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THE ADVENT OF ACCOUNTING: A HISTORICAL ANALYSIS

Jenifer M. Axtell, Murray State University
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ABSTRACT

Accounting plays a vital role in modern global business. The advent of accounting is an intriguing part of the history of the world. This study examines the contributions to accounting from ancient Mesopotamia, the Roman Empire, Medieval England, Renaissance Italy, and Modern Times. The origin of accounting can be traced back to the beginning of human civilization. From the scribes of ancient Mesopotamia to the internal control concepts described by the Apostle Paul in the Bible, from Friar Luca Pacioli's landmark book published in Renaissance Italy to the work of modern-day accountants employing the latest technology, accounting remains a work in process. The activities of accountants play a vital role in corporate financial reporting, internal auditing, public accounting, and in the governmental and not-for-profit area of practice. Understanding the history of accounting is meaningful as it reveals key contributions that the field has made to the development of business and civilization. As accounting developed, the efficiency and effectiveness of business operations improved, thus facilitating the development and growth of a nation's economy. A fundamental purpose of accounting has remained constant throughout history: to serve as a test of stewardship or accountability of those trusted with financial resources. While standards and technologies have changed over the centuries, this core purpose has stayed the same.

AUDIT ADAPTATION COMPETENCY AND AUDIT SURVIVAL: A CONCEPTUAL PAPER

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ABSTRACT

To create and maintain sustainable professional in rapid condition changes, the auditors need to adapt themselves to perform a role to protect and serve public interest. The study aims to investigate the relationships among five dimensions of audit adaptation competency, audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. The study reviews literature on the competency of professional auditor in rigorous globalization of business era. These dimensions are audit change education, audit flexibility perception, audit learning continuity, audit dynamic improvement, and audit environmental understanding. According to Dynamic Capabilities Theory, the firm focuses on the capabilities to integrate, construct, and align the internal and external factor to adapt to the rapidly changing environment, they are the ultimate key to sustainable competitive advantages (Teece et al., 1997). These dimensions will encourage the external auditor to improve audit outcomes including audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. Conclusion from the literature is drawn that states that audit adaptation competency plays a key role in how audit outcomes are improved. To excellently achieve more benefits of the aforementioned relationships, future study is needed to collect data from different populations and/or a comparative study. The study ends with recommendation for future research on how antecedents and moderators affect the audit adaptation competency; future research sheds light on superior audit survival.

Keywords: audit adaptation competency, audit change education, audit flexibility perception, audit learning continuing, audit efficiency, audit dynamic improvement, audit effectiveness, audit effectiveness, audit quality, and audit survival.

INTRODUCTION

The crucial role of professional auditor is to protect and to serve public interest regarding governance role and the value of a public firm. Furthermore, globalization of business has rigorously increased the demand for reliable and high-quality financial reporting within countries and across borders. Several stakeholders expect compliance with recognized international standards in auditing in today's global business environment. Consequently, the competence of audit professionals leads to internationally professional standards. The audit professionals should comply with all relevant technical standards including International Standards on Auditing (ISAs), International Standards on Quality Control (ISQCs), International Financial Reporting Standards (IFRS), International Education Standards (IES), and the International Code of Ethics Standards. These standards enhance the fundamental role of professional auditor and heighten the audit quality as well as consistency of practice throughout the world. Moreover, they strengthen public confidence in the global auditing and assurance profession. However, all of the standards have frequently changed in the globalization business world. Thus, the professional auditors should to adapt themselves in order to ensure that they work under competence to undertake the work they perform. Prior studies indicated that audit adaptation competency is an important attribute to the accounting profession's ability to protect the public interest. (Lee, 1995; Forgarty & Rigsby, 2010) The quality of financial report audits depend on the job performance of auditors. Also, higher-competency auditors highlight the importance of the work of an auditor; lower-competency auditors do not. (McKnight & Wright, 2011).

Audit adaptation competency is the individual ability to efficiently modify to new significant professional standards and regulations. Additionally, the auditors have an ability to learn, understand and maximized the utilization from various changes to audit practice. Prior research on audit competency (Palmer, 2004; Holmes, 2005; Harding and Trotman, 2009) demonstrated that auditing standards require assessment the competence of their colleagues. The audit competency is a result base in terms of the ability to perform audit professional responsibilities including knowledge and skills (Palmer, 2004). Professional audit competencies have a positive influence on audit quality and reputation which affects audit success (Sudsomboon & Ussahawanitchakit, 2009). Moreover, Uachanachit & Ussahawanitchakit (2009) indicate that the auditors who have audit skills and audit improvement provide audit judgment effectiveness. Also, the auditors who have audit knowledge lead to promote efficient audit practice and audit report quality. The auditors who have audit reliability encourage effective audit judgment, efficient audit practice and audit report quality (Uachanachit & Ussahawanitchakit, 2012). Aforementioned, audit competency is critical, particularly audit adaptation competency in the transition of business world. Wiroterat & Ussahawanitchakit (2014) indicate that adaptation competency and stakeholder expectation have positive and significant consequences on the three dimensions of dynamic audit knowledge. Adaptation competency and expertise are obtainable in a professional audit (Chen, Sun & Wu, 2008). A synopsis of the overall findings indicates that audit adaptation competency is essential for the professional external auditor to heighten high-quality financial report under uncertainty and rapidly changing environment. Thus, this study provides the conceptual model of audit adaptation competency and audit performance including audit change education, audit flexibility perception, audit learning continuity, audit dynamic improvement, and audit environmental understanding. These will have an effect on audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival.

