance* and *Utilization* by round indicates that this may in fact be the case (Figure 4).

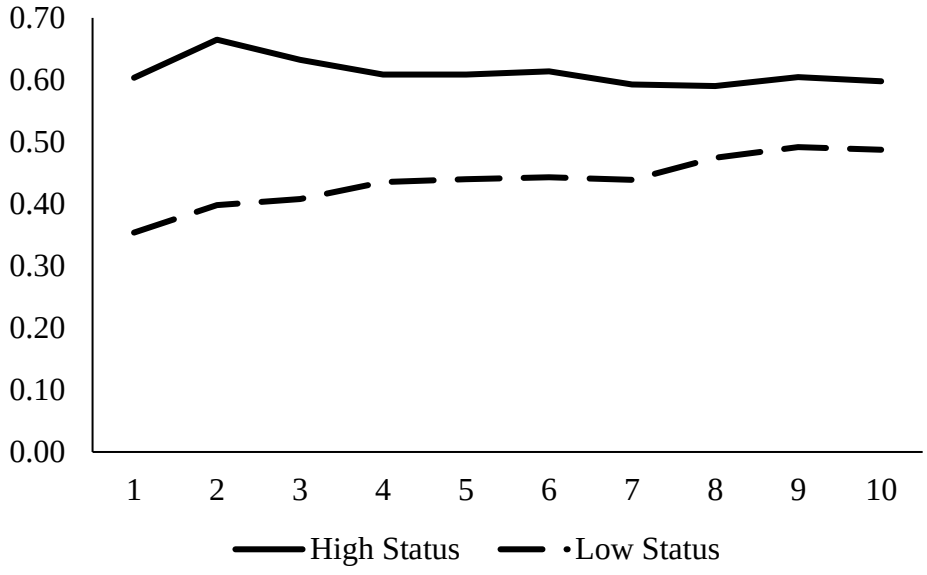
FIGURE 4

Plot of Means: *Status Level* x Rounds

Panel A: *Advice Reliance*



Panel B: *Advice Utilization*



In order to analyze whether auditors rely less on social status as time passes, I perform a Factorial Repeated Measures ANOVA. The within-subjects factor for this analysis is simply the ten rounds of the experiment while the between-subjects factor is *Status Level*. I first conduct this analysis using the average of *Advice Reliance* for the current round and each of the previous rounds as a dependent measure (e.g., round five's *Advice Reliance* is the average for rounds one through five). Additionally, I perform this analysis using the average of *Advice Utilization* for the current round and each of the previous rounds. This analysis is performed using only the *relevant expertise* groups, since social status had little impact on the other *Expertise* groups. Means for each round, along with the results of this analysis, are available in Table 8. I find that auditors tend to rely less on an advisor as rounds progress ($F = 2.21$; $p = 0.04$). However, I find that that number of rounds a participant completes does not impact their decision to utilize the advisor's advice ($F = 1.38$; $p = 0.22$). That said, there is no interaction present between *Status Level* and rounds for either dependent measure, indicating that the effects of social status do not change as an auditor works more with an advisor (*Advice Reliance:* $F = 0.84$; $p = 0.59$; *Advice Utilization:* $F = 0.79$; $p = 0.17$).[21] These results indicate that the effects of social status may be durable to other information about the advisor obtained by auditors, making it difficult for low status experts to overcome the effects of their status by performing well.

[21] Mauchly's sphericity test was failed in the analysis of both *Reliance* and *Utilization*. Therefore, Pillai's Trace was used to determine the significance of the main effects and interactions.

TABLE 8

Analysis of Social Status Effects by Round

Panel A: Dependent Measure Means by Round

	Advice Reliance		Advice Utilization	
Round	**High Status**	**Low Status**	**High Status**	**Low Status**
1	0.59	0.35	0.60	0.35
2	0.54	0.39	0.66	0.40
3	0.50	0.37	0.63	0.41
4	0.47	0.36	0.61	0.44
5	0.48	0.36	0.61	0.44
6	0.48	0.36	0.61	0.44
7	0.46	0.35	0.59	0.44
8	0.46	0.36	0.59	0.47
9	0.47	0.37	0.60	0.49
10	0.45	0.36	0.60	0.49

Panel B: Repeated Measures ANOVA: Advice Reliance by Round

	df	**F**	***p* -value**
Rounds	9	2.21	0.04
Rounds x *Status Level*	9	0.84	0.59

Panel C: Repeated Measures ANOVA: Advice Utilization by Round

	df	**F**	***p* -value**
Rounds	9	1.38	0.22
Rounds x *Status Level*	9	0.79	0.63

Notes:

Variable Definitions

Advice Reliance by Round: for all participants, this variable is calculated for each round as the average of *Advice Reliance* across the current and each of the previous rounds.

Advice Utilization by Round: for all participants, this variable is calculated for each round as the average of *Advice Utilization* across the current and each of the previous rounds.

Supplemental Analysis of Mediation by Perceived Expertise

SCT indicates that diffuse characteristics, such as social status, signal general competency in a variety of tasks (Berger et al. 1972). This signal is created through a process called "paths of relevance" by which task-irrelevant characteristics gain relevance by association with more task-relevant characteristics (Wagner and Berger 1982). If this is the case, then advisors with higher levels of social status should appear to be more competent in the task at hand than advisors with lower levels of social status. This increase in perceived competency should lead to an increase in reliance on the advisor. Alternatively, auditors may choose to rely on the more direct signal of competency available to them, relevance of expertise, and to ignore the less diagnostic characteristic, social status. To determine which this is the case, I perform serial mediation analysis using PROCESS model 4 (Figure 5). As in the previous supplemental analysis, I only include participants from the relevant expertise groups in this analysis. The mediation results (Table 9) indicate that social status impacts a participant's perception of the advisor's expertise in gumball estimation ($t = 2.09$; $p = 0.04$) and the perception of the advisor's expertise impacts the participant's reliance on the advisor ($t = 7.10$; $p = 0.0001$), therefore supporting SCT's theory of paths of relevance. As noted previously, these results are problematic because social status is not necessarily an indicator of expertise and is therefore not an appropriate characteristic to use in advice reliance decisions.

FIGURE 5

Statistical Diagram of Serial Mediation of the Effects of Social Status on Advice Reliance by Perceptions of Advisor Expertise

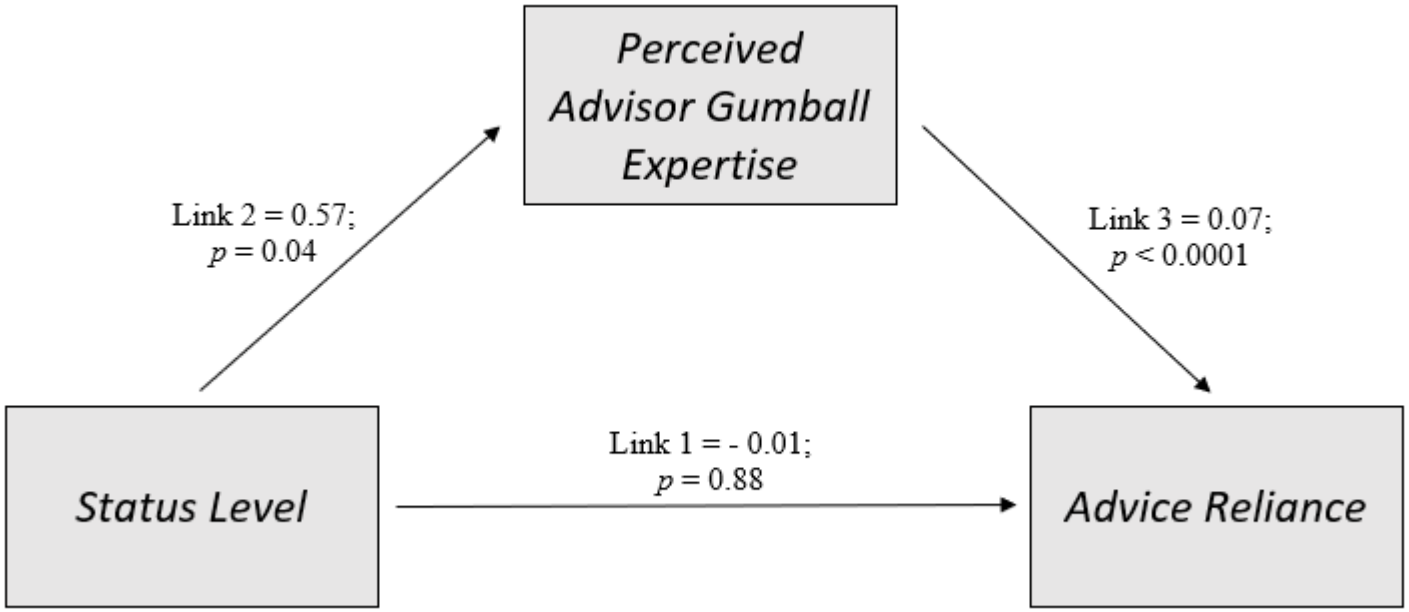


TABLE 9

Serial Mediation Analysis of Status Level on Advice Reliance Mediated by the Auditor's Perceptions of the Advisor's Gumball Estimation Expertise

Panel A: Regression Model of *Perceived Advisor Gumball Expertise*

	Path Coefficient	**SE**	**t-stat**	***p* -value**
Status Level (link 2)[1]	0.57[a]	0.27	2.09	0.04

Panel B: Regression Model of *Advice Reliance*

	Path Coefficient	**SE**	**t-stat**	***p* -value**
Status Level (link 1)[1]	-0.01	0.04	-0.15	0.88
Perceived Advisor Gumball Expertise (link 3)	0.07	0.01	7.10	<0.0001

Panel C: Indirect Effects

	Effect	**SE**	**LLCI[2]**	**ULCI[2]**
Perceived Advisor Gumball Expertise	0.04	0.02	0.002	0.08

Notes:

[1] *High Social Status* is coded as 1 while *Low Social Status* is coded as 0 for this variable.

[2] Two 95% confidence intervals (CI) are obtained for this path coefficient using the bootstrapping techniques described in Hayes (2022). These CIs are based on 5,000 bootstrap samples. An indirect effect that does not contain zero within its 95% CI is statistically significant.

Variable Definitions

Advice Reliance = ten round average of *Advice Seeking* x *Advice Utilization*. For each round that a participant purchases advice, this measure equals Advice Utilization, where it equals zero for each round that a participant does not purchase advice.

Perceived Gumball Expertise was obtained after the manipulating *Expertise*. Participants assessed their partner's expertise in gumball quantity estimation using a seven-point Likert scale.

V. EXPERIMENT TWO METHODOLOGY

Experiment Two Procedures

In Experiment Two, participants fill the role of auditors tasked with estimating gumball quantities and corn kernel weights. Participants begin the experiment by reading a set of instructions describing their role, the experiment's tasks, and compensation scales. Depending on the condition that they are assigned to, participants are then informed (not informed) that they have been assigned an advisor with higher or lower social status that is a gumball estimation expert. Participants that have been assigned an advisor then complete ten rounds of the gumball estimation task as described in Experiment One. The remaining participants complete this task in the same way, though they are not given the option of buying an advisor's estimate. After the gumball estimation task, participants that have yet to receive an advisor are then informed that they have been assigned an advisor with higher or lower social status that is a gumball estimation expert. All participants then estimate the weight of corn kernels in ten separate containers. During the final ten rounds, all participants are given the opportunity to purchase advice from their paired advisor. After completing both estimation tasks, participants complete a post-experimental questionnaire that includes attention checks and a demographical survey.

Experiment Two Independent Variables

This experiment incorporates a 2x2 between-subjects design. The first independent variable, *Experience,* manipulates whether the participant has previous experience with the advisor whose expertise was task relevant. Participants assigned to the *previous experience* (*no*

previous experience) condition are assigned an advisor that is a gumball expert prior to the first (second) estimation task. *Previous experience* (*no previous experience*) participants are allowed to seek advice in both (the second) estimation task(s). Since all advisors have gumball expertise, they have relevant expertise in task one but irrelevant expertise in task two. This manipulation allows me to explore whether influence that an advisor gains when their expertise is task-relevant transfers to subsequent tasks where their expertise is task-irrelevant. For convenience, participants in the *previous experience* groups participated in Experiment One as participants in the *relevant expertise* groups. In doing so, the *Experience* manipulation is carried out using the gumball estimation task of Experiment One. As a result, there is some overlap in participants between the two experiments. Participants in the *no previous experience* groups did not participate in Experiment One.

The second independent variable, *Status Level*, is the social status of the assigned advisor relative to that of the participant. This variable is manipulated in the same manner as Experiment One. This manipulation allows me to explore the interaction of social status and previous experience with an advisor.

Experiment Two Dependent Variables

I use the same three dependent variables in Experiment Two that are used in Experiment One, with one exception: each dependent variable consists of data collected in the corn kernel estimation task instead of the gumball estimation task.

VI. EXPERIMENT TWO RESULTS

Manipulation Checks

In order to determine the effectiveness of the social status manipulation for Experiment Two, I ask participants to rate the social status of their advisors and of themselves. Participants paired with a high-status advisor rated their advisor's status as higher than those paired with a low-status advisor (mean = 5.67 versus 3.04; t-stat = 12.15; $p < 0.001$). Participants paired with a high-status advisor rated their own status as lower than participants paired with a low-status advisor (mean = 5.68 versus 3.04; t-stat = 11.97; $p < 0.001$). This manipulation therefore appears to have been effective.

Hypothesis Tests

In order to examine how social status and previous experience affect an auditor's decision to rely on advice, as hypothesized in H3 and H4, I implement three Factorial ANOVAs using the experiment's independent and dependent variables. Descriptive statistics for key variables in this experiment are presented in Table 10.

Hypothesis Three

Recall that H3 states that an auditor is more likely to rely on an advisor with task-irrelevant expertise if the auditor has previously worked with the advisor when that expertise was task-relevant. I analyze this hypothesis using *Experience* and *Status Level* as independent variables in a Factorial ANOVA. I discover that *Experience* does not

significantly effect *Reliance* (F = 1.63; p = .20) or *Utilization* (F = 1.13; p = .29) (Table 11, Panels A and C). This indicates that that auditors are no more likely to rely on an advisor or to incorporate their advice as a result of previous experience with the advisor in a task-relevant setting. However, *Experience* does effect *Advice Seeking* (F = 4.66; p = .03) (Table 11, Panel B). That said, the pattern of means is opposite of what is predicted in H3 (*previous experience* mean = 4.50 v. *no previous experience* mean = 5.88). Therefore, I find no support for H3 among any of my dependent measures.

