



Paper Type: Original Article

## Top Management Team Stability and the Quality of Interaction with the Independent Auditor

Akram Afsay<sup>1,\*</sup>, Hassan Shafikhani<sup>1</sup>

<sup>1</sup> Department of Accounting, Farabi Campus, University of Tehran, Qom, Iran; a.afsay@ut.ac.ir.

### Citation:

Received: 27 May 2025

Revised: 03 August 2025

Accepted: 01 September 2025

Afsay, A., & Shafikhani, H. (2025). Top management team stability and the quality of interaction with the independent auditor. *Accounting and Auditing with Application*, 2(4), 326-337.

### Abstract


This article examines the role of senior management team stability in the quality of engagement with the independent auditor and analyzes its importance in promoting professional trust, reducing audit risk, and strengthening professional judgment. Research shows that management stability, by creating mutual understanding and consistent procedures, enables effective interaction and transparent information exchange between management and the auditor. Long-term interactions provide opportunities to improve efficiency and reduce uncertainty, but in the absence of appropriate oversight, they may lead to overreliance and threats to auditor independence. A concentrated ownership structure, institutional interference, and the complexity of the business environment further increase the importance of management stability and oversight frameworks. Concentrated ownership structure, institutional interference, and the complexity of the business environment double the importance of management stability and oversight frameworks. Findings suggest that combining senior management team stability with effective corporate governance mechanisms and internal controls maximizes opportunities for professional engagement with the auditor and minimizes potential threats to it. This article suggests that policymakers and managers should pay special attention to strengthening management stability, maintaining auditor independence, and improving the quality of engagement in order to enhance transparency, investor confidence, and audit effectiveness in Iran.

**Keywords:** Senior management team stability, Audit, Effective engagement.

## 1 | Introduction

The evolution of the role of independent auditing in recent decades, from a mere control mechanism to a key institution in corporate governance, has led to the increasing attention of researchers to the quality of interaction between the auditor and management as one of the determining variables in the credibility of financial reporting. Meanwhile, although the auditing literature has extensively addressed factors such as auditor independence, auditor tenure, industry expertise, economic pressures, and audit committee

 Corresponding Author: a.afsay@ut.ac.ir

 10.22105/aaa.v2i4.85

 Licensee System Analytics. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0>).

characteristics, the role of the behavioral and structural characteristics of the senior management team, especially its stability or instability, has been examined in a scattered and inconsistent manner. While the senior management team, as the main focus of decision-making, production of financial information, and direct interaction with the auditor, plays a fundamental role in shaping the professional atmosphere of auditing [1]. Top management team stability, which is usually defined as the persistence of key management members over relatively long periods of time, has been linked in the strategic management literature to concepts such as cognitive coherence, organizational memory, and decision-making coordination [2]. Research suggests that managerial stability can lead to improved decision quality, reduced internal uncertainty, and increased predictability of organizational behavior [3]. However, the implications of this stability become more complex when viewed in the context of interactions with external oversight bodies, particularly independent auditors, where both professional trust and conflict of interest are simultaneously present. The quality of the interaction with the independent auditor is a multidimensional concept that is not limited to the frequency of meetings or the speed of management's response, but also includes information transparency, honesty of communication, the degree of cooperation in presenting evidence, respect for the auditor's professional judgment, and acceptance of corrective recommendations [4]. Audit studies show that poor or hostile interactions between management and the auditor can lead to reduced audit effectiveness, increased undetected risk, and weakened professional skepticism. On the other hand, overly friendly interactions based on long-term relationships may also threaten auditor independence and provide the basis for excessive trust [5]. In this context, the stability of the senior management team can play a dual and even contradictory role. On the one hand, the continued presence of senior managers can lead to the establishment of standard procedures for interacting with the auditor, reduce communication tensions, and facilitate mutual understanding of business risks. Stable managers usually have a deeper understanding of audit requirements, auditor professional sensitivities, and financial reporting implications, and this can enhance the quality of professional communication. On the other hand, this same stability may lead to the formation of informal relationships, normalization of interactions, and reduction of the level of mutual challenge, a situation in which the auditor gradually moves away from the independent supervisory position and the interaction becomes a less challenging collaboration. The importance of this issue is further amplified in the context of developing countries and economies based on weaker institutional systems, including Iran. The concentrated ownership structure, the widespread presence of state-owned and quasi-state companies, the influence of controlling shareholders, and the relative weakness of the capital market in exercising effective supervision, make the role of the independent auditor more prominent as one of the few external mechanisms of corporate governance [6]. In such an environment, the characteristics of the senior management team, especially its stability, can directly affect the quality of the interaction with the auditor and, consequently, the quality of financial reporting. In Iran, the stability of the senior management team is often not only a function of economic performance, but is also affected by institutional, political, and ownership factors. Management changes in many companies, especially state-owned and publicly-owned companies, are not necessarily the result of professional performance assessments, but are sometimes the result of external changes in the power structure and policy-making. On the one hand, this situation can lead to chronic management instability and difficulty in establishing sustainable professional interactions with the auditor. On the other hand, in cases where long-term management stability is established, it increases the risk of closed and opaque relationships between management and the auditor.