The remainder of this study is arranged as follows. The first section discusses the relationship between audit adaptation competency and audit survival. The second section provides the conceptual framework and proposition development. The last section is a contribution to future research and a suggestion for future research. Finally, the study provides a conclusion of the conceptual framework.

AUDIT ADAPTATION COMPETENCY

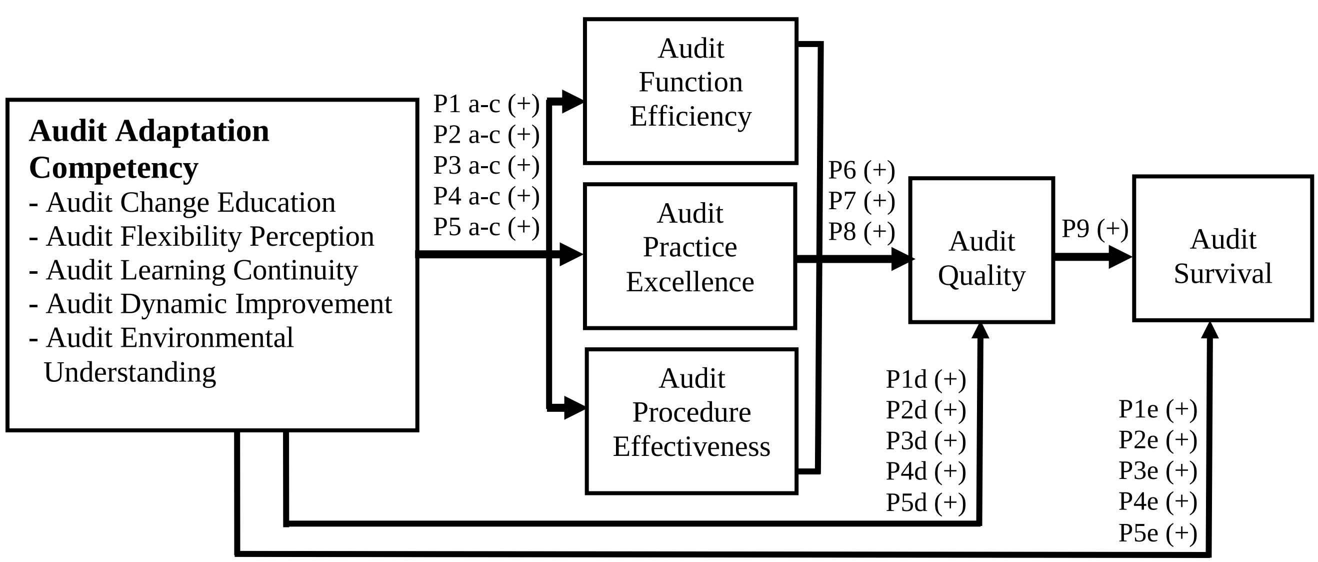
Audit adaptation competency is the individual ability to efficiently modify to new significant professional standards and regulations. These definitions are based on three criteria, which are auditing, adaptation and competency. Firstly, the term "auditing" refers to the external auditing that is a structured process that: (a) involves the application of analytical skills, professional judgment and professional skepticism; (b) is usually performed by a team of professionals, directed with managerial skills; (c) uses appropriate forms of technology and adheres to a methodology; (d) complies with all relevant technical standards, such as

International Standards on Auditing (ISAs), International Standards on Quality Control (ISQCs), International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), and any applicable international, national or local equivalents; and (e) complies with required standards of professional ethics. (IES8 , IFAC 2008) Next, adaptation is an adjustment or changing in the behavior of professional auditors in order to be consistent with external changes and development as well as the growing demand of stakeholders. Furthermore, adaptability includes ability to identify, utilize, and respond to a changing business environment (Tuominen, Rajala & Möller, 2004). Finally, competency is an individual characteristic that is recognized as prominent indicators of employee performance and success (Lucia & Lepsinger, 1999 and McClelland, 1973). Competence is defined as the ability to perform a work role to a defined standard with reference to working environments. To demonstrate competence in a role, a professional accountant must possess the necessary (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes (International Education Standards Framework). Likewise, the AICPA's core competencies for individuals entering the accounting profession incorporate a "personal competencies" category, which includes client interaction skills and being able to work productively with others (AICPA, 1999), as well as the ability to communicate effectively in both written and oral presentations.

CONCEPTUAL FRAMEWORK AND PROPOSITIONS DEVELOPMENT

This study investigates the relationship among five dimensions of audit adaptation competency which includes audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. Thus, the conceptual framework, linkage, and conceptual models present the relationships among audit adaptation competency and audit survival based on the preceding discussion of the literature, as shown by the proposed conceptual framework in Figure 1.

Figure 1
A CONCEPTUAL FRAMEWORK OF AUDIT ADAPTATION COMPETENCY AND AUDIT SURVIVAL



Audit Change Education

Audit change education is the first dimension of audit adaptation competency. Audit change education is defined as the ability to study the changes in accordance with professional standards that foundation causes them to acquire professional auditing standards as well as essential professional auditing knowledge. Due to regulatory and institutional force, more specialized auditor leads to increase litigation consciousness, which appears to make auditors prioritize compliance with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Accounting Principles (GAAP) over client relation goals.