TABLE 10

Descriptive Statistics of Key Variables: Experiment Two

Panel A: Means (Std Error) [n] by Independent Variables

	Experience		Status Level	
	Present	**None**	**High**	**Low**
Advice Reliance	0.28	0.35	0.35	0.26
	(0.04)	(0.05)	(0.04)	(0.05)
	[45]	[40]	[48]	[37]
Advice Seeking	5.07	5.90	5.71	5.14
	(0.55)	(0.56)	(0.56)	(0.54)
	[45]	[40]	[48]	[37]
Advice Utilization	0.42	0.52	0.51	0.41
	(0.05)	(0.05)	(0.04)	(0.05)
	[43]	[40]	[45]	[37]
Advice Reliance (Winsorized)	0.27	0.34	0.34	0.26
	(0.04)	(0.05)	(0.04)	(0.05)
	[45]	[40]	[48]	[37]
Advice Utilization (Winsorized)	0.42	0.52	0.51	0.41
	(0.05)	(0.05)	(0.04)	(0.05)
	[43]	[39]	[45]	[37]
Perceived Gumball Expertise	5.58	5.88	5.79	5.62
	(0.18)	(0.16)	(0.15)	(0.20)
	[45]	[40]	[48]	[37]
Perceived Corn Kernel Expertise	2.64	2.78	2.88	2.49
	(0.23)	(0.26)	(0.23)	(0.25)
	[45]	[40]	[48]	[37]
Perceived Social Status: Auditor	4.13	4.25	3.04	5.68
	(0.25)	(0.26)	(0.12)	(0.20)
	[45]	[40]	[48]	[37]
Perceived Social Status: Advisor	4.64	4.50	5.67	3.16
	(0.23)	(0.25)	(0.14)	(0.15)
	[45]	[40]	[48]	[37]

TABLE 10 Continued

Descriptive Statistics of Key Variables: Experiment Two

Panel B: Means (Std Error) [n] by Experimental Condition

	High Social Status		Low Social Status	
	Present	**None**	**Present**	**None**
Reliance	0.29	0.43	0.26	0.25
	(0.06)	(0.07)	(0.07)	(0.07)
	[27]	[21]	[18]	[19]
Seeking	5.22	6.33	4.83	5.42
	(0.78)	(0.81)	(0.76)	(0.79)
	[27]	[21]	[18]	[19]
Utilization	0.43	0.62	0.40	0.42
	(0.06)	(0.06)	(0.08)	(0.07)
	[25]	[20]	[18]	[19]
Reliance (Winsorized)	0.26	0.25	0.28	0.42
	(0.07)	(0.07)	(0.06)	(0.07)
	[27]	[21]	[18]	[19]
Utilization (Winsorized)	0.43	0.62	0.40	0.42
	(0.06)	(0.06)	(0.08)	(0.07)
	[25]	[20]	[18]	[19]
Perceived Gumball Expertise	5.74	5.86	5.33	5.89
	(0.21)	(0.23)	(0.31)	(0.23)
	[27]	[21]	[18]	[19]
Perceived Corn Kernel Expertise	2.67	3.14	2.61	2.37
	(0.29)	(0.39)	(0.39)	(0.33)
	[27]	[21]	[18]	[19]
Perceived Social Status: Auditor	2.93	3.19	5.94	5.42
	(0.15)	(0.19)	(0.17)	(0.34)
	[27]	[21]	[18]	[19]
Perceived Social Status: Advisor	5.63	5.71	3.17	3.16
	(0.19)	(0.22)	(0.23)	(0.19)
	[27]	[21]	[18]	[19]

TABLE 10 Continued

Descriptive Statistics of Key Variables: Experiment Two

Notes:

Variable Definitions

Advice Reliance = ten round average of *Advice Seeking* x *Advice Utilization*. For each round that a participant purchases advice, this measure equals Advice Utilization, where it equals zero for each round that a participant does not purchase advice.

Advice Seeking = the count of each round that a participant chooses to buy the advice of their advisor.

Advice Utilization = the average of: (Participant Final Estimate-Participant Initial Estimate)/(Advisor Estimate-Participant Initial Estimate) for the rounds that a participant purchased advice in.

Advice Reliance (Winsorized) = *Advice Reliance* winsorized at the 3rd and 97th percentiles.

Advice Utilization (Winsorized) = *Advice Utilization* winsorized at the 3rd and 97th percentiles.

Perceived Gumball Expertise was obtained after the manipulating *Expertise*. Participants assessed their partner's expertise in gumball quantity estimation using a seven-point Likert scale.

Perceived Corn Kernel Expertise was obtained after manipulating *Expertise*. Participants assessed their partner's expertise in corn kernel weight estimation using a seven-point Likert scale.

Perceived Social Status: Auditor was obtained after manipulating *Status Level*. Participants assessed their own social status using a seven-point Likert scale.

Perceived Social Status: Advisor was obtained after manipulating *Status Level*. Participants assessed their partner's social status using a seven-point Likert scale.

TABLE 11

Analyses of Experience and Status Level

Panel A: Analysis of Experience and Status Level on Advice Reliance

Factorial ANOVA results for Advice Reliance

	df	**MS**	**F**	***p* -value**
Experience	1	0.42	1.63	0.20
Status Level	1	0.02	0.08	0.78
Experience x Status Level	1	0.01	0.04	0.83
Error	127	0.26		
n=131				

Panel B: Analysis of Experience and Status Level on Advice Seeking

Factorial ANOVA results for Advice Seeking

	df	**MS**	**F**	***p* -value**
Experience	1	64.91	4.66	0.03
Status Level	1	9.07	0.65	0.42
Experience x Status Level	1	2.77	0.20	0.66
Error	127	13.917		
n=131				

Panel C: Analysis of Experience and Status Level on Advice Utilization

Factorial ANOVA results for Advice Utilization

	df	**MS**	**F**	***p* -value**
Experience	1	0.10	1.13	0.29
Status Level	1	0.15	1.67	0.20
Experience x Status Level	1	0.11	1.28	0.26
Error	114	0.089		
n=118				

TABLE 11 Continued

Analyses of Experience and Status Level

Notes:

Variable Definitions

Advice Reliance = ten round average of *Advice Seeking* x *Advice Utilization*. For each round that a participant purchases advice, this measure equals Advice Utilization, where it equals zero for each round that a participant does not purchase advice.

Advice Seeking = the count of each round that a participant chooses to buy the advice of their advisor.

Advice Utilization = the average of: (Participant Final Estimate-Participant Initial Estimate)/(Advisor Estimate-Participant Initial Estimate) for the rounds that a participant purchased advice in.

Hypothesis Four

I hypothesize that social status will have differential effects on an auditor's reliance decisions depending on whether there is previous experience with the advisor. Specifically, I predict that social status will have a greater positive effect on advice reliance when the auditor has previous experience with the advisor. For all three measures, the mean for *previous experience* was less than the mean for *no previous experience.* As a result, the pattern of means for all three measures does not align with expectations (Figures 6-8). Therefore, contrast testing cannot be conducted, and the interaction cannot be examined. H4 is not supported.

FIGURE 6

Plot of Means: *Status Level* x *Experience* on *Advice Reliance*

FIGURE 7

Plot of Means: *Status Level* x *Experience* on *Advice Seeking*

FIGURE 8

Plot of Means: *Status Level* x *Experience* on *Advice Utilization*

VII. CONCLUSION

This research examines the impacts of social status, relevance of expertise, and previous experience on auditor advice reliance. I find that auditors are more likely to rely on an advisor that has relevant expertise as opposed to irrelevant or no expertise. However, auditors fall prey to cognitive bias as a result of social status differences. Specifically, when an advisor has relevant expertise and low social status, auditors are less likely to rely on the advisor than if the advisor had high social status. Further, I find that the interaction of relevance of expertise and social status is unevenly dispersed between the two components of advice reliance. I find no interaction between the relevance of expertise and social status on advice seeking. However, I find the interaction is present when auditors are determining how much advice to use. I find no effect of advisor social status when the advisor has irrelevant or no expertise. Further, I find no effect of previous experience with an advisor on an auditor's propensity to rely again on the advisor.

This study provides three important contributions to both practitioners and academics. First, Experiment One's findings shed light on issues that occur when lower-status experts are present in the audit environment and is therefore of interest to practitioners. Though expertise and high social status are often correlated, there are several instances within the audit environment where this may not be the case. I demonstrate that social status differences, which are present everywhere, negatively impact an auditor's decisions when relying on another for advice. Audit firms employ experts for good reason, and they therefore have a vested interest in auditors relying on expert advice.

Further, this research contributes to the growing literature examining the influence of social status on auditor behavior (Bennett and Hatfield 2013; Haesebrouck et al. 2018; Rimkus 2021). While social status is commonplace, there are several important questions regarding the effects of status on auditor decision making that are still unanswered. Experiment One helps to illuminate an underexplored area of research by identifying some of the effects of social status on auditor advice reliance.

Finally, I provide evidence that effects of social status are durable over the course of time. It appears that despite new information, such as the perceived quality of the advisor's work, auditors will continue to use social status as an evaluation tool in advice reliance decisions. This is perhaps a result of that path through which social status affects advice reliance. I demonstrate that social status impacts an auditor's perception of advisor expertise which then determines their advice reliance. Overall, this is concerning, as auditors often work together for several weeks over the course of an audit, and it appears that social status will impact perceptions of competence throughout this time.

This study is subject to a few limitations that may yield future research opportunities. First, the study does not consider the incentives of the advisor, nor their propensity, to offer advice in the first place. Other studies indicate that lower ranked auditors may be hesitant to speak up to superiors or to request evidence from high status clients (Bennett and Hatfield 2013; Nelson, Proell, Randel 2016; Kadous, Proell, and Zhou 2019; Blum, Hatfield, Houston 2022). It is not necessary for lower-status advisors to volunteer advice in order for this study's findings to hold relevance. Rather, the experiments examine whether auditors seek and use the advice of lower-status advisors. That said, whether lower-status advisors may be more inclined to upward communication when they are experts is a question that I leave for exploration in future research.

Additionally, the experiments do not consider whether feedback on advisor performance impacts an auditor's decision to rely on an advisor. It is possible that an auditor may be more (less) willing to rely on an advisor if they have knowledge of an advisor's previous good (poor) performance in the same task. Since I do not provide feedback during the experiment, I am unable to make inferences on this matter. Finally, my supplemental analysis of social status' durability considers only one new piece of information about an advisor: the perceived quality of their work. Auditors are likely to collect other data about that the advisor, such as, the actual quality of their work and other personal characteristics. Further, they are likely to develop stronger bonds with the advisor. All of which may weaken the effects of social status overtime. Future research is required to determine whether this is the case.

As discussed throughout this dissertation, the audit environment is conducive to an incongruence of expertise and social status, particularly for instances in which new technologies and methods are rolled out in which auditors in the lower ranks possess the most expertise. In such cases, I demonstrate that auditors will fail to fully rely on an advisor as a result of lower social status, and as a result, audit quality can suffer. This issue will continue to be of concern to practitioners and merits further research.

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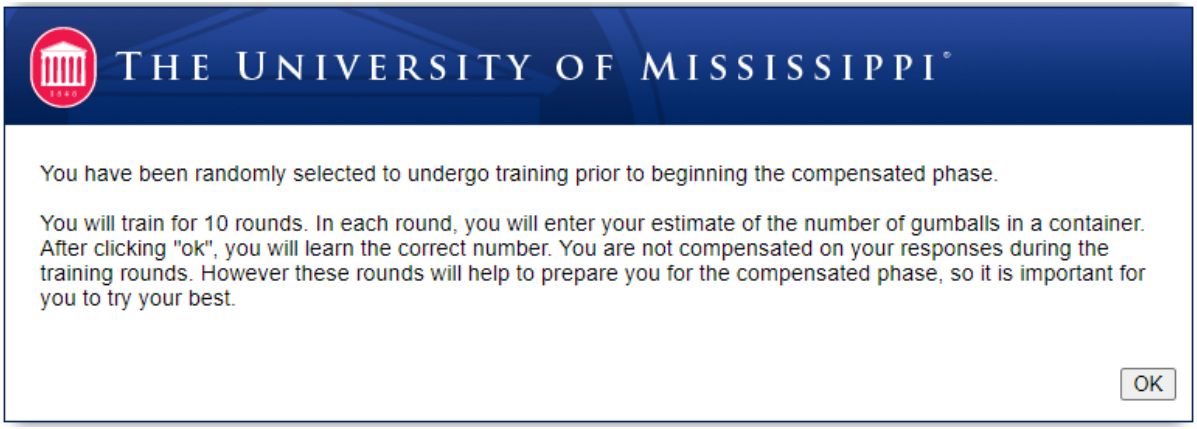
APPENDIX

Appendix A: Pre-Experiment Procedures: Qualtrics Screenshots

[Expert Training Panel One: *Corn Kernel*]

[Expert Training Panel One: *Gumball*]

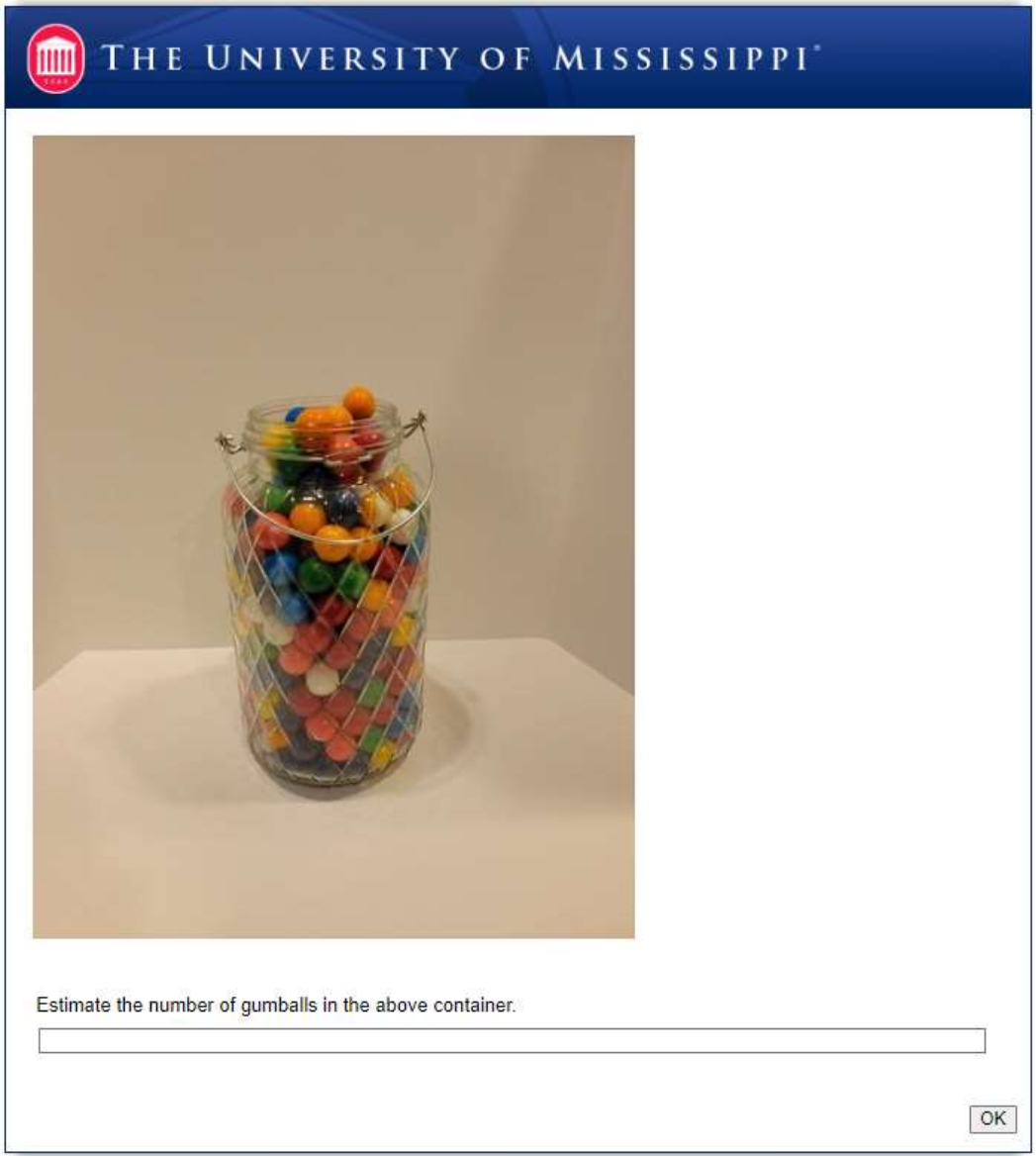


[Expert Training Panel One: *No Expertise*]

panel not shown to these participants

[Expert Training Panel Two: *Corn Kernel*]