The audit literature in Iran has mainly focused on variables such as auditor tenure, audit firm size, audit fees, and independence, and has paid less attention to the role of management behavioral characteristics. This is while international research shows that auditor judgments are strongly influenced by the quality of interaction with management, and this interaction is itself subject to the personality traits, stability, and leadership style of the senior management team [4]. Ignoring this behavioral dimension, especially in the analysis of audit risk and audit quality, can lead to an incomplete understanding of professional realities. From a theoretical perspective, the link between the stability of the senior management team and the quality of interaction with the independent auditor can be analyzed at the intersection of agency theory, corporate governance theory, and behavioral approaches to auditing. Agency theory emphasizes the inherent conflict of interests between

managers and owners and introduces the auditor as a mechanism to reduce this conflict [7]. In this framework, managerial stability can both lead to a reduction in agency costs through increased accountability and, in the case of weak supervision, to a deepening of opportunistic behaviors. Behavioral approaches to auditing also show that human relationships, trust, and long-term familiarity can influence the auditor's professional judgment by cognitive biases [8]. Given the gap in the literature, especially in the Iranian research environment, addressing the issue of senior management team stability and the quality of interaction with the independent auditor from a review and analytical perspective can create several scientific and professional added values. First, this approach helps enrich the audit literature by introducing behavioral and managerial variables. Second, it provides a conceptual framework for a better understanding of hidden risks in management-auditor interactions. Third, it can provide a basis for developing professional guidelines for auditors, audit committees, and supervisory bodies. Finally, in a situation where public trust in financial reporting and the audit institution is facing challenges in many economies, including Iran, an in-depth examination of soft and less visible factors such as the stability of the senior management team and its consequences for the quality of interaction with the auditor is of importance beyond a mere academic discussion. This issue can lead to promoting transparency, strengthening audit independence, and improving the overall functioning of the corporate governance system, and from this perspective, it deserves serious attention from accounting and auditing researchers and professionals. Conceptual explanation of senior management team stability. Senior management team stability is one of the fundamental concepts in the strategic management and corporate governance literature, the theoretical roots of which can be found in the "top-level organization theory" approach; an approach that is based on the assumption that the collective characteristics of senior managers indirectly but significantly affect organizational outcomes [1]. Top management team stability usually refers to the continuity of key management members over a period of time, but it goes beyond the nominal permanence of individuals and includes stability in interaction patterns, power distribution, decision-making norms, and team leadership styles [2]. In the scientific literature, management stability has been associated with outcomes such as increased organizational memory, cognitive coherence, and reduced coordination costs. Stable management teams, through shared experience and mutual recognition, are able to process complex information more quickly and make more consistent decisions.

In environments where decision-making requires continuous interaction with external entities, including independent auditors, this characteristic can lead to the formation of coherent and predictable communication procedures. However, research warns that long-term stability may lead to groupthink, reduce diversity of viewpoints, and weaken intra-team challenge [9]. From a corporate governance perspective, the stability of the top management team has a dual nature. On the one hand, the continued presence of managers can increase their accountability for the long-term consequences of decisions and limit short-term opportunistic behaviors [10]. On the other hand, in the case of weak monitoring mechanisms, excessive stability may lead to the concentration of managerial power and reduce the effectiveness of board and auditor oversight. This duality becomes more prominent when managerial stability is not the result of performance, but rather the result of institutional factors or informal relationships. In the Iranian context, the concept of top management team stability is influenced by specific institutional characteristics. The concentrated ownership structure, the extensive presence of the government and quasi-government institutions, and the role of non-economic factors in managerial appointments mean that management stability or instability does not necessarily reflect efficiency or inefficiency. In many companies, management changes are subject to external developments, and this can lead to chronic instability or, conversely, to long-term unresponsive stability. In such circumstances, the stability of the senior management team is more than a simple structural indicator, an institutional and behavioral phenomenon that has important consequences for the quality of interaction with the independent auditor. From this perspective, the conceptual explanation of the stability of the senior management team requires a look beyond quantitative measures such as CEO tenure and should include real stability in behaviors, decision-making norms, and professional relationships [11]. Such an approach allows for a more detailed analysis of the role of management stability in shaping patterns of interaction with the independent auditor, the level of information transparency, and the quality of professional accountability, and

will pave the way for a deeper understanding of the risks and opportunities inherent in this phenomenon in the economic and institutional environment of Iran.