Based on the previous study, audit education has a significant effect on audit expectation gap in Nigeria and it calls for the accountancy profession, educational institutions and regulators to initiate appropriate policy framework for increasing financial statement users' knowledge, awareness of the nature, and limitations of an audit through broad-based audit education and enlightenment programs (Ihendinihu & Robert, 2014). Audit education and understanding of issues relating to the audit is committed to the pursuit of knowledge and new audit techniques used regularly to develop the knowledge and skills in accounting and auditing practice to accumulate client-specific knowledge (Beck & Wu, 2006). Likewise, Beckett & Murray (2000) state that auditors learn from education by continuous improvement, concrete experience, active experimentation, and reflective observation that improve the knowledge utilization in audit performance. Furthermore, knowledge of the auditor is gained through education and training in auditing practice. The Education Accounting Standards and International Education Standards (IES) are issued by International Federation of Accountants (IFAC) to develop the standard of education in accounting and enhance the quality of accounts for account members to be internationally recognized.

In the above literature review, thus, one may assumes that audit change education has the potential possibility to positively affect audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. Taking all the above discussion into account, this study sets forth the following propositions:

Proposition 1a-e: Audit change education would be positively related to (a) audit function efficiency, (b) audit practice excellence, (c) audit procedure effectiveness, (d) audit quality, and (e) audit survival.

Audit Flexibility Perception

Audit flexibility perception refers to the auditor's awareness of uncertain conditions and adapt himself in order to be consistent with the circumstances under limited audit resources. Due to the auditors being unaware of the precise level of accounting uncertainty in their tests; they are informed that signals receiving from investigations are subject to error, but they are unaware of the degree of accuracy. Evidence exists that individuals interpret information in a manner that justifies a decision they wish to make (Kunda 1990; Russo et al., 1996), particularly when some of the information is characterized by uncertainty (Hsee 1995), and is consistent with the recent application of auditing by Blay (2005). Furthermore, audit flexibility perception is the main dimension of audit creativity. According to Guilford (1967), there are four dimensions of creativity, including audit originality, audit fluency, audit flexibility and audit elaboration. A person who can think independently will lead to creativity. Auditors can think independently to make a better audit performance. Additionally, audit flexibility has a significant positive impact on audit goal achievement and best audit practice (Phosrichan & Ussahawanitchakit, 2014).

Thus, the reason above indicates that the auditor with greater audit flexibility perception has a potential to encourage higher audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. Thus, this study's relationship are propositioned as shown below.

Proposition 2a-e: Audit flexibility perception would be positively related to (a) audit function efficiency, (b) audit practice excellence, (c) audit procedure effectiveness, (d) audit quality, and (e) audit survival.

Audit Learning Continuity

Audit learning continuity is the third dimension of audit adaptation competency. In this research, audit learning focuses on the ability to learn and document the skills, knowledge and experience that is gained both formally and informally from workplace, and beyond any initial training. Continuous learning is fundamental for professional development in knowledge-based societies including long-life learning and acquiring audit technique in order to heighten audit performance and continuous learning is a critical concept in helping the auditors to perform the responsibility (Wells, 2002). Similarly, Srichanapun & Ussahawanitchakit (2010) examined continuous learning competency, accounting practice efficiency and job success; the results showed that continuous learning also has a positive impact on the relationships between professional mindsets and opinion expression. According to Hurtt (2010) & Nelson (2009), audit learning is an important source of skeptic behavior. Auditors with continuous learning will possess knowledge that effectively identify errors and complex patterns of evidence that indicate errors, and they are more likely to not easily believe or accept clients' explanations. To transfer more comprehensive understanding of the client to enhance audit task for the same client, auditors provide nonaudit services that increase audit effectiveness and audit efficiency (Joe & Vandervelde, 2007). Audit learning also establishes the knowledge of complex professional standards that enable auditors to gain an advantage when interacting with clients about contentious accounting issues. Essential audit learning continuity increase audit performance.

The rationale of the above assumes that the firm with more audit learning continuity is likely to gain higher audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. Hence, this paper proposes the following below propositions:

Proposition 3a-e: Audit learning continuity would be positively related to (a) audit function efficiency, (b) audit practice excellence, (c) audit procedure effectiveness, (d) audit quality, and (e) audit survival.

Audit Dynamic Improvement

Audit dynamic improvement is the fourth dimension of audit adaptation competency. Audit dynamic improvement is defined as the auditor continually enhancing greater audit review process in order to be consistent with changing conditions and increase audit quality through encouraging audit practice excellence. The review process serves as a quality control, helping to ensure the adequateness of procedures performed, the appropriateness of conclusions drawn, and the reliability of the financial statements under audit (AICPA, 1978). The audit review process including work performed, methods used, and conclusions are subject to review by a supervising auditor. Electronic working paper is an alternative mode of review. Electronic communications have provided reviewers with options regarding how they wish to conduct their reviews. With the switch to electronic working papers and email, electronic review has become a foundation for working paper reviewers (Brazel Agoglia & Hatfield, 2004). Electronically reviewing working papers and transmitting review notes can ease scheduling issues and diminish reviewer travel time as it permits reviewers to review multiple jobs concurrently from a remote location.

From the argument above, this paper predicts that the auditors with high audit dynamic improvement has a potential to derive greater audit function efficiency, audit practice excellence, audit procedure effectiveness, audit quality, and audit survival. Thus, this paper's relationships are proposed as shown below.