[Expert Training Panel Two: *Gumball*]



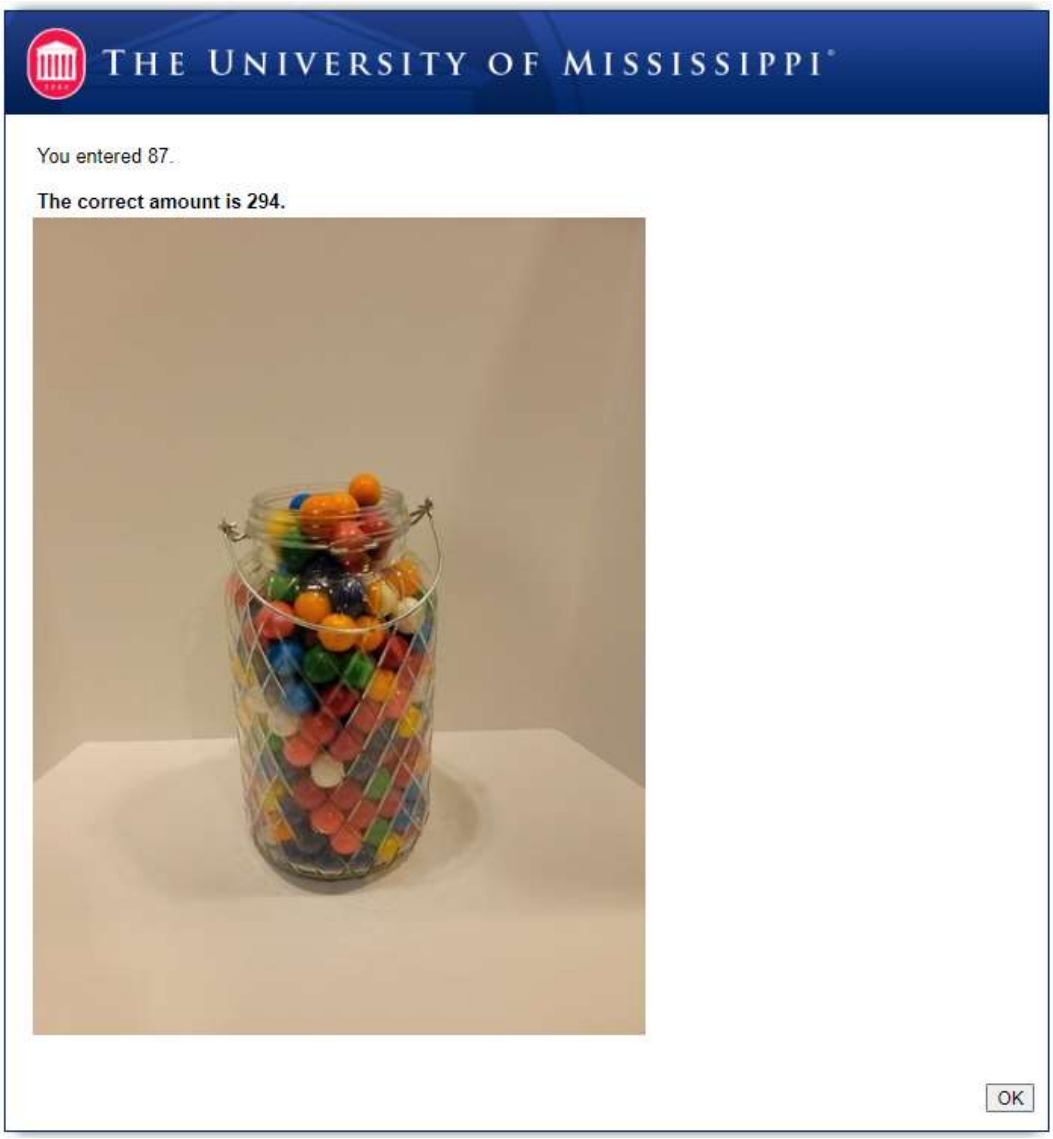
[Expert Training Panel Two: *No Expertise*]

panel not shown to these participants

[Expert Training Panel Three: *Corn Kernel*]

the previous two panels repeat nine more times with nine unique containers

[Expert Training Panel Three: *Gumball*]

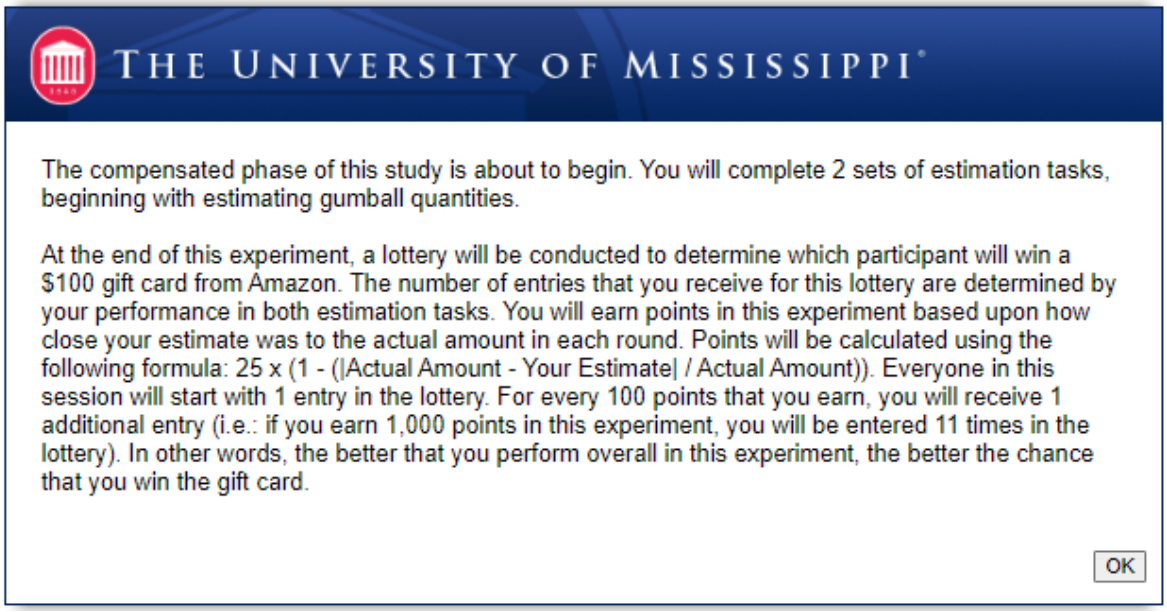


the previous two panels repeat nine more times with nine unique containers

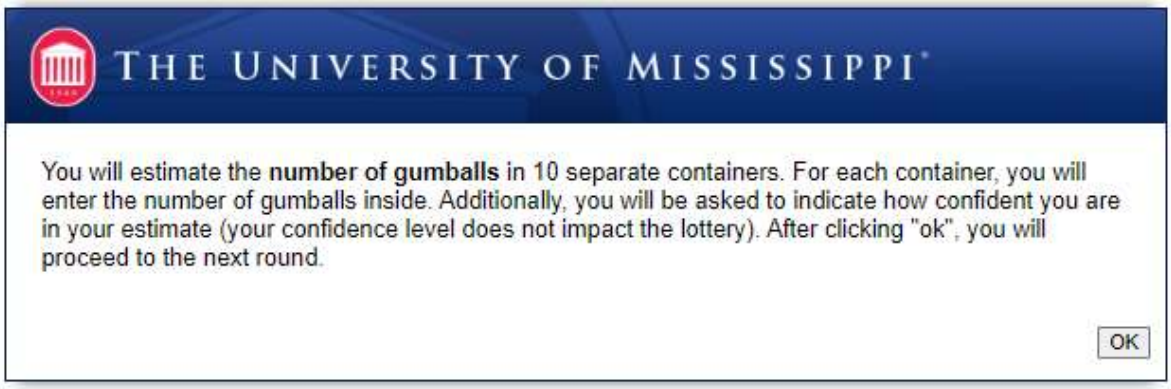
[Expert Training Panel Three: *No Expertise*]

panel not shown to these participants

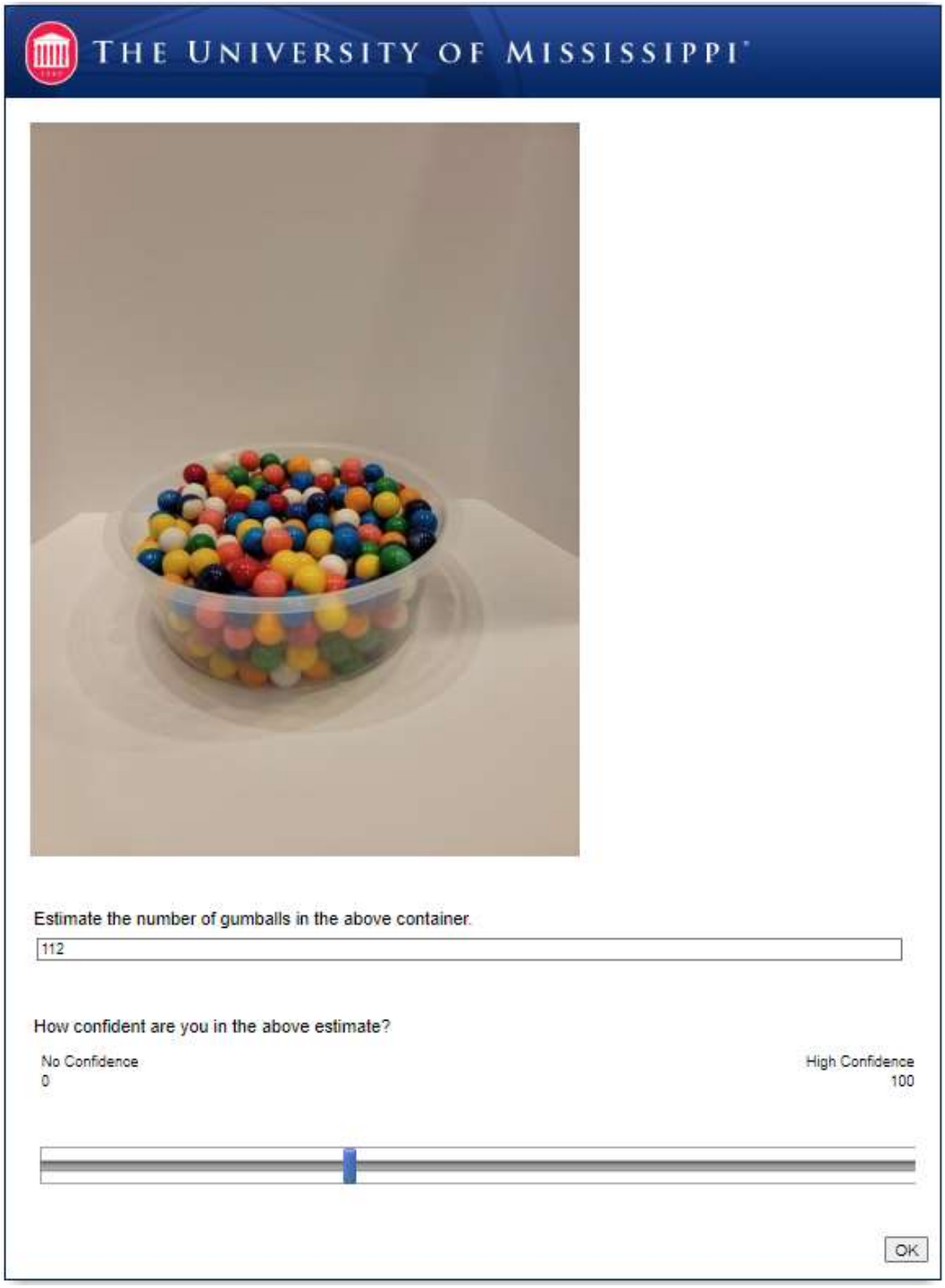
[Gumball Estimation Task Panel One: *All Participants*]



[Gumball Estimation Task Panel Two: *All Participants*]

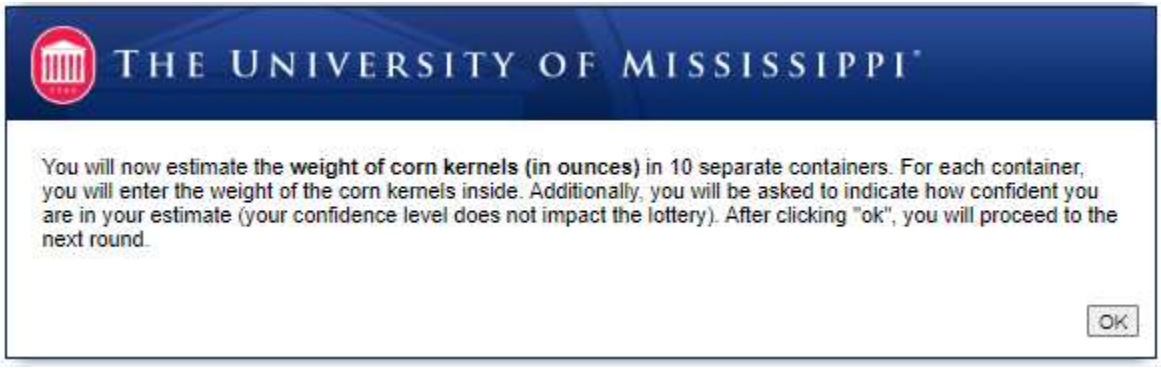


[Gumball Estimation Task Panel Three: *All Participants*]