## 2 | The Concept and Dimensions of the Quality of Interaction with the Independent Auditor

The quality of interaction with the independent auditor is one of the central concepts in the audit and corporate governance literature that directly affects the effectiveness of the audit process and the credibility of financial reporting. This concept is defined beyond the formal relationship between management and the auditor and includes various dimensions such as information transparency, professional accountability, respect for the auditor's judgment, and cooperation in providing audit evidence [4]. Research shows that weak or ineffective interactions between managers and the auditor can lead to reduced audit quality, increased undetected risk, and reduced professional skepticism [12]. In contrast, effective interactions, based on mutual trust and respect, strengthen auditor independence and improve the accuracy and reliability of financial reports [5]. The quality of engagement with the independent auditor is influenced by several key factors, including the behavioral characteristics of the senior management team, managerial stability, the complexity of the firm's operations, the size and type of the audit firm, and the institutional environment [13]. The stability of the senior management team, in particular, plays a decisive role in establishing a stable and predictable professional relationship with the auditor, as stable managers have a deeper understanding of the audit requirements and the auditor's professional sensitivities, which can enhance the quality of the engagement [14]. However, a long-term relationship without an appropriate oversight framework may compromise the auditor's independence and provide the basis for overconfidence and reduced professional challenge [15]. In Iran, the concept of quality engagement with the independent auditor faces specific institutional and economic complexities. The concentrated ownership structure and the extensive presence of controlling shareholders, the relative weakness of capital market institutions, and political changes in state-owned and quasi-state companies mean that management-auditor interactions are often shaped by informal relationships and institutional pressures [6]. In such an environment, the quality of interaction with the auditor is not only a function of the professional and behavioral characteristics of managers, but also the result of institutional requirements and internal policy-making. The dimensions of interaction quality include three main axes: The first axis is information transparency, which is related to the extent to which management provides complete, accurate, and timely information to the auditor [4].

The second axis is the auditor's skepticism and professional accountability, which is revealed through the degree of challenge, careful examination of documents, and the implementation of audit tests and internal controls [12]. The third axis is cooperation and mutual respect, which refers to the way managers interact with the auditor's recommendations, corrections, and requests and can strengthen or weaken the long-term professional relationship [14]. In the Iranian context, the weakness of regulatory institutions and the complexity of the economic environment make the quality of interaction with the independent auditor more dependent on the behavioral and institutional characteristics of the senior management team than in other countries. Stable managers who are aware of the importance of auditing are able to create effective communication frameworks and help reduce the risk of incomplete or opportunistic reporting. This characteristic is especially important in family-owned, state-owned, and large companies with concentrated ownership, as the role of the independent auditor as the only external monitoring entity becomes more prominent. A review of the literature shows that the quality of interaction with the independent auditor has a significant impact on audit effectiveness, fraud detection, compliance with financial reporting standards, and investor confidence. In environments with stable management, the likelihood of establishing continuous and reliable professional communications increases and the auditor will be better able to assess financial realities and potential risks. In contrast, management instability or frequent changes in key members of the management team can disrupt information flow, reduce coordination, and increase uncertainty in the audit process [11]. In general, the quality of interaction with the independent auditor is a key mechanism in improving corporate governance, reducing risk, and increasing market confidence. Analysis of the Iranian

context shows that the combination of behavioral and institutional characteristics of the senior management team determines the quality of interaction with the auditor and can have a direct impact on the effectiveness of financial reporting. This highlights the need to pay special attention to the stability of the senior management team and to explain the dimensions of professional interaction with the independent auditor in review and extension studies, and paves the way for the promotion of theoretical frameworks and practical recommendations in the field of auditing and corporate governance in Iran [3], [4], [17].

### **3 | Stability of the Senior Management Team and the Formation of Professional Trust Between Management and the Auditor**

The stability of the senior management team, as a structural and behavioral characteristic, plays a key role in the formation of professional trust between management and the independent auditor. Professional trust in this context means the auditor's belief in the honesty, transparency, and adherence to auditing standards of managers, which can directly affect the quality of interaction and the effectiveness of the audit process [14]. International research shows that managerial stability creates stable and predictable professional relationships between managers and auditors, so that the auditor has a greater ability to assess financial facts and identify risks and the likelihood of encountering incomplete or inconsistent information is reduced [12]. In contrast, unstable management teams often face behavioral fluctuations, policy changes, and inconsistencies in information provision, which undermine auditor trust and negatively affect the quality of the interaction. Professional trust between management and auditor depends, in addition to stability, on the personality traits and leadership style of the senior management team. Experienced and stable managers, with a correct understanding of audit requirements and the auditor's professional sensitivities, establish clear and effective communications and help reduce misunderstandings and excessive skepticism [4]. This mutual trust causes the auditor to present his findings and corrective recommendations without worrying about informal barriers, and managers also consider them as valuable input for strategic decision-making [15]. In the Iranian context, the importance of the stability of the senior management team in the formation of professional trust is more prominent. The centralized ownership structure, the influence of the government and quasi-government institutions, and the presence of controlling shareholders in large and state-owned companies create conditions in which informal relationships and institutional pressures can affect trust between managers and the auditor [6]. In such an environment, the stability of the senior management team is not only a factor of internal cohesion, but also a mechanism for reducing the risk of incorrect information and increasing the reliability of financial reports. By establishing standard procedures for interacting with the auditor, stable managers can reduce the likelihood of conflicts of interest and misunderstandings, which leads to improved interaction quality and increased professional trust.