Proposition 4a-e: Audit dynamic improvement would be positively related to (a) audit function efficiency, (b) audit practice excellence, (c) audit procedure effectiveness, (d) audit quality, and (e) audit survival.

Audit Environmental Understanding

Audit environmental understanding is the last dimension of audit adaptation competency. Audit environment understanding refers to the awareness of auditors to concern with changes in regulation and related law as well as stakeholder's expectation in order to utilize the knowledge, skills, and competence to maximize utilization to audit practice. According to International Standard on Auditing (ISAs) section 300, planning an audit of financial statements requires that audit develops and changes audit planning when receiving new information, changes in risk assessment, and environment turbulence. Also, the external factors that influence audit performance and practices include legal enforcement, auditor liability, and stakeholder pressure. Morris (1996) stated that environmental turbulence has an implication on the effectiveness of codes of conduct and the role of company values. When conditions are in flux, codes may be perceived as rather inflexible and/or irrelevant to the situation at hand. Under such circumstances well-defined company values may become a more effective behavioral guide, with employees relying on these values to provide the adaptability necessary to decipher what is and is not ethic as exogenous variables, and both directly impact upon the personal values as well as the ethical perceptions of professionals and managers. Gaganis, Pasiouras & Spathis (2013) empirically investigated the relationship among financial and auditing requirements, capital requirements, official supervisory power, and the likelihood of receiving a qualified audit opinion. They found that financial and auditing requirements have a negative influence, whereas supervisory power has a positive impact, on the likelihood of qualified audit opinions. In summary, audit environmental understanding and its consequences predict that these are positively correlated. Thus, these ideas lead to posit the following propositions:

Proposition 5a-e: Audit environmental understanding would be positively related to (a) audit function efficiency, (b) audit practice excellence, (c) audit procedure effectiveness, (d) audit quality, and (e) audit survival.

Audit Function Efficiency

Audit function efficiency is defined as the auditors being able to allocate audit limited resource in order to minimize audit cost for audit planning, audit evidence gathering, and audit conclusion that lead to achieve objectives. Likewise, the auditors are concerned with the quantity of resources expended to perform a given task at a specific effectiveness level (Salterio, 1994). Regarding the audit engagement, the overall objectives of the auditor are categorized into two objectives. First, the auditors obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether because of a fraud or an error, thus enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. Second, the auditor reports on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings. Additionally, audit function efficiency include enhancing, stabilizing, and improving current methods and routines from highest quantity, quality, lowest cost possibility, and highest customer satisfaction. Moreover, the auditors utilize the shared resources, and the updated information should also be obtained and shared via processes including, information sharing, resource sharing, techniques and know-how sharing, and opportunity sharing. To enhance audit efficiency, the auditors are concerned with how to detect errors in the audit working paper and correct decisions regarding the presence of management fraud. Effectiveness is the auditor's ability to minimize the resource expenditures and accomplish the audit task in less time (Blokdijk, 2004).

Thus, this paper predicts that audit function efficiency may influence audit quality. Based on the above, the following propositions is postulated:

Proposition 6: Audit function efficiency would be positively related to audit quality.

Audit Practice Excellence

The definition of excellence is the outcome of the best practice in auditing. The excellent auditors are auditors who have the expertise in auditing skills, professional skepticism, problem solving, analytical thinking, and audit negotiations. Best practice includes into five steps, which is critical continuous improvement as follows: schedule, plan, manage, report, and verify. Smith (1993) documented that quality is the goodness or excellence of something: products or services are assessed as accepted standards of merit for such things and against the interests or needs of users and other stakeholders. There are four steps to take to achieve audit best practice: manage and train the client, retain client and staff, plan properly, and assess risk. Moreover, the auditor will meet or exceed all of professional standards ensuring the professional auditor can maintain best audit practice which ultimately heighten audit quality. Cohen & Kida (1989) stated that audit practice excellence reflected audit risk including inherent risk and control risk which encourages detecting material misstatements.

Thus, the firm with greater audit practice excellence tends to encourage higher audit quality. Therefore, this paper's relationship is proposed as shown below:

Proposition 7: Audit practice excellence would be positively related to audit quality.

Audit procedure effectiveness

The meaning of audit procedure effectiveness is the performance of audit task that achieves an audit objective in each move including expressing audit opinion and issuing audit's report consistent with client engagement. The auditors conduct an audit plan and gather sufficient and proper audit evidence in order to enhance expressing an appropriate opinion. The audit process contains many audit procedures and it involves the accumulation of evidence in order to evaluate the propriety of management assertions contained in the financial reports. Audit procedures can be classified into two categories as tests of controls, and substantive procedures, including tests of details and substantive analytical procedures. Hirst & Knoonce (1996) found that the auditor who applies audit analytical procedures increased audit efficiency and effectiveness. Besides, the audit analytical procedures are mandated for planning and overall review purposes. Coppage & Shasiri (2014) stated that if the auditor effectively applies professional skepticism as an attitude that includes a questioning mind and a critical assessment of audit evidence, it improves audit quality. The substantive audit sampling with an optimal the risk of incorrect rejection emphasizes audit efficiency and effectiveness (Robertson & Robert, 1994). To effectively express audit opinion, Wertheim & Robinson (2011) examined the relationship between audit opinion of going-concern for corporate client and financial distress. Moreover, the external audit effectiveness is assessed by the audit committee. To consider audit effectiveness, the key issues include a well-balanced relationship, qualitative independence, an audit plan, a risk assessment, delivery, experience, and being a good client. According to the reasons above, this paper concludes that the auditor who has more audit procedure effectiveness will have more audit quality. Based on these rationales, the proposition is formulated as follows:

Proposition 8: Audit procedure effectiveness would be positively related to audit quality.