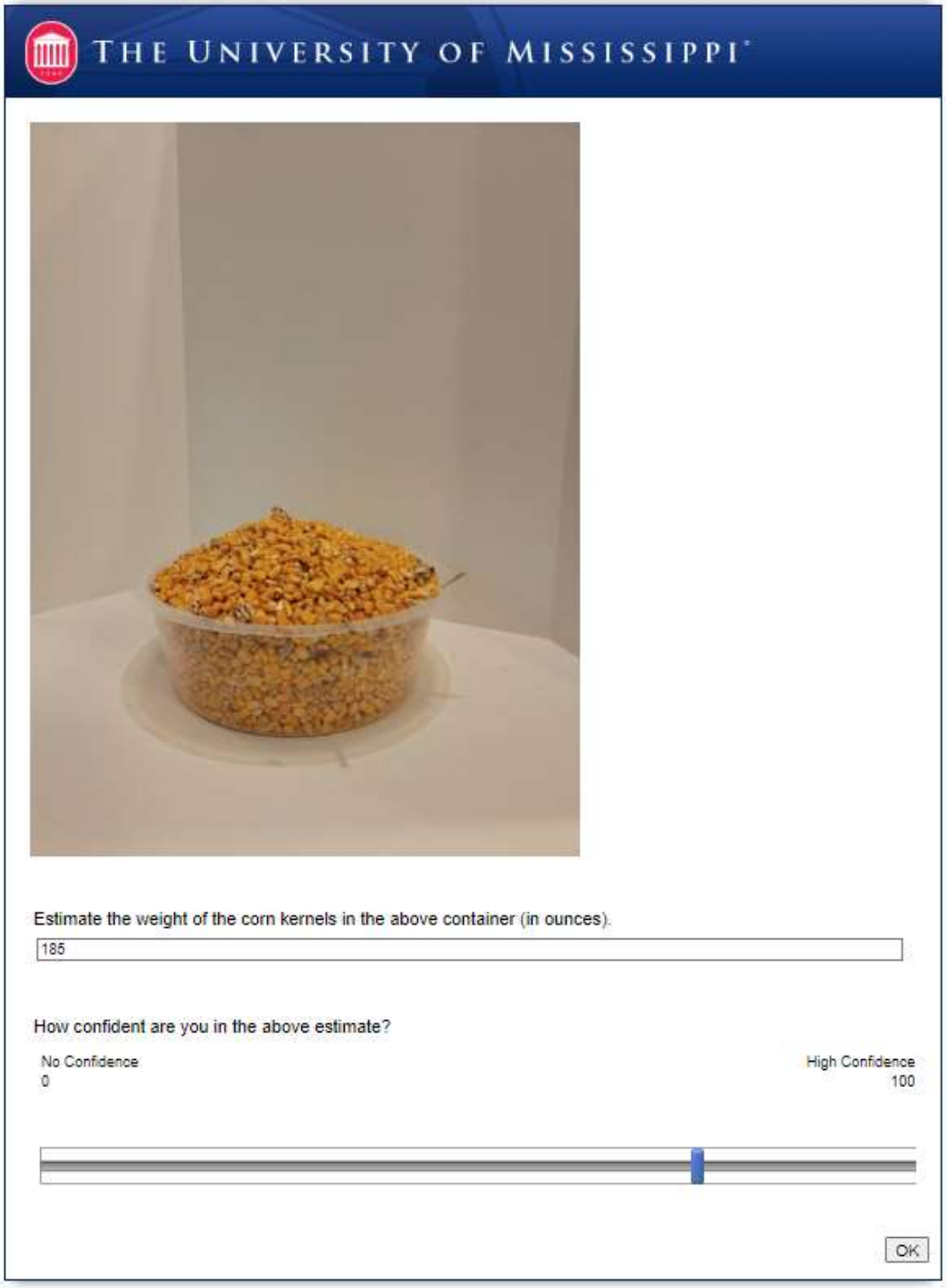


the previous panel repeats nine more times with nine unique containers

[Corn Kernel Estimation Task Panel One: *All Participants*]



[Corn Kernel Estimation Task Panel Two: *All Participants*]



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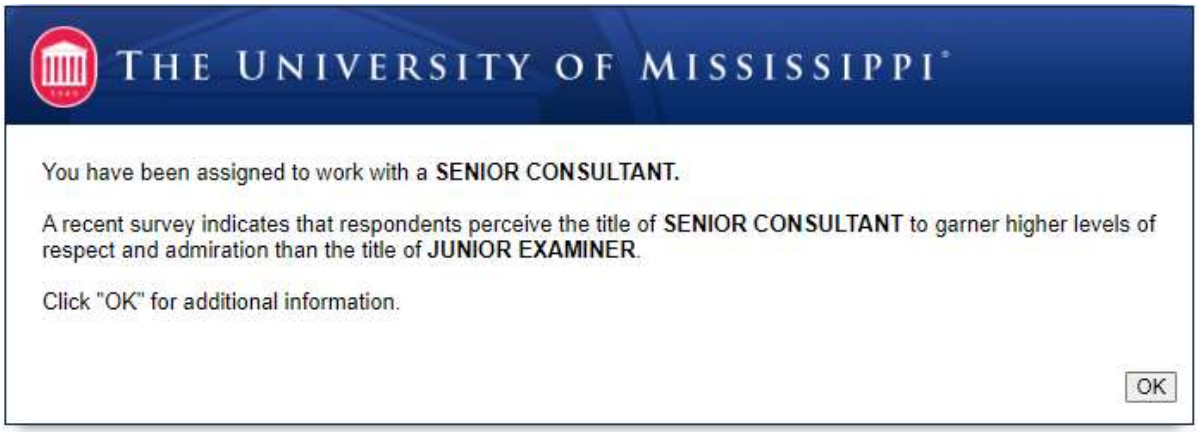
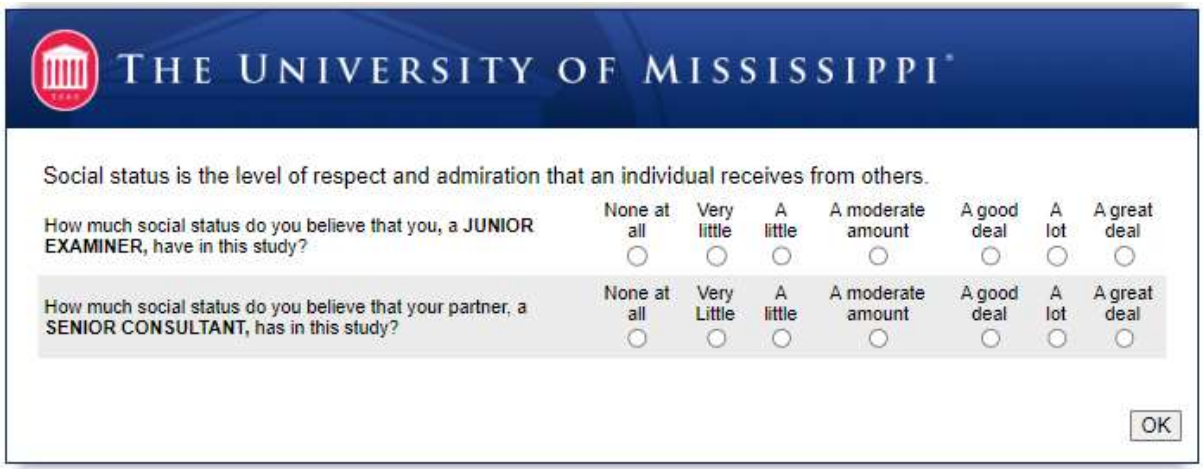
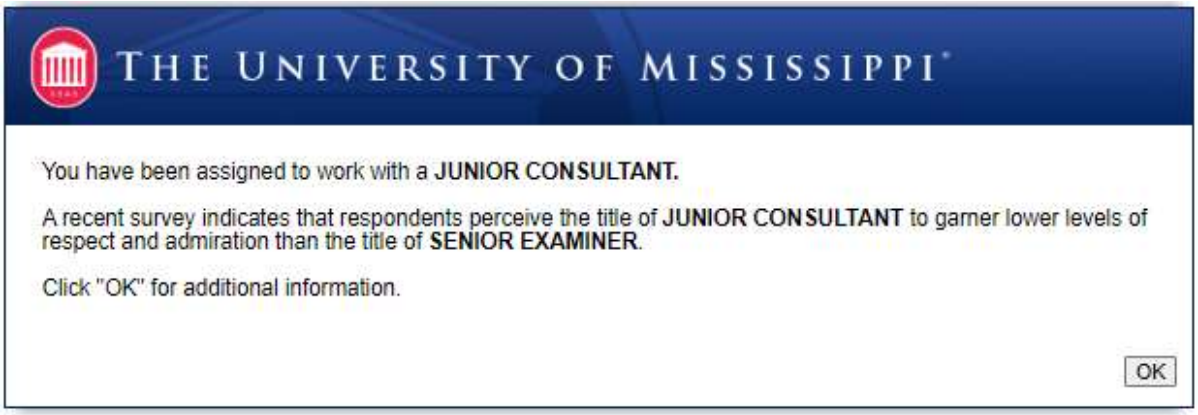
Appendix B: Experiment One Instrument

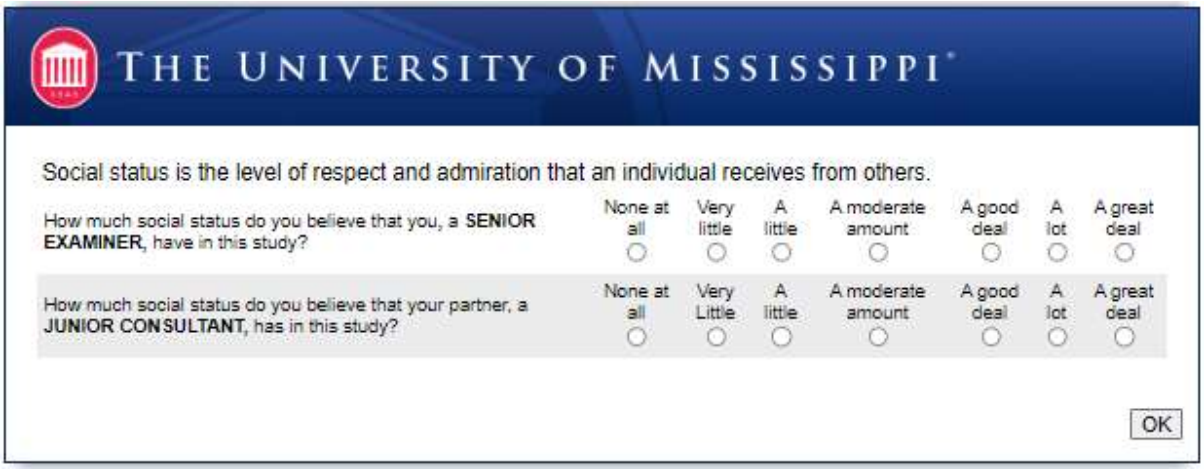
[Instruction and Manipulation Panels One through Three: *high social status*]





[Gumball Instruction and Manipulation Panels One through Three: *low social status*]



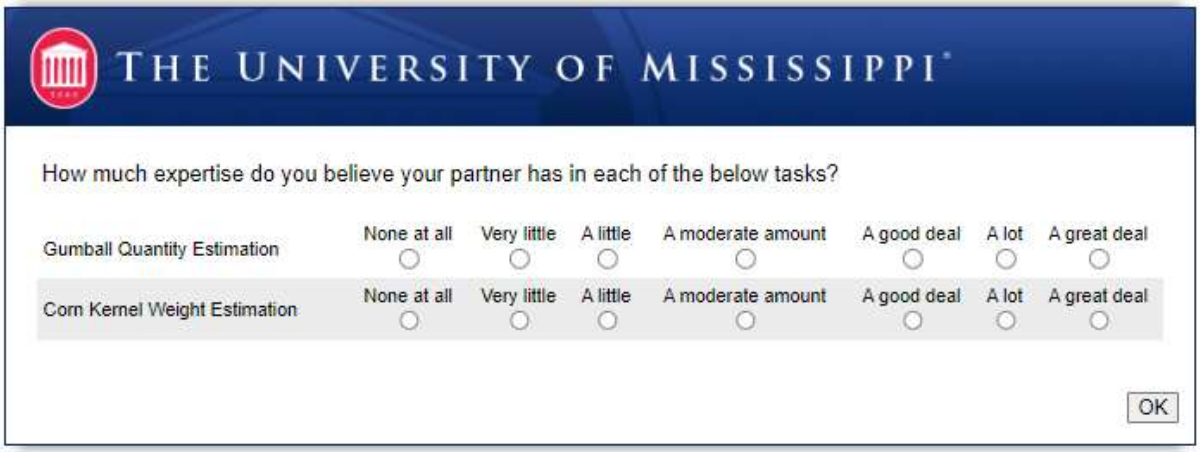


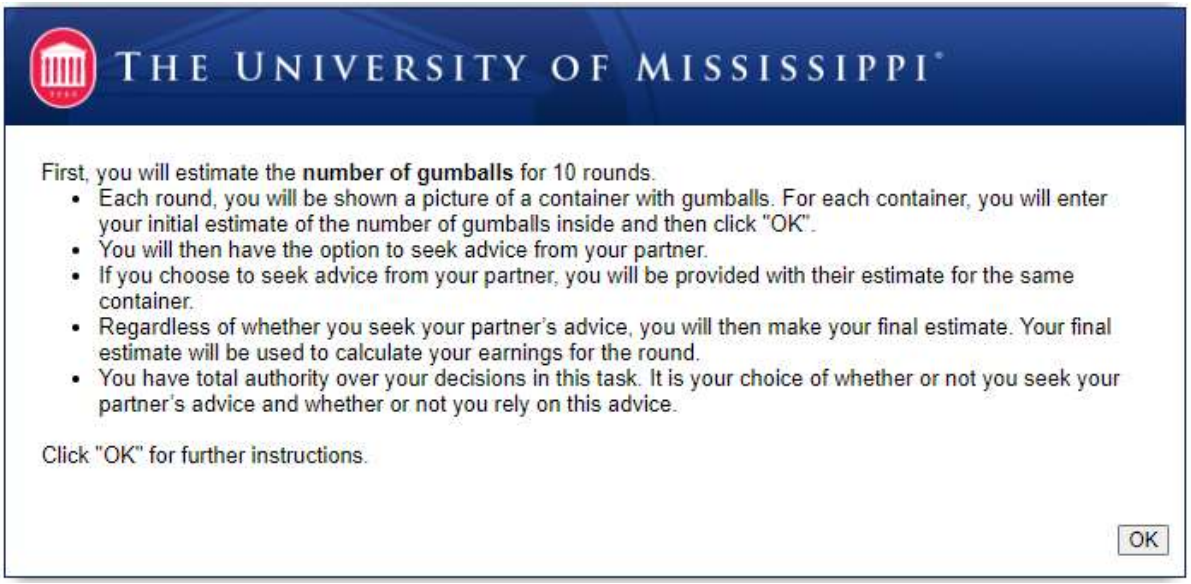
[Gumball Instruction and Manipulation Panel Four: *no expertise* x *high social status*]

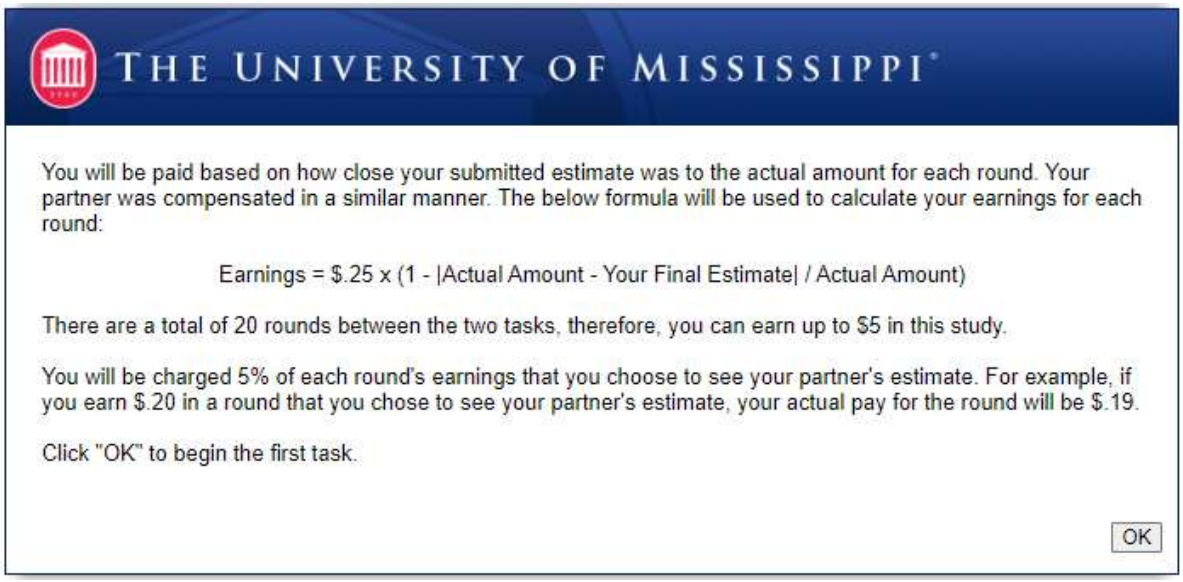
[Gumball Instruction and Manipulation Panel Four: *irrelevant expertise* x *low social status*]