Research suggests that senior management tenure provides the basis for building professional trust by promoting mutual recognition, coordination in decision-making, and behavioral consistency [18]. This trust enables the auditor to fully conduct internal control review and testing processes and provide effective corrective recommendations without worrying about management resistance. Conversely, frequent changes in senior management team members or unexpected replacements can weaken this trust and force the auditor to spend more resources on verifying the accuracy of information, which leads to increased costs and reduced audit effectiveness [11]. In Iranian companies, the stability of senior management is also usually affected by institutional and political factors. Management changes resulting from political pressures or government board decisions may disrupt the apparent stability of the team and reduce auditor trust. On the other hand, companies with long-term management stability are more likely to build a trusting professional relationship with the auditor, but in the absence of appropriate oversight mechanisms, overconfidence may develop and compromise the auditor's independence. Therefore, the stability of the senior management team should always be accompanied by effective oversight frameworks and attention to the balance between trust and professional independence. In general, the stability of the senior management team, as a key factor in the formation of professional trust between management and the auditor, has a direct impact on the quality of interaction, audit effectiveness, and the reliability of financial reporting. Analysis of the Iranian context shows

that the combination of behavioral characteristics, experience, and stability of the senior management team, in an environment with a concentrated ownership structure and weak regulatory institutions, determines the quality of interaction and professional trust between managers and the auditor and can help reduce reporting risks and improve corporate governance [12], [14], [16].

## 4 | Management Stability and Auditor Professional Skepticism

The stability of the senior management team has a significant impact on auditor professional skepticism, because the continued presence of key managers both stabilizes management behavior and decision-making patterns and provides a basis for predicting financial and organizational behavior [14]. Professional skepticism, which refers to the auditor's cautious and critical attitude toward information provided by management and a commitment to scrutinizing evidence, is considered a key component of audit quality [19]. Research suggests that in organizations with management stability, auditors may reduce their level of skepticism over time because continuous experience of interacting with the same management team increases trust and reduces uncertainty in assessments [4]. This phenomenon can lead to improved interaction efficiency and reduced review time on the one hand, but on the other hand, it carries the risk of reduced independence and increased cognitive biases [8]. International research shows that auditor professional skepticism is a function of business complexity, company size, level of information transparency and long-term relationships with management [12]. In environments where the senior management team is stable and has long-term relationships with the auditor, there is a possibility of reduced professional skepticism, because the auditor becomes familiar with the team's decision-making style and reporting practices and their behavior becomes easier to predict. This reduces audit costs and increases process efficiency, but can increase the risk of overconfidence and ignoring warning signs [20]. In the Iranian context, specific institutional and ownership characteristics create unique complexities for auditors' professional skepticism. The widespread presence of controlling shareholders, concentration of ownership, and political interference in management changes mean that apparent management stability does not always translate into predictability and risk reduction. In many state-owned and quasi-state companies, management changes are sometimes dramatic and result from institutional pressures, and as a result, the auditor is forced to monitor information more closely and continuously to maintain his professional skepticism [6]. Some studies have suggested that management stability should be accompanied by strong supervisory frameworks so that the auditor's professional skepticism is not reduced and its independence is maintained [21]. In environments with weak oversight, stable teams may lead to the formation of overly trusting relationships, in which the auditor gradually reduces his/her challenge and ignores corrective recommendations [15]. This issue is particularly important in Iran due to the relative weakness of the capital market and supervisory institutions, and shows that the stability of the senior management team without effective control mechanisms can be a threat to audit quality. In addition, the leadership style and professional experience of the senior management team play an important role in determining the level of professional skepticism of the auditor. Experienced and stable managers, with a better understanding of the audit requirements, can establish clear and constructive communications with the auditor and help reduce unnecessary skepticism, without compromising the auditor's professional independence [4].

In contrast, unstable or frequently changing management teams often increase auditor skepticism and hesitation, as management behavior and decisions become difficult to predict and information received appears less reliable [11]. Therefore, the relationship between management stability and auditor professional skepticism is a two-way and complex one. Management stability can improve engagement efficiency and reduce uncertainty, but in the absence of appropriate oversight, it increases the risk of reduced skepticism and overconfidence in management. Analysis of the Iranian context shows that in order to maintain auditor professional skepticism and improve engagement quality, it is essential that the stability of the senior management team is accompanied by effective oversight mechanisms, strong internal controls, and professional training of auditors.