Audit Quality

The previous study on audit quality is defined as the outcome of audit task including quality of audit report and financial report, which reflects a position of statement, financial performance and cash flow in accordance with economic events. Ultimately, aforementioned financial information enhance user's utilization for economic decision making accuracy. Quality assurance is a systematic approach to the pursuit of quality assurance as a responsibility of the professional body through the development of professional standards. Moreover, the purpose of quality assurance is the conformance of products, services and processes to given requirements and standards (Velayutham, 2003). On the other hand, audit quality can be defined, as the probability that audited financial statements contain no material misstatements or omissions. Users develop observable proxies, such as audit firm reputation, which is associated with audit quality (Wilson & Grimlund, 1990). In order that audit quality will improve, auditor's competence increases with long tenure (Lai, 2009). Furthermore, audit quality proxies are used by auditor size and industry specialization (Behn, Choi & Kang, 2008). Audit quality refers to the outcome of audit task including quality of audit report and financial report, which reflects position of statement, financial performance and cash flow in accordance with economic events. It can be concluded that the auditor who has higher audit quality has a potential to encourage audit survival. Therefore, the proposition is proposed as follows:

Proposition 9: Audit quality would be positively related to audit survival.

Audit Survival

Audit survival is the final dependent variable in this research. Previous studies noted that audit survival is defined as the results of continuing audit qualities that initiate stakeholder acceptance and superior premium audit reputation. Finally, abovementioned audit quality permanent is the cause of subsequent audit appointment of incumbent clients as well as innovative audit clients. Nagy (2014) states that the informational value of the quality control criticisms disclosure is included in Part II of the Public Company Accounting Oversight Board (PCAOB) inspection reports. After each inspection, the PCAOB issues inspection reports that include a public portion. Part I identified audit deficiencies, and Part II identified quality control weaknesses. Part II of the report only becomes public if the firm fails to satisfactorily remediate the quality control deficiencies in a 12-month period. The results demonstrate that audit firms lose a significant amount of market share following the public disclosure of quality control criticisms, and suggest that such a disclosure provides a credible signal of auditor quality to audit clients. Prior research provides evidence of audit firms losing market share after their reputations are been damaged (e.g., Firth 1990; Barton 2005; Hilary & Lennox 2005; Weber, Willenborg, & Zhang 2008; Lennox & Pittman 2010). The existence of the professional accountant which is measured by continued clients, created new clients and served other services which the auditors must have fairly presented the statement in accordance with GAAP.

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Theoretical Contributions

Previous research has demonstrated that professional audit competencies affect audit quality and reputation which affects audit success (Sudsomboon & Ussahawanitchakit, 2009). This paper aims at examining the audit adaptation competency that has an impact on audit survival and provides contributions to extend the audit competency literature. Firstly, this paper explains the purpose of audit adaptation competency to achieve a better understanding of relationship between audit adaptation competency and audit survival. Secondly, it originates the new five dimensions of audit adaptation competency to increase audit quality in each audit process. To expand advantage for professional practitioners, this paper innovates dimensions comprising audit change education, audit flexibility perception, audit learning continuity, audit dynamic improvement, and audit environmental understanding. Also, it advances the literature by categorizing consequences of audit adaptation competency.

Managerial Contributions and Future Research

This paper encourages professional practitioners to identify and justify crucial mechanisms that may be more critical in dynamic environments of an audit profession. Audit adaptation competency including audit change education, audit flexibility perception, audit learning continuity, audit dynamic improvement, and audit environmental understanding is the most important driver to determine and explain audit survival. The implications of this paper contribute to audit profession that demonstrates the five dimensions of audit adaptation competency and benefit of these for trainees, qualifying bodies, and practitioners. Besides, the relationship between audit adaptation competency and audit survival should be the object of concern from professional bodies so as to generate specific guidelines for professional auditor to maintain ability to adapt to continuous rapidly changing environment. Thus, the professional auditors are aware of how to apply audit adaptation competency in audit practice. The propositions need to be empirically tested. Hence, this paper suggests potential populations for future research that are the auditors in private sectors (internal and external auditors) and public sectors. Additionally, future study should explore antecedents, moderators, and control variables of audit adaptation competency and audit survival relationships.

CONCLUSION

This paper is intended to provide a better understanding of the relationship between audit adaptation competency and audit survival. Moreover, this paper focuses on five dimensions of audit adaptation competency, namely, audit change education, audit flexibility perception, audit learning continuity, audit dynamic improvement, and audit environmental understanding. Additionally, this paper also proposed its consequence that will affect the audit survival. However, although this paper is based on the literature review that seem positively related, the empirical research at the individual level needs to be explored.