[Gumball Instruction and Manipulation Panel Four: *relevant expertise* x *high social status*]

[Gumball Instruction and Manipulation Panel Five through Seven: *All Participants*]

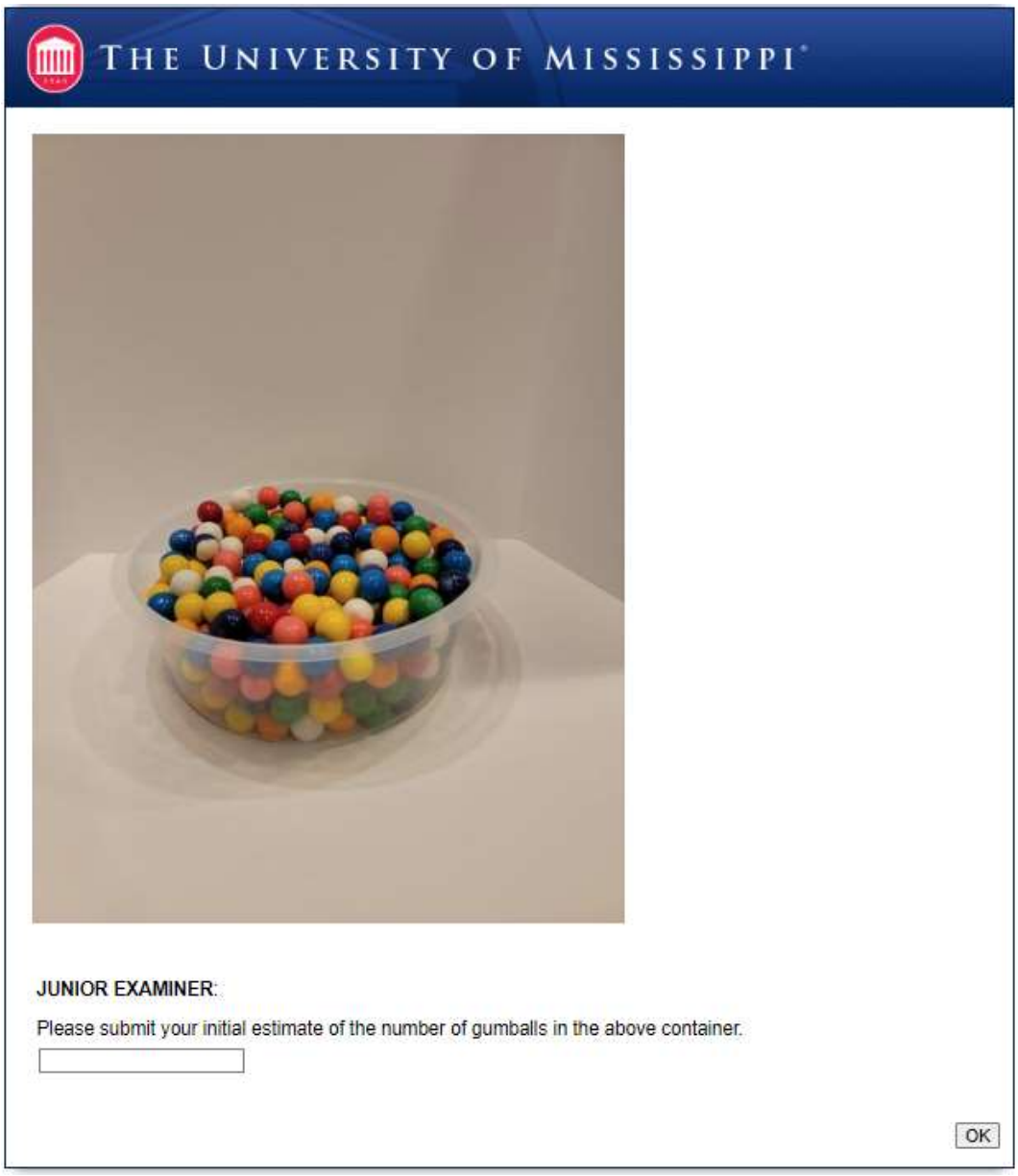






[Gumball Estimation Task Panel One through Three: *All Participants*]

[current example: *high social status*]



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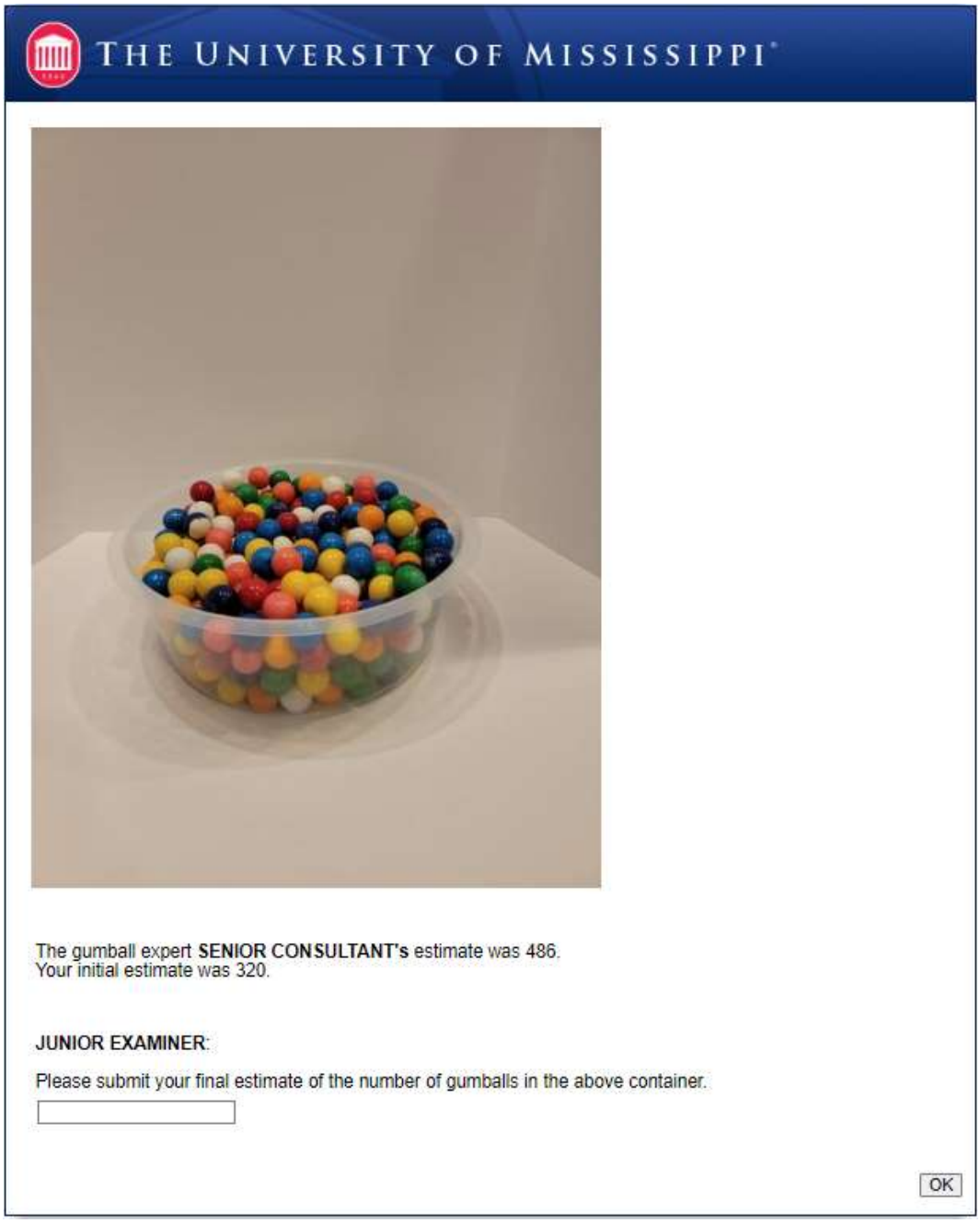
Your initial estimate was 320. Would you like to receive the gumball expert **SENIOR CONSULTANT's** estimate?

- ○ No - I don't want to see the **SENIOR CONSULTANT's** estimate
- ○ Yes - I'd like to see the **SENIOR CONSULTANT's** estimate

OK



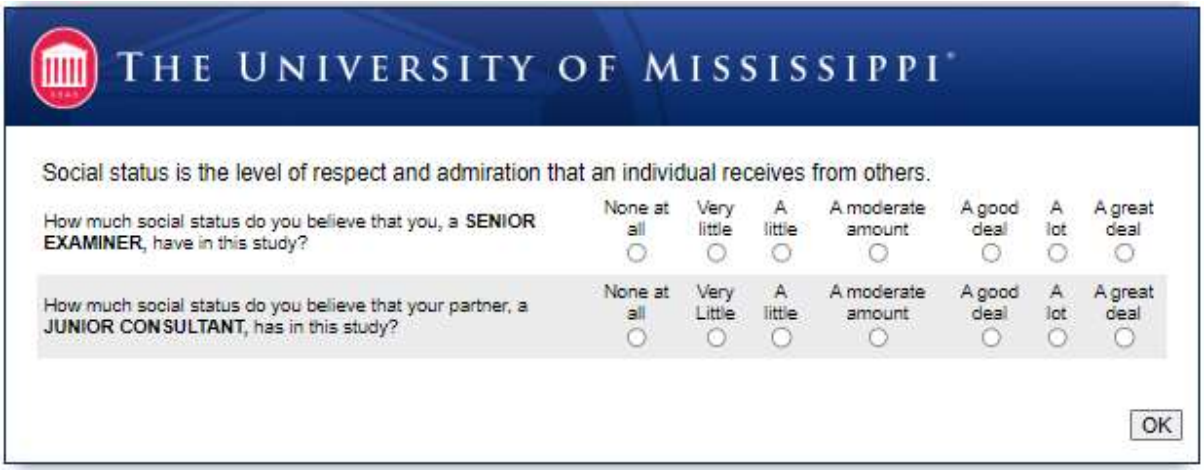
the previous three panels repeat nine more times with nine unique containers

Appendix C: Experiment Two Instrument

[Gumball Instruction and Manipulation Panel One: *previous experience x low social status*]

[Gumball Instruction and Manipulation Panel One: *no previous experience* x *low social status*]

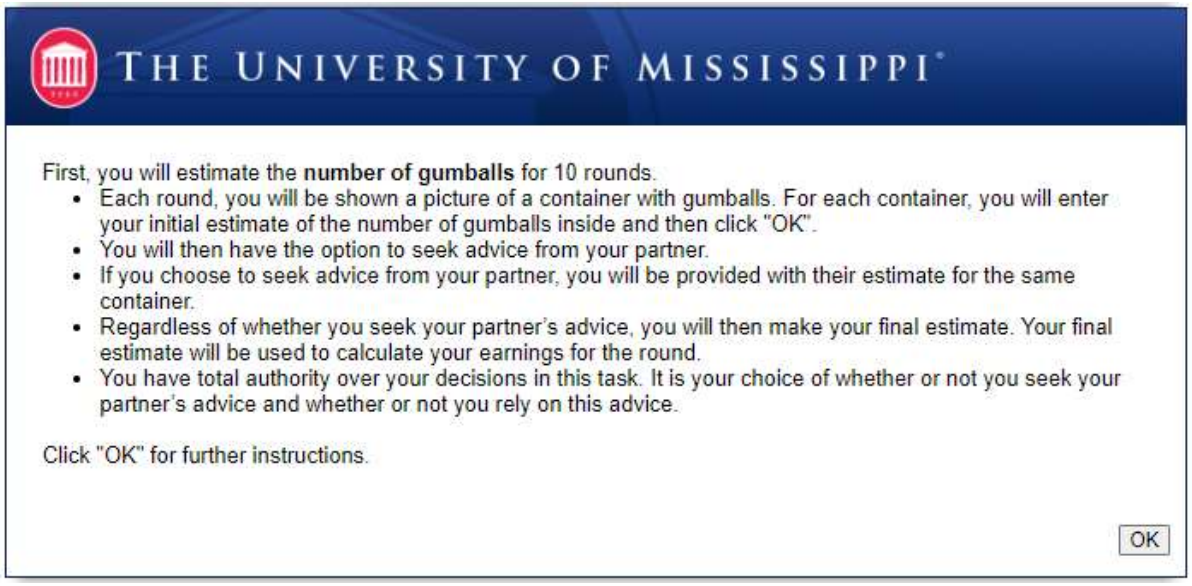
[Gumball Instruction and Manipulation Panels Two through Five: *previous experience x low social status*]