## 5 | Implications of Senior Management Team Stability for Auditor Independence

Senior management team stability is considered a key factor affecting auditor independence, as this structural feature stabilizes managers' behavior and decision-making patterns and allows the auditor to predict their actions [14]. Auditor independence refers to the auditor's ability to provide an impartial assessment without being influenced by management pressures and interests, and is considered one of the main prerequisites for audit quality and financial reporting credibility [5]. Research shows that management stability can have dual effects on auditor independence; on the one hand, mutual recognition and ongoing communication can provide the basis for professional trust and constructive cooperation, and on the other hand, the continuation of long-term relationships may lead to overconfidence and reduced auditor challenge [15]. Empirical studies suggest that stable management teams tend to provide more transparent organizational information and establish predictable internal procedures, which allows the auditor to maintain focus on data analysis and risk assessment and better exercise professional independence [20]. In contrast, frequent changes in key management members can lead to increased time pressures, reduced information coordination, and increased likelihood of informal interference in the audit process, which threaten auditor independence. In complex, centrally owned environments, such as Iran, the implications of top management team stability for auditor independence are particularly important. State-owned and quasi-state-owned companies, with their unique ownership structure and political interference in management decisions, may experience apparent management stability that is actually a function of institutional and political factors, rather than professional performance and competence. In such circumstances, the auditor needs to be aware of the institutional context and carefully analyze the behavior of managers to maintain his independence. According to the theoretical frameworks of corporate governance, management stability can increase trust and reduce the risk of incorrect information, but this will only lead to the promotion of auditor independence when monitoring mechanisms such as active boards, audit committees, and professional auditing standards are properly implemented [21]. Otherwise, the continuation of the management-auditor relationship may lead to the formation of interdependence and a decrease in professional challenge. From the perspective of professional behavior, when faced with a stable management team, the auditor can optimize his interactions, balance his level of skepticism, and independently evaluate data by better understanding the decision-making style and priorities of the organization [22]. This dynamic is particularly important in large Iranian companies, where the complexity of operations and concentration of ownership can severely affect auditor independence. According to recent research, management stability is recognized as a dual factor: on the one hand, stability reduces uncertainty, establishes standard procedures, and facilitates information exchange with the auditor, thus strengthening professional independence; on the other hand, long-term relationships without appropriate control frameworks may reduce challenge, psychological dependence, and threats to independence [15], [16]. Therefore, in the Iranian environment, the stability of the senior management team should always be analyzed in the context of effective supervision, appropriate internal controls, and professional training of auditors so that its consequences for auditor independence are positive. This analysis suggests that policymakers, boards of directors, and regulators should consider the balance between management stability and auditor independence to enhance the quality of engagement and the credibility of financial reporting. Finally, the stability of the senior management team in Iran, given the specific institutional and ownership conditions, plays a pivotal role in determining the degree of auditor independence and can strengthen or weaken audit quality. A thorough understanding of this relationship is essential for designing effective corporate governance mechanisms and promoting transparency and trust in the financial market.

## 6 | The Role of Senior Management Team Stability in Audit Risk and Professional Judgment

The stability of the senior management team plays a key role in determining the level of audit risk and the quality of the auditor's professional judgment, because the continued presence of key management members

stabilizes the organization's behaviors, decision-making styles, and internal procedures, which ultimately affect the transparency of information and the predictability of financial performance [1]. Audit risk refers to the likelihood that the auditor will issue an incorrect opinion as a result of error or fraud, and the quality of professional judgment includes the auditor's ability to analyze information, identify risks, and make independent decisions based on professional standards [4]. Research has shown that in environments with management stability, auditors are able to better assess audit risk and make more accurate professional decisions due to reduced uncertainty and increased understanding of management behavior [12]. The continuity of the senior management team allows the auditor to become familiar with the decision-making styles, reporting methods, and interactions of the management team, and to perform the risk analysis and evidence review process more accurately and efficiently [20]. This mutual recognition enhances professional judgment and reduces the likelihood of misinterpretation or error in the auditor's decision-making, because he can evaluate the information received from management in a reliable and predictable framework. On the other hand, management instability increases uncertainty and complexity in risk assessment and forces the auditor to spend more resources on collecting and analyzing information, which can increase audit costs and have a negative impact on the quality of judgment [19]. In the Iranian environment, the importance of the stability of the senior management team in reducing audit risk and improving professional judgment is even more evident. Government and quasi-government companies, with concentrated ownership and institutional and political interference in management appointments, create conditions in which management changes are often unpredictable and caused by external pressures [6].