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EXPLORING STRATEGIC COMPREHENSIVE AUDIT PROCESS AND AUDIT PERFORMANCE: A CONCEPTUAL FRAMWORK

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ABSTRACT

The audit business operates under a highly competitive environment requires the audit process to be comprehensive, responding to the needs of customers and contributing to the auditor or audit firms that can survive and create competitive advantages. The paper represents a new research framework of strategic comprehensive audit process that relates to audit performance. A literature review of research in the past, on the strategic comprehensive audit process, can be defined as five dimensions in that each dimension is expected to have been related to audit practice excellence, audit report quality, audit information reliability and audit success which audit performance presents a relationship in each variable to define as a proposition Thus, a summary of the relationship between all variables is set to the new conceptual mode. There are suggestions for demographics, antecedent variables and moderating variables for future research.

INTRODUCTION

Auditing is based on the importance of the efficient work of the capital markets because the inspection will help reduce the risk of the venture (Watts & Zimmerman, 1990). Auditing of quality accommodating; legal framework, corporate governance, market and higher education; and at least two factors are identified that can affect the strength of auditing (Leuz, Nanda, & Wysocki, 2003). The environments are constantly changing today, and it is a challenge for businesses and competitors to understand customer needs. The business services sector has seen increasing pressure from customers and competitors for delivering value-added products with a low price, good quality and timely delivery (Baker, 2003; Basu, 2001). Thus, the auditor is able to compete. They need to adjust the audit process strategy of their own capabilities, lower costs, and timely achieve a competitive advantage (Bardhan, Mithas, & Lin, 2007) in which individuals will be important in determining strategy and practitioners (Tegarden, Sarason, Childers, & Hatfield, 2005). The joint strategy audit process will allow the auditor's understanding, and have a focus on the practice exam to achieve this goal by implementing the strategy (Roberts & Dörrenbächer, 2012). Capacity development of the auditor has specific expertise, and it is important to contribute to the operational performance in both the short and long term (Chau & Witcher, 2008). The strategy is important for the audit process, and auditors should have the good skills and technical expertise to plan for making good decisions (Kunc & Bandahari, 2011). There should be studies in the audit process, with the use of International Standards on Auditing, and outside of Europe (Pran Krishansing, 2012).

Past research that examines the audit process by researchers will study the audit committee that influences the quality audit process (Manita & Elommal, 2010). Research of the audit processes affects the audit performance, as the auditor quality is related to information asymmetry (Hakim & Omri, 2010), and the risk assessment approach influences the risk assessment of the auditor (Fukukawa & Mock, 2011). Therefore, this research has collected all the audit process variables and determines which are independent variables for studies about the effects of the strategic comprehensive audit process on audit performance.

This paper is divided into five parts. The first part describes the strategic comprehensive audit process origin. Secondly, proposition development represents the relation of each variable. Thirdly, a conceptual framework shows an overview of the relation to variables and all propositions. Fourthly, this sector explains contributions and future research direction. Finally, the paper represents the conclusion of the conceptual framework.

STRATEGIC COMPREHENSIVE AUDIT PROCESS

The audit process follows auditing standards that can be summarized as a whole, consisting of preliminary activities (acceptance work and work continues), planning the audit, risk assessment procedures, risk response, and reporting (Board, 2009a). The audit process is characterized by comprising a systematic policy, best practices and design tools for decisions about making and building confidence and consistency, directing, controlling the operation, reduced discretion in decision-making, is reducing the time to develop audit guidelines, and favorable posting a comment on the documented evidence in the circumstances that have changed (Chow, Ho, & Phyllis Lai Lan, 2006). The external auditor must develop a strategy to ensure that conducting all audit activities in the office or the company works, in which include planning, implementation, monitoring and evaluation (Bani-Ahmed & Al-Sharairi, 2014). In the study of Kizirian, Mayhew, & Sneathen (2005) found an auditor's comprehensive management influences the planning and risk assessment for auditing, and affects the audit report. The literature review above defines a strategic comprehensive audit process as the process of determining the scope, timing, knowledge of the auditor, necessary resources and other factors that are significant to the auditor under the agreement. The past research found that the international accounting firm promotes the strategic comprehensive audit process for the planning process, risk assessment and performance test errors which are significant (Abdullatif & Al-Khadash, 2010). The strategic comprehensive audit process motivates the quality and affects audit performance by a team that can make the right decisions during the audit in order to make credible evidence correctly leading to comments on the audit reports (Francis, 2011).

PROPOSITIONS DEVELOPMENT

Audit Planning Efficiency

The auditor should develop plans and strategies to avoid problems that may occur in the future, which helps solve problems and create neutrality and fairness to give an opinion on the financial statements that are reliable and accurate (Bani-Ahmed & Al-Sharairi, 2014). The audit plan begins with the Internatonal Standard on Auditing No.300, which describes audit planning that auditors must develop for an audit plan with a characteristic, timing, scope of planned risk analysis, and planned audit methods. Ramamoorti & Hoey (1998) said that the audit plan development of an auditor needs to include efficient and effective audits in the plan. The audit plan should be designed in a manner not fixed accommodate the environment have changed over time that helping to increase the efficiency and effectiveness of the audit (Ludwig, 2000). Audit planning efficiency is defined as clarity in determining the nature, scope, timing, risk assessment methods, and approaches to audit that are worth the resources used, according to the purposes of the audit and the audit profession standard. The audit planning would reduce unnecessary procedures, data collection, analysis and meaning to reliably impact to the resulting efficiency (Flores, Catalanello, Rau, & Saxena, 2008). Other researchers said that audit planning efficiency requires a good knowledge of the auditor (Brews & Hunt, 1999). Then, the exam about audit planning and working time was found to reduce the cost of monitoring and improving operational efficiency which increased (Bierstaker, Houston, & Wright, 2006). Thus, the audit planning efficiency will improve the audit for more efficient and reliable audit reports that are useful to the user (Arel, Beaudoin, & Cianci, 2012). These ideas lead to the following proposition:

P1a-c Audit planning efficiency would be positively related to (a) audit practice excellence, (b) audit report quality, and (c) audit information reliability.