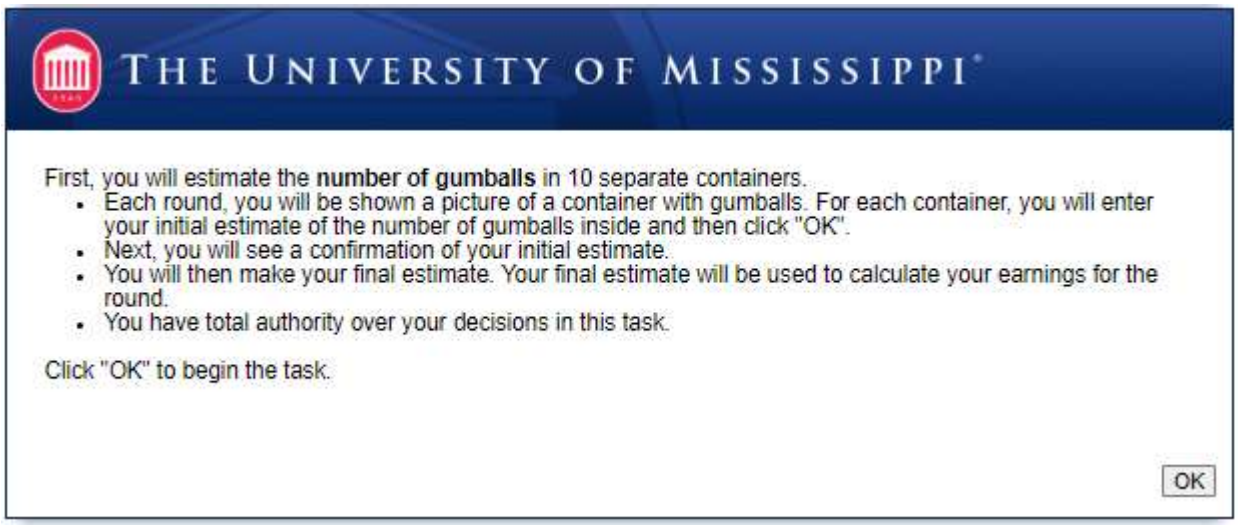
[Gumball Instruction and Manipulation Panel Two through Five: *no previous experience*]

panels not shown to these participants

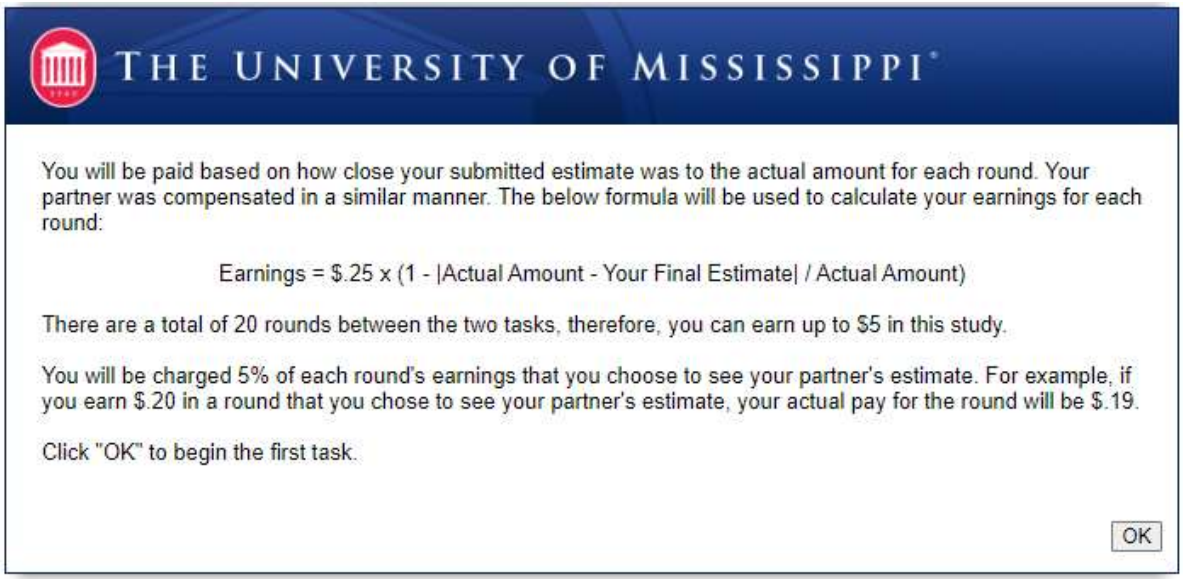
[Gumball Instruction and Manipulation Panel Six: *previous experience*]



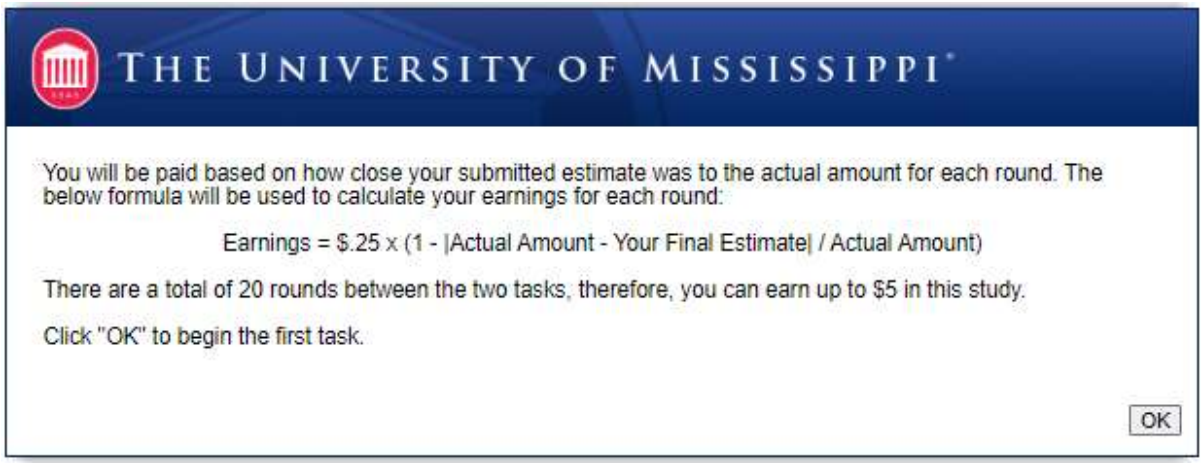
[Gumball Instruction and Manipulation Panel Six: *no previous experience*]



[Gumball Instruction and Manipulation Panel Seven: *previous experience*]

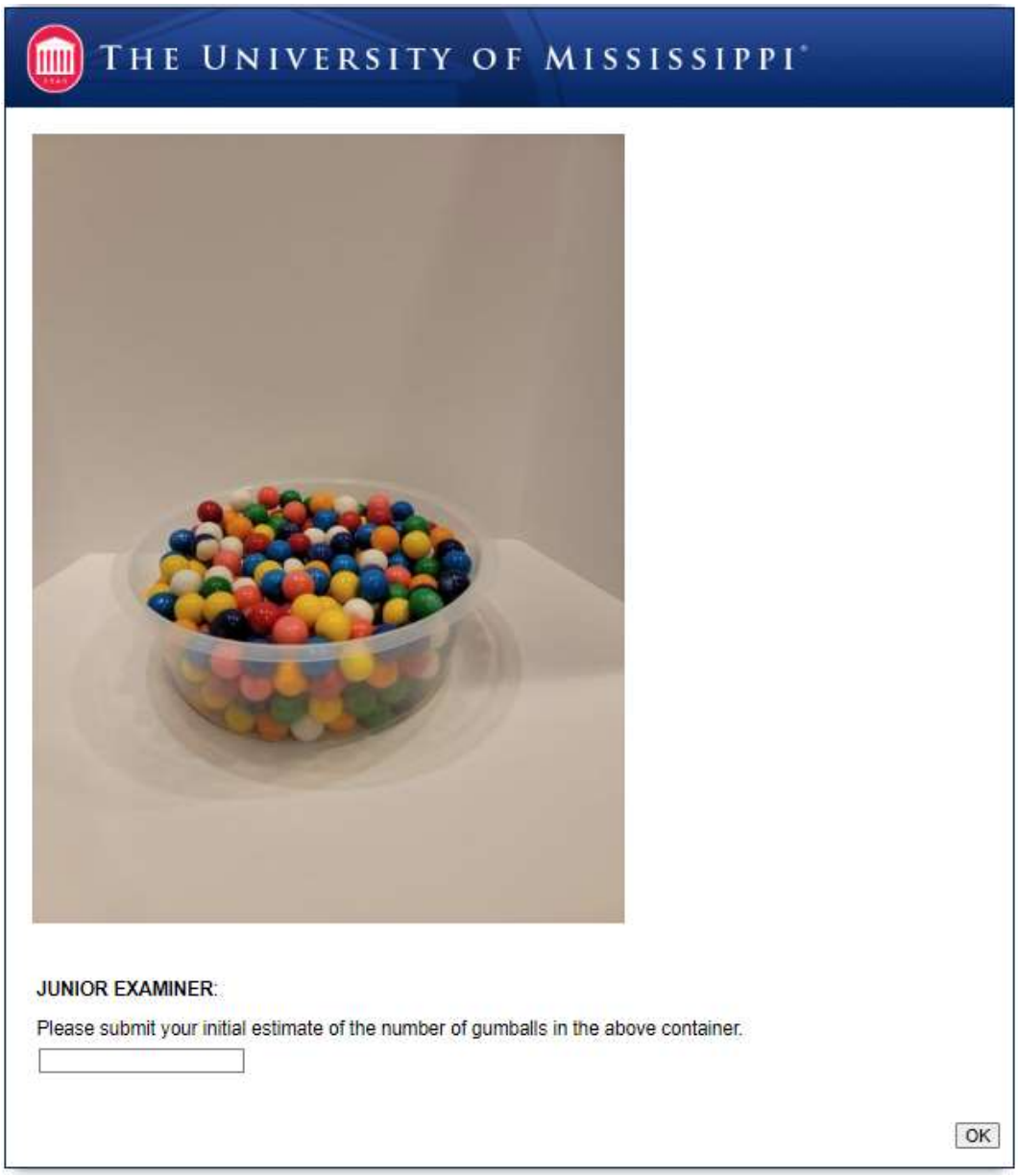


[Gumball Instruction and Manipulation Panel Seven: *no previous experience*]

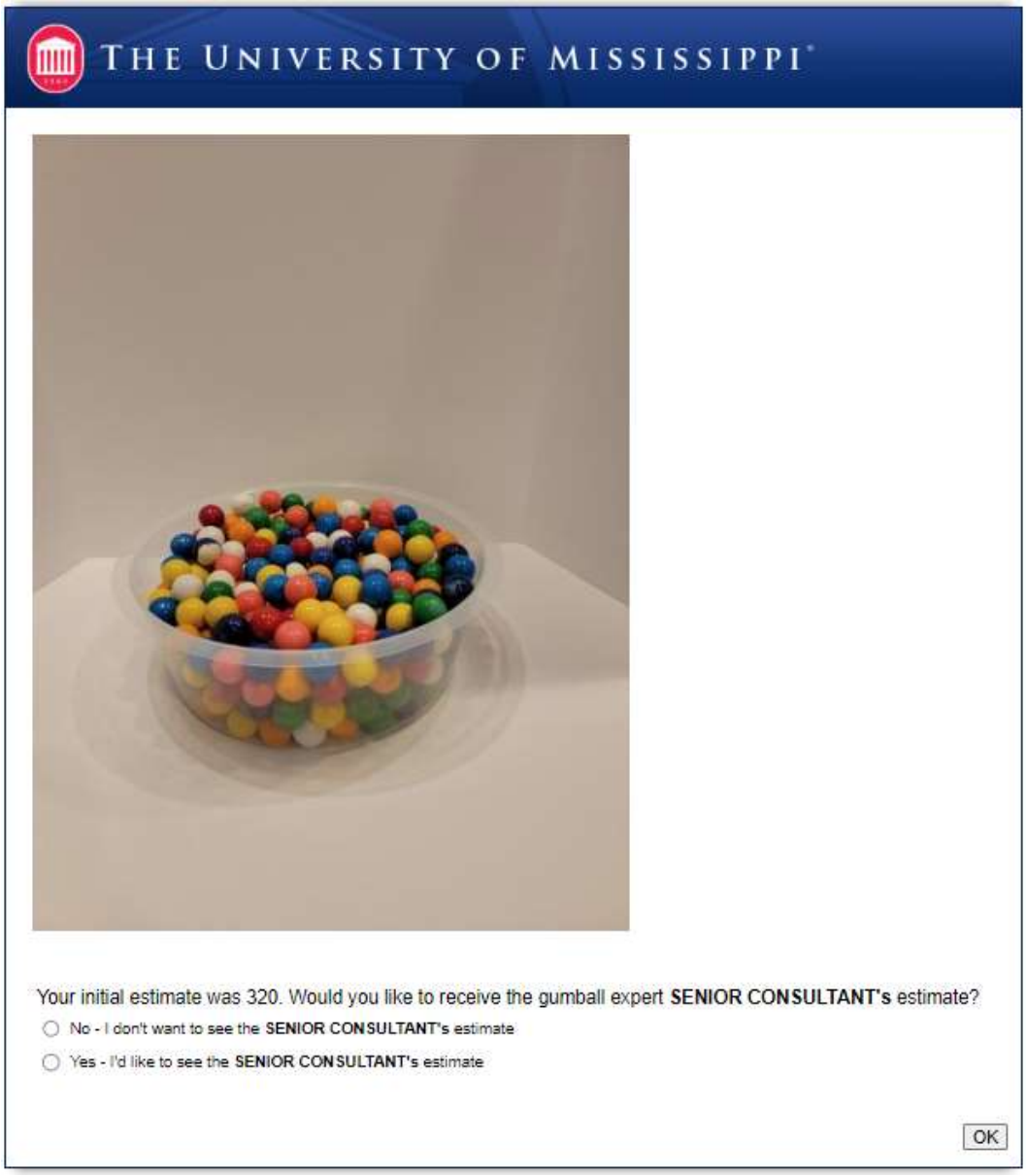


[Gumball Estimation Task Panel One: *All Participants*]

[current example: *high social status*]



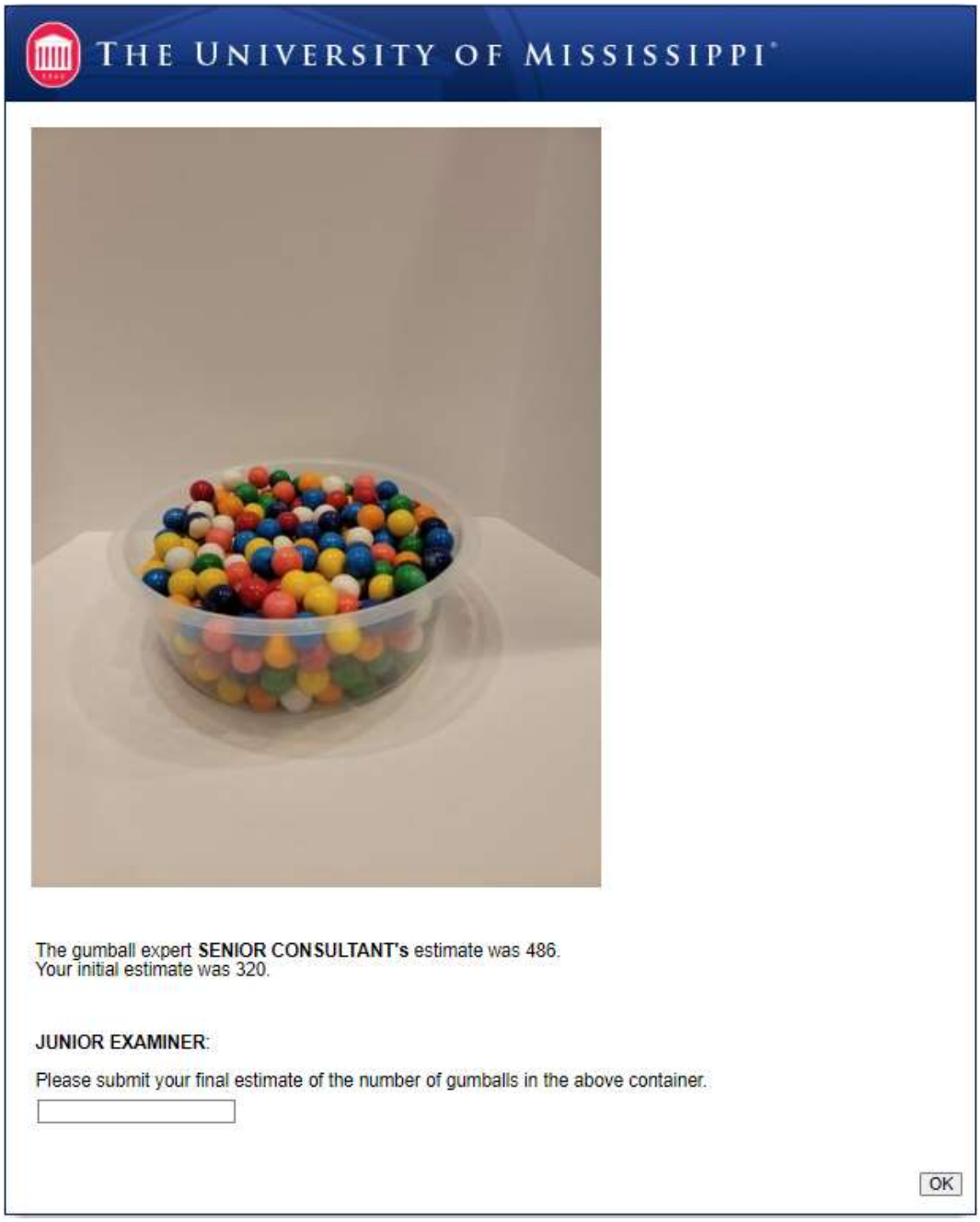
[Gumball Estimation Task Panel Two: *previous experience* x *high social status*]