In such an environment, the stability of the senior management team not only helps to reduce uncertainty, but also paves the way for the formation of standard and consistent procedures in interaction with the auditor, reducing the likelihood of hidden risks and increasing the quality of the auditor's professional decision-making. Studies show that management stability is especially effective when accompanied by strong monitoring mechanisms and appropriate internal controls. In the absence of such mechanisms, the continuity of the management-auditor relationship may lead to excessive trust and reduce skepticism and independence of the auditor, which in turn can increase audit risk [5]. Therefore, management stability should be analyzed with respect to the balance between effective interaction and maintaining professional independence so that its consequences on audit risk and professional judgment are positive. In Iranian companies, the role of senior management team stability in audit risk and professional judgment is more prominent due to the complexity of the ownership structure and institutional environment. By creating consistent behavioral patterns and predictable decision-making procedures, stable managers enable the auditor to more accurately assess risks and comprehensively analyze financial information, while frequent management changes disrupt the flow of information and increase unknown risks. This indicates that managerial stability and the quality of interaction with the auditor are two complementary factors in promoting audit effectiveness and strengthening professional decisions. In general, senior management team stability has a direct and indirect effect on audit risk and professional judgment. Analysis of the Iranian context suggests that the combination of behavioral characteristics, experience, and stability of the senior management team in an environment with a concentrated ownership structure and weak regulatory institutions determines the quality of the auditor's judgment and his ability to identify and manage audit risks [12], [14]. Finally, the stability of the senior management team not only helps reduce uncertainty and increase the auditor's knowledge, but also, by creating a platform for continuous professional interaction, enables independent decision-making based on professional standards. This fact indicates that policymakers, boards of directors, and regulatory institutions should pay special attention to the interaction between management stability and auditor's professional judgment in order to improve the quality of financial reporting and audit effectiveness in Iran.

## **7 | Long-Term Management-Auditor Interactions: Opportunities and Threats**

Long-term interactions between the senior management team and the independent auditor are a complex phenomenon in the audit and corporate governance literature that pose both significant opportunities and

threats to audit quality and financial reporting. Research has shown that long-term interactions can increase mutual understanding, build professional trust, and improve the efficiency of the audit process, as the auditor becomes familiar with management's decision-making style, behavioral patterns, and procedures and is able to analyze risks and financial information more accurately [14].

This understanding reduces uncertainty, improves professional judgment, and speeds up the audit process, allowing the auditor to focus resources on analyzing important risks and key issues [20]. On the other hand, long-term interactions also pose challenges. Long-term relationships may lead to auditor overconfidence in management and reduced professional skepticism, which in turn can undermine auditor independence and increase the likelihood of accepting inaccurate or undervalued information. Research suggests that psychological dependence and excessive interaction with management can create cognitive biases, reduce challenge, and weaken internal audit controls. Thus, long-term interactions are a dual phenomenon that brings both benefits of recognition and trust and potential risks of threatening independence and professional skepticism [12]. In environments with concentrated ownership and weak regulatory institutions, such as Iran, the consequences of long-term interactions between the management team and the auditor become particularly important. Many Iranian companies, especially state-owned and quasi-state-owned, have complex ownership structures and extensive institutional relationships that make management changes subject to political and institutional pressures [6]. In such circumstances, long-term engagement can help establish standard and predictable procedures in interacting with the auditor and reduce the risks of incorrect information and incomplete reporting [11].

These interactions also provide the basis for mutual professional trust, which allows the auditor to focus on key issues and risk analysis rather than spending time collecting scattered information [4]. However, weak oversight and institutional pressures can cause long-term engagements to lead to auditor overdependence and reduced independence. In many Iranian companies, long-term relationships between managers and auditors may lead to reduced challenge, automatic acceptance of management information, and reduced professional skepticism, which threatens audit quality [15]. Therefore, long-term engagement should be analyzed with strong oversight frameworks, ongoing professional training, and effective internal controls to maximize its benefits and minimize its potential threats [21]. Research shows that the balance between trust and skepticism in long-term engagements is key to improving audit quality. Ongoing engagements improve coordination, reduce misunderstandings, and increase the accuracy of evidence collection, but in the absence of oversight frameworks, the auditor may over-trust management and undermine his or her professional independence [20]. For this reason, researchers have emphasized that long-term engagement should be actively managed with the oversight of the board of directors and the audit committee to both maintain audit efficiency and effectiveness and ensure the auditor's independence and professional skepticism [12]. In the analysis of the Iranian context, it is observed that long-term engagements between management and auditors can help to form transparent and sustainable procedures, increase the quality of engagement, and reduce the risk of incorrect information. However, in the absence of appropriate oversight, these engagements may lead to overconfidence, reduced challenge, and damage to the auditor's professional independence. Therefore, management and policymakers should pay special attention to the balance between management stability, professional engagement, and auditor independence to maximize the opportunities created by long-term engagements and minimize their potential threats [4], [14], [15].

## 8 | Conclusion

The stability of the senior management team is one of the key components of corporate governance that plays a direct and indirect role on the quality of interaction with the independent auditor and the effectiveness of the audit process. A review of the literature shows that stable management teams, with experience, cohesion, and continuity of presence in the organization, are able to establish stable professional relationships with the auditor and optimize communication and information processes. This stability allows the auditor to gain a deeper understanding of the decision-making style, reporting procedures, and financial behavior of managers and to be able to identify and assess risks more accurately. From this perspective, management

stability is considered as one of the prerequisites for the quality of interaction and professional trust between management and the auditor and plays a pivotal role in strengthening transparency, reducing uncertainty, and improving audit effectiveness. Theoretical and empirical analyses show that the quality of interaction with the independent auditor is not only a function of the behavioral characteristics of managers, but is also influenced by institutional factors, ownership structure, and the complexity of the business environment. In environments with concentrated ownership and weak oversight institutions, such as Iran, the stability of the senior management team becomes particularly important because stable managers are able to establish standard frameworks and predictable procedures for interacting with the auditor, thereby reducing the risks of incorrect information and incomplete reporting. This situation allows the auditor to exercise his professional judgment more carefully and maintain balanced skepticism and professional independence.