[Gumball Estimation Task Panel Two: *no previous experience*]

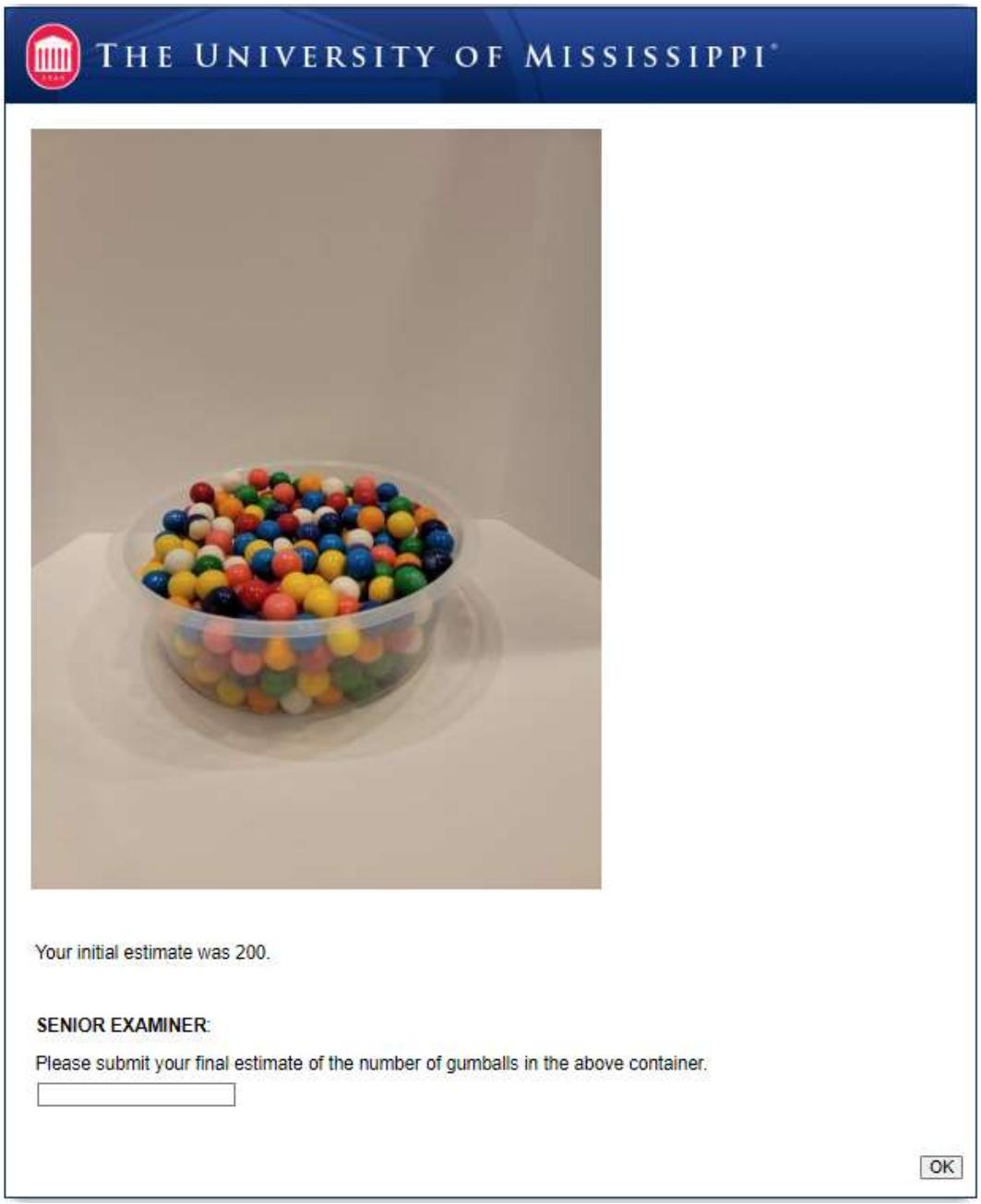
panel not shown to these participants

[Gumball Estimation Task Panel Three: *previous experience* x *high social status*]



the previous three panels repeat nine more times with nine unique containers

[Gumball Estimation Task Panel Three: *no previous experience* x *low social status*]



the previous two panels repeat nine more times with nine unique containers

[Corn Kernel Instruction and Manipulation Panel One: *previous experience*]

[Corn Kernel Instruction and Manipulation Panel One: *no previous experience*]

[Corn Kernel Instruction and Manipulation Panel Two: *All Participants*]

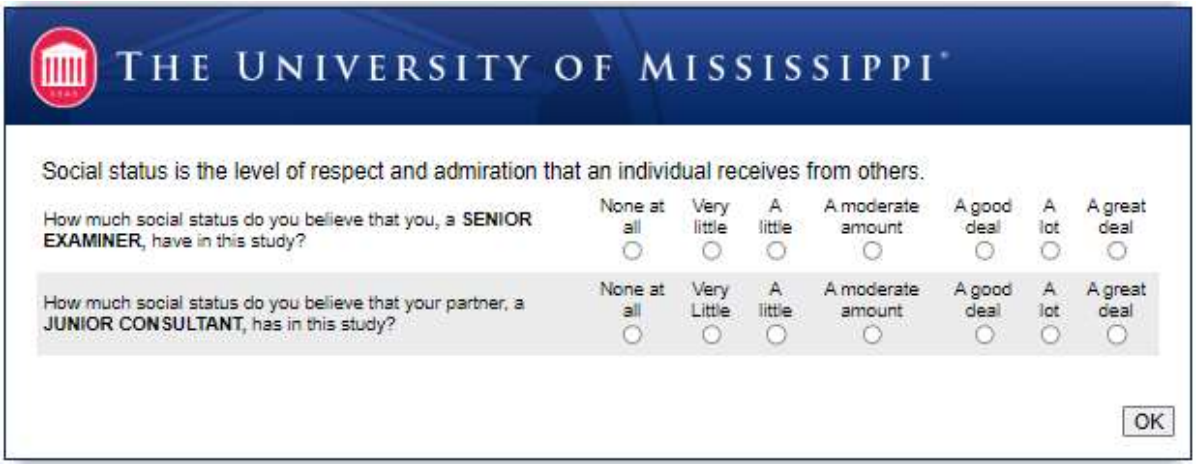
[current example: *high social status*]

[Corn Kernel Instruction and Manipulation Panel Three: *previous experience*]

panel not shown to these participants

[Corn Kernel Instruction and Manipulation Panel Three: *no previous experience*]

[current example: *low social status*]



[Corn Kernel Instruction and Manipulation Panel Four: *All Participants*]

[current example: *low social status*]

[Corn Kernel Instruction and Manipulation Panel Five: *previous experience*]

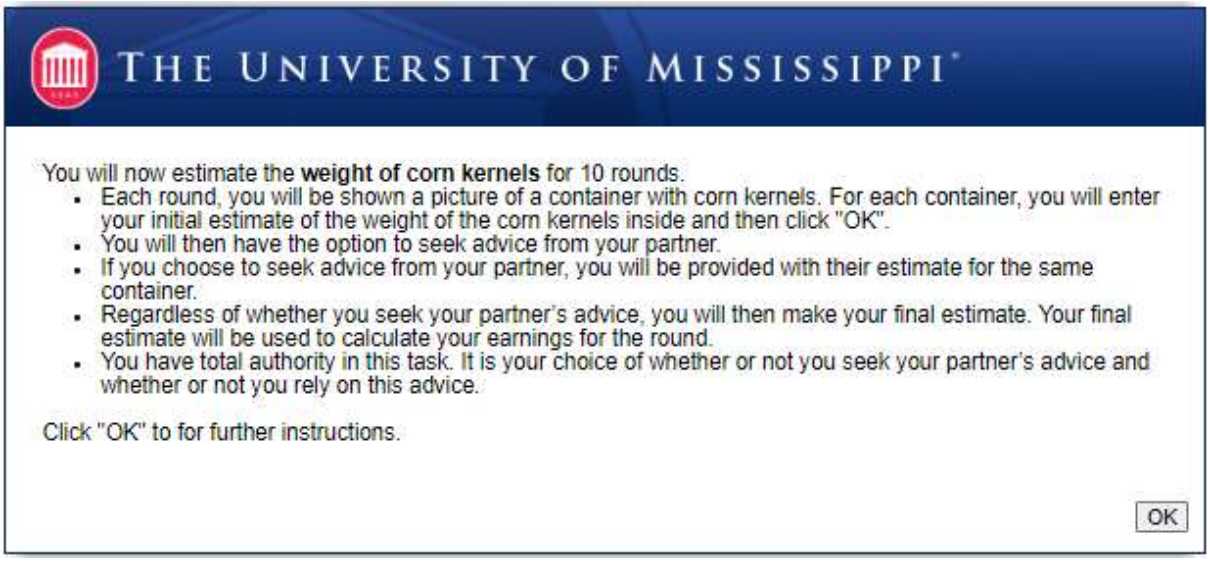
panel not shown to these participants

[Corn Kernel Instruction and Manipulation Panel Five: *no previous experience*]

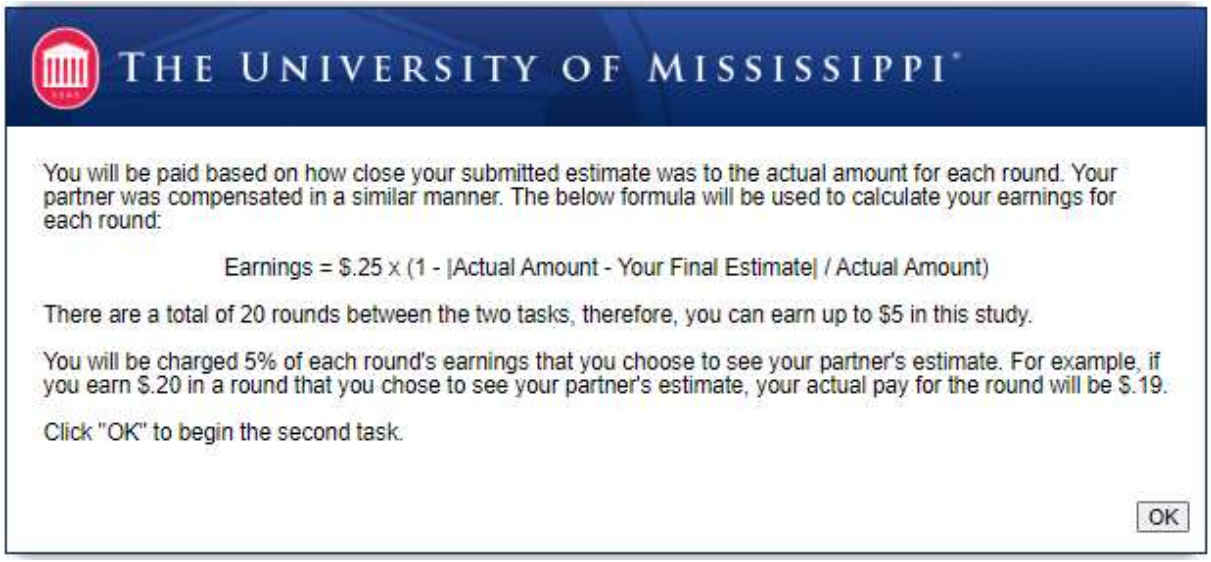
[Corn Kernel Instruction and Manipulation Panel Six: *All Participants*]

[current example: *high social status*]

[Corn Kernel Instruction and Manipulation Panel Seven: *All Participants*]

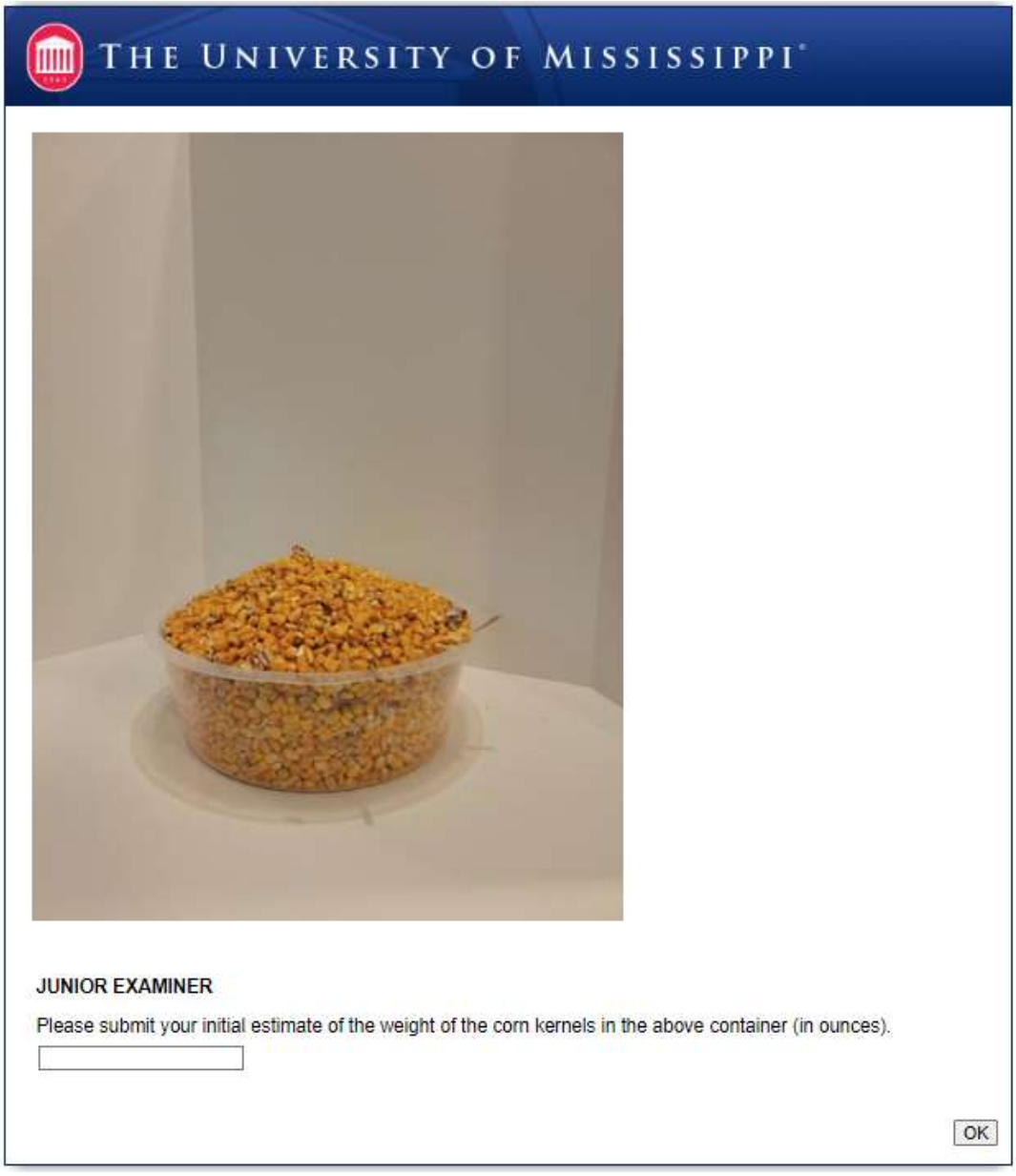


[Corn Kernel Instruction and Manipulation Panel Eight: *All Participants*]