The stability of the senior management team also provides the basis for the formation of professional trust between management and the auditor by reducing behavioral fluctuations and frequent changes in the organization's policies and processes. This trust, if accompanied by effective oversight frameworks, improves the efficiency of interaction, increases the speed of information exchange, and enhances the accuracy of assessments. In contrast, in the absence of appropriate supervision or excessive dependence of the auditor on stable managers, there is a possibility of reduced skepticism and a threat to professional independence, which can negatively affect audit quality.

Studies show that long-term management-auditor interactions create both opportunities and threats. On the one hand, long-term interactions bring mutual recognition, reduced uncertainty, and greater coordination, allowing the auditor to focus his resources on key issues and risk analysis. On the other hand, these relationships may lead to overconfidence and psychological dependence, which reduces the auditor's level of professional skepticism and challenge, and jeopardizes professional independence. Therefore, long-term interactions should be analyzed within the framework of corporate governance and supervision to maximize their benefits and minimize potential threats. In the Iranian context, the institutional environment, concentrated ownership structure, and political interference in management appointments highlight the importance of the stability of the senior management team and the quality of the interaction with the auditor. State-owned and quasi-state companies with specific ownership characteristics and institutional pressures, in the case of real management stability, are able to create stable and predictable procedures, which helps to reduce the risks of incorrect information and improve the auditor's professional judgment. At the same time, the lack of supervisory frameworks and internal controls can lead to the formation of excessive trust and threaten the auditor's independence, which indicates the need to design balanced mechanisms between management stability and auditor independence. The consequences of the stability of the senior management team go beyond the quality of interaction and professional trust and directly affect the auditor's audit risk and professional decision-making. By creating behavioral patterns and standard procedures, stable managers allow the auditor to effectively identify and analyze risks and make their professional decisions based on reliable evidence. Management instability, especially frequent changes in key members, increases uncertainty, complexity in information analysis, and unnecessary pressures on the auditor, and can increase undetected risks. In summary, the stability of the senior management team and the quality of the interaction with the independent auditor are two complementary factors in enhancing audit quality, reducing risks, and strengthening professional judgment. In Iran, these two factors become more important with the special institutional conditions and concentrated ownership structure, and their careful analysis is essential for policymakers, boards of directors, and regulatory agencies. Real management stability, combined with efficient supervisory frameworks, effective internal controls, and professional training of auditors, can maximize the opportunities created by long-term management-auditor interaction and minimize its potential threats. Therefore, policymakers and managers should pay special attention to strengthening the stability of the senior management team, designing professional engagement procedures with the auditor, and creating balanced oversight frameworks to improve the quality of financial reporting and audit effectiveness in Iran. This analysis shows that the balance between trust, professional skepticism, management stability, and auditor independence is the key to success in improving the quality of engagement and reducing audit risks, and can

play an effective role in strengthening corporate governance and investor confidence. Finally, the stability of the senior management team as a structural and behavioral factor, in addition to directly affecting the quality of engagement, professional trust, audit risk, and professional judgment, also indirectly improves the effectiveness of the entire audit system and public confidence in financial reporting. Analysis of the Iranian context shows that taking advantage of opportunities arising from management stability requires the establishment of balanced supervisory frameworks, attention to auditor independence, and enhancement of their professional capabilities to both realize the benefits of long-term management-auditor interaction and reduce potential threats arising from long-term relationships. These findings emphasize that the stability of the senior management team, the quality of interaction with the independent auditor, and supervisory frameworks as three main pillars in strengthening corporate governance and improving financial reporting in Iran should receive continuous attention from researchers, policymakers, and managers, because these factors, in interaction with each other, contribute to reducing risks, increasing transparency, and enhancing investor confidence in financial markets.

## Authors' Contributions

All aspects of the research and preparation of the manuscript were carried out by the authors. The authors have read and approved the final version of the manuscript.

## Data Availability

All data are included in the text.

## Funding

This study did not receive any specific funding from public, commercial, or non-profit funding agencies.

## Conflict of Interest

The author declares that he does not have any conflict of interest.

## References

- [1] Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of management review*, 9(2), 193–206. <https://doi.org/10.5465/amr.1984.4277628>
- [2] Finkelstein, S., Hambrick, D. C., & Cannella, A. A. (2009). *Strategic leadership: Theory and research on executives, top management teams, and boards*. Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780195162073.001.0001>
- [3] Barker III, V. L., & Mueller, G. C. (2002). CEO characteristics and firm R&D spending. *Management science*, 48(6), 782–801. <https://doi.org/10.1287/mnsc.48.6.782.187>
- [4] Nelson, M. W. (2009). A model and literature review of professional skepticism in auditing. *Auditing: a journal of practice & theory*, 28(2), 1–34. <https://doi.org/10.2308/aud.2009.28.2.1>
- [5] DeAngelo, L. E. (1981). Auditor independence, 'low balling', and disclosure regulation. *Journal of accounting and economics*, 3(2), 113–127. [https://doi.org/10.1016/0165-4101\(81\)90009-4](https://doi.org/10.1016/0165-4101(81)90009-4)
- [6] La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *The journal of finance*, 54(2), 471–517. <https://doi.org/10.1111/0022-1082.00115>
- [7] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate governance* (pp. 77–132). Gower. <https://doi.org/10.4324/9781315191157>
- [8] Bazerman, M. H., Loewenstein, G., Moore, D. A., & others. (2002). Why good accountants do bad audits. *Harvard business review*, 80(11), 96–103. [https://www.andrew.cmu.edu/user/gl20/GeorgeLoewenstein/Papers\\_files/pdf/WhyGoodAccountants.pdf](https://www.andrew.cmu.edu/user/gl20/GeorgeLoewenstein/Papers_files/pdf/WhyGoodAccountants.pdf)
- [9] Miller, D. (1991). Stale in the saddle: CEO tenure and the match between organization and environment. *Management science*, 37(1), 34–52. <https://doi.org/10.1287/mnsc.37.1.34>

- [10] Meckling, W. H., & Jensen, M. C. (1976). Theory of the Firm. *Managerial behavior, agency costs and ownership structure*, 3(4), 305–360. [https://doi.org/10.1007/978-94-009-9257-3\\_8%0A%0A](https://doi.org/10.1007/978-94-009-9257-3_8%0A%0A)
- [11] Francis, J. R. (2004). What do we know about audit quality? *The british accounting review*, 36(4), 345–368. <https://doi.org/10.1016/j.bar.2004.09.003>
- [12] DeZoort, F. T., Hermanson, D. R., Archambeault, D. S., & Reed, S. A. (2002). Audit committee effectiveness: A synthesis of the empirical audit committee literature. *Audit committee effectiveness: a synthesis of the empirical audit committee literature*, 21, 38-75. <https://digitalcommons.kennesaw.edu/cgi/viewcontent.cgi?article=2496&context=facpubs>
- [13] DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of accounting and economics*, 3(3), 183–199. [https://doi.org/10.1016/0165-4101\(81\)90002-1](https://doi.org/10.1016/0165-4101(81)90002-1)
- [14] Gibbins, M., Salterio, S., & Webb, A. (2001). Evidence about auditor--client management negotiation concerning client's financial reporting. *Journal of accounting research*, 39(3), 535–563. <https://doi.org/10.1111/1475-679X.00027>
- [15] Bazerman, M. H., Morgan, K. P., & Loewenstein, G. F. (1997). The Impossibility of Auditor Independence. *Sloan management review*, 38(4), 89–95. <https://www.hbs.edu/faculty/Pages/item.aspx?num=4279>
- [16] Carcello, J. V., & Nagy, A. L. (2004). Audit firm tenure and fraudulent financial reporting. *Auditing: a journal of practice & theory*, 23(2), 55–69. <https://doi.org/10.2308/aud.2004.23.2.55>
- [17] Cohen, J., Krishnamoorthy, G., & Wright, A. (2010). Corporate governance in the post-Sarbanes-Oxley era: Auditors' experiences. *Contemporary accounting research*, 27(3), 751–786. <https://doi.org/10.1111/j.1911-3846.2010.01026.x>
- [18] Finkelstein, S., & Hambrick, D. C. (1990). Top-management-team tenure and organizational outcomes: The moderating role of managerial discretion. *Administrative science quarterly*, 484–503. <https://doi.org/10.2307/2393314>
- [19] Hurtt, R. K. (2010). Development of a scale to measure professional skepticism. *Auditing: a journal of practice & theory*, 29(1), 149–171. <https://doi.org/10.2308/aud.2010.29.1.149>
- [20] Davis, L., Soo, B., & Trompeter, G. (2009). Auditor tenure and the ability to meet or beat earnings forecasts. *Contemporary accounting research*, 26(2), 517–548. doi:10.1506/car.26.2.8%0A
- [21] Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and economics*, 26(2), 301–325. <http://www.jstor.org/stable/725104?origin=JSTOR-pdf>
- [22] Nelson, M., & Tan, H. T. (2005). Judgment and decision making research in auditing: A task, person, and interpersonal interaction perspective. *Auditing: a journal of practice & theory*, 24(s-1), 41–71. <https://doi.org/10.2308/aud.2005.24.s-1.41>