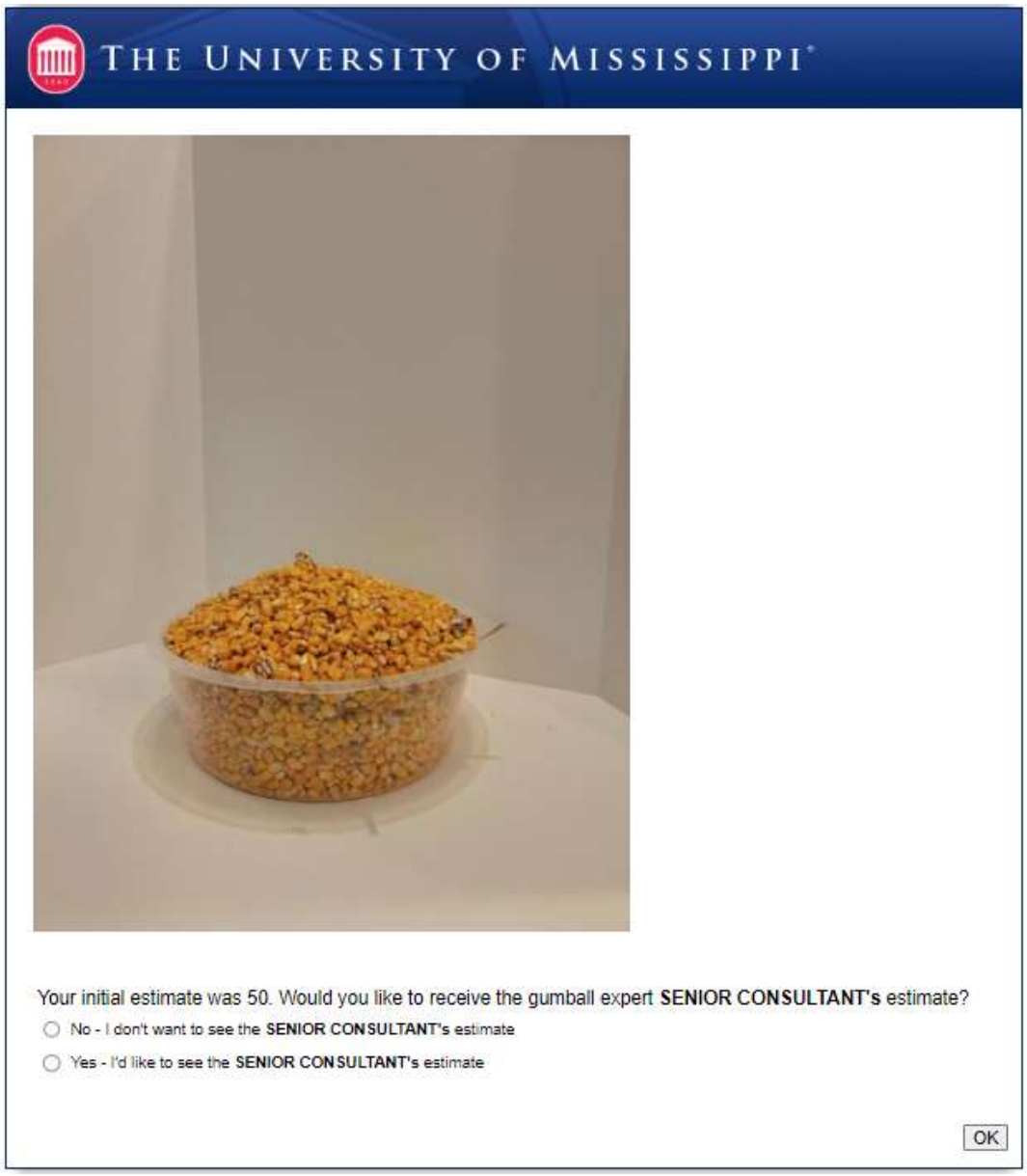
[Corn Kernel Estimation Task Panel One: *All Participants*]

[current example: *high social status*]



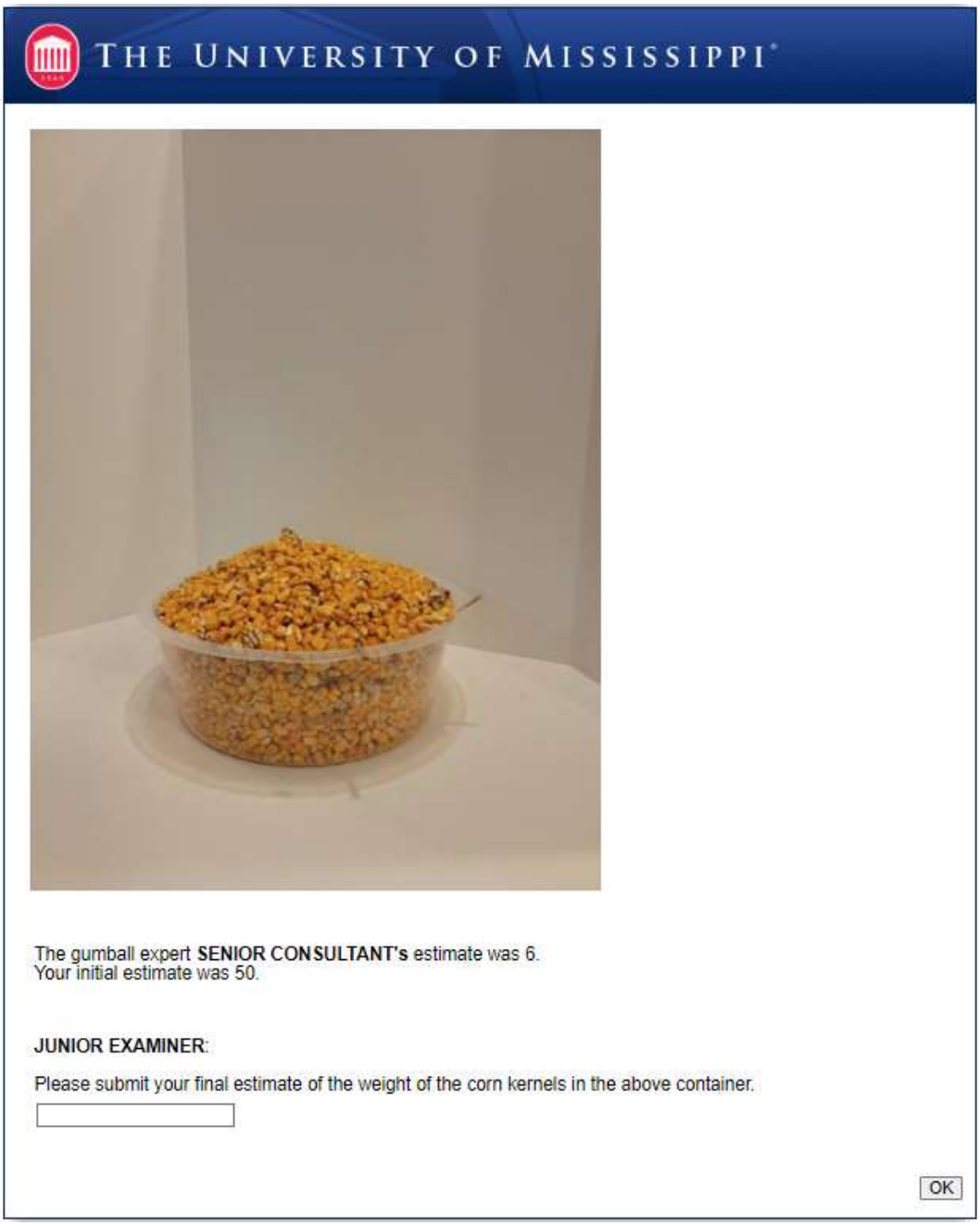
[Corn Kernel Estimation Task Panel Two: *All Participants*]

[current example: *high social status*]



[Corn Kernel Estimation Task Panel Three: *All Participants*]

[current example: *high social status*]



Appendix D: Post-Experimental Questionnaire

[*All Participants*]

1. Was the partner you were assigned designated as an expert? If so, what was their expertise in?
    a. Yes - My partner was a Gumball Quantity Expert
    b. Yes - My partner was a Corn Kernel Expert
    c. No - My partner was not designated as an expert

2. What was your assigned title?
    a. Senior Examiner
    b. Junior Examiner

3. What was your partner's assigned title?
    a. Senior Consultant
    b. Junior Consultant

4. Which tasks were you assigned a partner for?
    a. Gumball Quantity Estimation Only
    b. Corn Kernel Weight Estimation Only
    c. Both Tasks
    d. Neither Task

5. How much power do you believe that you had over your partner?

None at all	Very Little	A little	A moderate amount	A good deal	A lot	A great deal

6. How much power do you believe that your partner had over you?

None at all	Very Little	A little	A moderate amount	A good deal	A lot	A great deal

7. What is your Age? _____

8. What is your gender?
    a. Male
    b. Female

9. How would you classify yourself?
    a. American Indian or Alaska Native
    b. Asian
    c. Black or African American
    d. Hispanic/Latino
    e. Native Hawaiian or Pacific Islander
    f. White/Caucasian
    g. Would rather not say
    h. Other

10. What is the highest level of education you have completed?
    a. Less than high school
    b. High school graduate
    c. Some college
    d. 2 year degree
    e. 4 year degree
    f. Professional degree (MBA, JD, etc.)
    g. Doctorate

VITA

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University, MS 38677

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662.915.7468

Education

2018 – Present
University of Mississippi
Doctor of Philosophy – Accountancy
May 2023 (anticipated)

2015 – 2016
Arkansas State University
Master of Business Administration
May 2016

2011 – 2014
Arkansas State University
Bachelor of Science – Accounting
Magna Cum Laude, "In Honors"
December 2014

Academic Employment

2022 – Present
Mississippi State University
Adkerson School of Accountancy
Visiting Instructor

2018 – 2022
University of Mississippi
Patterson School of Accountancy
Graduate Instructor and Research/Teaching Assistant

2015 – 2016
Arkansas State University
Neil Griffin College of Business
Graduate Instructor and Graduate Assistant

Research

Interests:

- Interactions of auditors with both team members and client managers; data analytics; cybersecurity; financial accounting and reporting; experimental economics.

Dissertation:

- The Effects of Social Status, Expertise, and Prior Experience on Auditor Advice Reliance (Committee: Kendall Bowlin (Chair), Jeremy Griffin, Jeff Pickerd, and John Bentley)

Working Paper:

- The Effects of Social Status and Expertise on Auditor Advice Reliance
    - *Dissertation Paper #1*

Works in Progress:

- The Effects of Social Status and Prior Experience on Auditor Advice Reliance
    - *Dissertation Paper #2*
    - *Current Stage: Reconfiguring Instrument*

- Delay in Discovery and Disclosure of Cyber Security Incidents and Management Credibility (with Rachna Prakash of the University of Mississippi).
    - *Current Stage: Data Analysis and Manuscript Development*

- The Effects of Evaluability on the Selection of Audit Data Analytic Tools (Advisor: Jeff Pickerd of the University of Mississippi).
    - *Current Stage: Rewriting Manuscript*

Presentations:

- "The Effects of Social Status and Expertise on Auditor Advice Reliance"
    - Samford University: Research Workshop 11/15/22
    - Mississippi State University: Research Workshop 9/9/22
    - University of Mississippi: Research Workshop 9/2/22

- "The Effects of Social Status, Expertise, and Prior Experience on Auditor Advice Reliance"
    - University of Mississippi: Dissertation Proposal 4/29/22
    - University of Mississippi: ACCY 707 Brown Bag 11/19/21

- "The Effects of Evaluability on the Selection of Audit Data Analytic Tools"
    - University of Mississippi: Research Workshop 11/13/20
    - University of Mississippi: ACCY 707 Brown Bag 10/9/20

Research Assistant:

- Summer 2020: Dr. Mark Wilder and Dr. Tyler Williams (Bentley University)
- Spring 2020: Dr. Morris Stocks
- Fall 2018 – Spring 2019: Dr. Jeff Pickerd

Teaching

Instructor:

- Intermediate Accounting II:
  - Mississippi State University: Fall 2023 – Spring 2023
    4 sections; 114 students; 3.72 / 4.0 average evaluation rating.
- Introduction to Accounting Principles I:
  - Mississippi State University (ACC 2013): Fall 2023
    1 section; 130 students; 3.243 / 4.0 average evaluation rating.
  - University of Mississippi (ACCY 201): Summer 2019 – Summer 2022
    11 sections; 602 students; 4.24 / 5.0 average evaluation rating.
  - Arkansas State University (ACCT 2033):
    2 sections; 40 students; no ratings available.
- Introduction to Accounting Principles II:
  - University of Mississippi (ACCY 201): Fall 2018 – Spring 2019
    2 sections taught; 120 students; 4.01 / 5.0 average evaluation rating.

Teaching Assistant:

- ACCY 609: Current Topics in Systems and Analytics:
  - University of Mississippi: Fall 2019 and Fall 2020
    Dr. Mitch Wenger

Conferences Attended

- AAA Accounting, Behavior and Organizations Conference: October 2022*
- AAA Annual Meeting: August 2022
- AAA Auditing Section Midyear Meeting: January 2022*
- AAA Auditing Section Midyear Meeting: January 2021*
- AAA Accounting, Behavior and Organizations Virtual Conference: October 2020

Doctoral Consortium Attended*

Professional Service

- AAA Auditing Section 2023 Midyear Meeting: Volunteer Reviewer
- AAA ABO 2022 Research Conference: Paper Discussant
- AAA Annual Meeting 2022 Auditing Section: Paper Discussant
- AAA Annual Meeting 2022 Auditing Section: Session Moderator
- AAA Annual Meeting 2022 ABO Section: Paper Discussant
- AAA AIS Section 2022 Midyear Meeting: Volunteer Reviewer
- AAA Auditing Section 2022 Midyear Meeting: Volunteer Reviewer

Professional Affiliations and Certifications

- Certified Public Accountant, Arkansas (License No: 9668)
- Member, American Accounting Association
- Member, Arkansas Society of Certified Public Accountants

Honors/Awards

- 2016 Arkansas State University Outstanding MBA Graduate Award Winner
- 2015-2016 Fred Stull Fellowship for Graduate Study in Business
- 2015 Featured in the Arkansas Society of CPAs Student Member Profile
- 2015 Arkansas State University Departmental Award for Accounting Winner
- 2014 Arkansas State University Honors College Graduate
- 2014 Arkansas State University College of Business Outstanding Junior

Professional Experience

BKD, LLP

Audit Associate	**2016 – 2018**
Audit Intern	**2015 – 2015**