Enterprise Risk Analysis Integration

The risk assessment is to gather the nature and amounts of evidence sufficient to identify the risks that actual business customers use in risk assessment and compliance audits (Bedard, Graham, & Jackson, 2005). Auditors are required to understand the customers about implementation strategies, financial position and business processes to be used as a basis to assess the specific risks and the overall risk of the customer (Lemon, Tatum, & Turley, 2000; Salterio & Weirich, 2001). The International Standards on Auditing No.315 (revised) state that the auditor must comply with the risk assessment which is to be used as a guide to identify and assess the risks of information, contrary to the facts which are material to the financial statements' level and the level in relationship to what managers have endorsed it (Board, 2009b). Auditors should integrate audit methods, joined together, to obtain sufficient evidence to express an opinion on the financial statements. In this paper, enterprise risk analysis integration is defined as a combination of methods, analyses, and observations. There are reviewed together to determine the probability that displays information contrary to the facts which are material to the financial statements and the executives who have approved it. Prior studies have examined the enterprise risk analysis integration which influences the subsequent audit planning (Fukukawa, Mock, & Wright, 2006), financial report decision making, an auditor's opinion in the auditing report (Hudaib & Cooke, 2005), and audit performance (Blay, Sneathen, & Kizirian, 2007). These ideas lead to the following proposition:

P2a-c Enterprise risk analysis integration would be positively related to (a) audit practice excellence, (b) audit report quality, and (c) audit information reliability.

Audit Resource Allocation

The allocation of the resources in view broadly refers to the way resources management is sufficient for operational performance to be more effective (Farazmand & Neill, 1996). The program requires a comprehensive resource management; asset management, cost, performance indicators and activity. The initial idea is to allocate resources to provide information of sufficient resources for resource allocation programs to ensure quality. Information systems support quality resources allocation programs (Khamkanya & Sloan, 2008). The auditors need resources to work with the allocation methods efficiently (Knechel & Sharma, 2012). This research defines audit resource allocation as resources allocation method that is suitable according to plan and environmental monitoring, to facilitate an operational efficiency audit in accordance with auditing purposes. In this research represents a significant result about the audit resources allocation associated with an increase in resources for operational activities expected to succeed (Devine & Clock, 1995). The study of Knechel & Sharma (2012) said that a large audit firm must have more resources and invest in human resources, significantly affecting the quality of auditing. Performance quality that should be the allocation of resources in accordance with the environment, has changed, or the level of satisfaction has always changed. The manager is responsible for the allocation of resources (Ma & Karri, 2009). These ideas lead to posit the following proposition:

P3a-c *Audit resource allocation would be positively related to (a) audit practice excellence, (b) audit report quality, and (c) audit information reliability.*

Best Audit Method

The International Standard on Auditing No. 200 requires that auditors must comply with auditing standards and other requirements in every issue related to the audit when standards are mandatory and that the auditor must other auditing method to achieve the purpose of that provision. The auditor must plan and perform the audit observation and skepticism by the profession, as well as recognizing that there may be circumstances that lead to financial data contrary to the material facts, and they must use professional judgment to plan and perform audit financial statements. The auditing standards found an impact on auditor behavior, inspections, enforcement and firm methodologies (Burns & Fogarty, 2010). A clear set of auditing standards is associated with the reliability in the performance of the external auditors (Willekens & Simunic, 2007). The ethics of the external auditor generate the value of the company and are accepted by the stakeholders (Ionescu, 2009). In this research, the best audit method is defined as a practice guide that is excellent, based on the auditing standards and regulations for the judgment that complies with the extreme situation to achieve the objective audit plan and reliable report. For past research, the best audit method shows positively associate with audit reports that were accepted by the public and the auditor is required to have ethical behavior to ensure the best auditing method (Adelaja, 2009). The performance under auditing standards affect operational efficiency and the quality of the financial statements (Navarro, Martínez, Yubero, & Larrañaga, 2014). The external auditor was found to comply with auditing standards and to achieve good governance for the business customer (Glaum & Street, 2003). The auditors have professional skepticism and independence related to performance audit quality (Coppage & Shastri, 2014). These ideas lead to posit the following proposition:

P4a-c *Best audit method would be positively related to (a) audit practice excellence, (b) audit report quality, and (c) audit information reliability.*

Technology-Assisted Audit Implementation

Computer-assisted auditing techniques and tools are a computer audit, and techniques used to help complete the review of external and internal corporate financial reporting and internal control systems. It includes the use of technology in the audit (Braun & Davis, 2003) and audit technologies that have automating manual audit activities that aid in the efficiency and effectiveness of the audit job (Curtis & Payne, 2008). An auditing by computer reduces the costs incurred to an audit and improves the audit quality and production (Banker, Chang, & Kao, 2002). In this paper, technology-assisted audit implementation is defined as the computer skills and contemporary technology in an auditing process to encourage greater operational efficiency and effectiveness. Shaik (2005) founded an audit software that would allow inspectors to improve corporate governance. Chong (2000) notes that competition is also related to the issue of continuous development, refinement and use of authentication technologies, and how this is best achieved. The auditor has the ability to develop and refine the new inspection technologies because they have the capital and economies of scale to spend more on research and development activities. There is prior research suggesting that job characteristics can influence technology (Williams & Shah, 2013), which technology can work, and work processes with standard using lower staff and resources as necessary for the performance (Morris & Venkatesh, 2010). These ideas lead to posit the following proposition:

P5a-c *Technology-assisted audit implementation would be positively related to (a) audit practice excellence, (b) audit report quality, and (c) audit information reliability.*

Audit Practice Excellence

The best practices study found that there are four important steps in achieving performance monitoring. First, the audit achieves efficacy depend on auditor age and their amount customers. CPAs work best when customers provide them with the information they need. Many companies have different strategies for educating their customers about their needs. Second, keeping customers and employees, can enhance audit efficiency. The company found that it was more familiar with the practice areas and clients who helped them to improve their methods of monitoring and making the most of time spent on each task. Third, proper planning is critical to performance monitoring. Many companies audit the year's workpaper to familiarize themselves with the customer's problems and to find a way past inefficiencies and operate possible improvements. Finally, the survey found that relationships, in an attempt to determine the level of risk, significantly enhances performance. Companies should try to limit areas with low risk and focus their attention on the points at issue (Dennis, 2000). Business excellence can be defined as excellence strategy, business operations and stakeholders related to the performance that has been reviewed by the evaluation and a proven business excellence model (Mann, Adebanjo, & Tickle, 2011). Then, audit practice excellence is defined as how operations are in accordance with a plan by specialization, use resources more wisely, and achieve excellent professional standards. Horwitz & Neville (1996) confirmed that excellent service is perceived by customers when the service is beyond their earlier expectations. Service excellence means providing an excellent quality management system and exceeding the expectations of customers, resulting in customer satisfaction and loyalty to the company (Edvardsson & Enquist, 2011; Khan & Matlay, 2009; Dobni, 2002). These ideas lead to posit the following proposition:

P6 Audit practice excellence would be positively related to audit success.

Audit Report Quality

Audit reports are needed to validate the business because they communicate the findings of the auditor. Users of financial statements with reference to the report of the auditor provide assurance on the financial statements of the company (Adiloglu & Vuran, 2011). The auditor shall submit the report of an auditor's opinion on the validity and fairness of the financial statements. Opinions are qualified to receive financial statements presented accurately in compliance with accounting standards and legal requirements (Jovkovic, 2014). Audit report quality is defined as appropriate to reliably express an opinion on the situation and provide significant assurances to stakeholders that are timely, cost effective, and useful in making economic decisions. The qualified report may signal to investors that the managers are good stewards of the company and/or position. Additionally, the report that has caused stock prices to fall lower, reduce management utility if managers own shares, or if their compensation is directly related to the market value (Jackson, Moldrich, & Roebuck, 2008). The external auditor's report adds credibility to the financial reporting by ensuring that the accounting statements comply with those that are generally accepted and accurate; but when the performance of auditors are under the expectations of the people, his signature and his brief comments are not helpful to decision makers (Olowookere, 2011). Hence, These ideas lead to the following proposition:

P7 Audit report quality would be positively related to audit success.

Audit Information Reliability

The qualitative characteristics of the concept are features that make the data useful to the user based on the concept of IASB and FASB. There are focused on the first couple. "Relevance" and "credibility" as features, have been hitherto identified as the most important ones and are accurate (Christensen, 2010). Auditors in the implementation of these standards increases the reliability of accounting data. Understanding more auditing standards enables users of financial statements who have been getting accounting information that is reliable, and have better decisions (Maines & Wahlen, 2006). In this paper, audit information reliability is defined as information from the audit report that provides reasonable assurance, accuracy, and completeness; and is accepted by the stakeholders. Vico & Pucheta (2001) have useful audit or relevant information, of which the auditor, in the event of a decision to grant a loan to a company or investment decision, is part of analysts. Duréndez Gómez-Guillamón (2003) found the conclusion that both credit institutions and dealer brokerage have considered the information contained in the report of the auditor, is relevant and useful for investors and their lending decisions. In addition, Swanson (1987) shows that if the quality of information is poor, then the data is useless for the decision (Gohmann, Barker, Faulds, & Guan, 2005). These ideas lead to the following proposition:

P8 Audit information reliability would be positively related to audit success.

Audit Success

Measuring the success of the operation can be measured by income, including company size and business expansion. Business size can be measured by the number of employees. The ability to respond to customer demand is a measure of success for the operation (Van Praag, 2003). In addition, the success of the operation is the sustainability of the business. The increased size of the business investment represents the sustainability of the business (Cader & Leatherman, 2011). Wooten (2003) stated that the audit success is a reputable company, has less litigation and higher client valuation. In this paper, audit success is defined as performance that achieves auditing which generates confidence among users, is relevant to others and recognized by accounting professionals.

CONCEPTUAL FRAMEWORK OF STRATEGIC COMPREHENSIVE AUDIT PROCESS AND AUDIT PREFORMANCE

This paper proposes that strategic comprehensive audit process is positively associated with audit success. Moreover, the mediating effects of audit practice excellence, audit report quality and audit information reliability are supposed to have a positive relationship with audit success. Then, a conceptual model of this paper is presented in Figure 1.

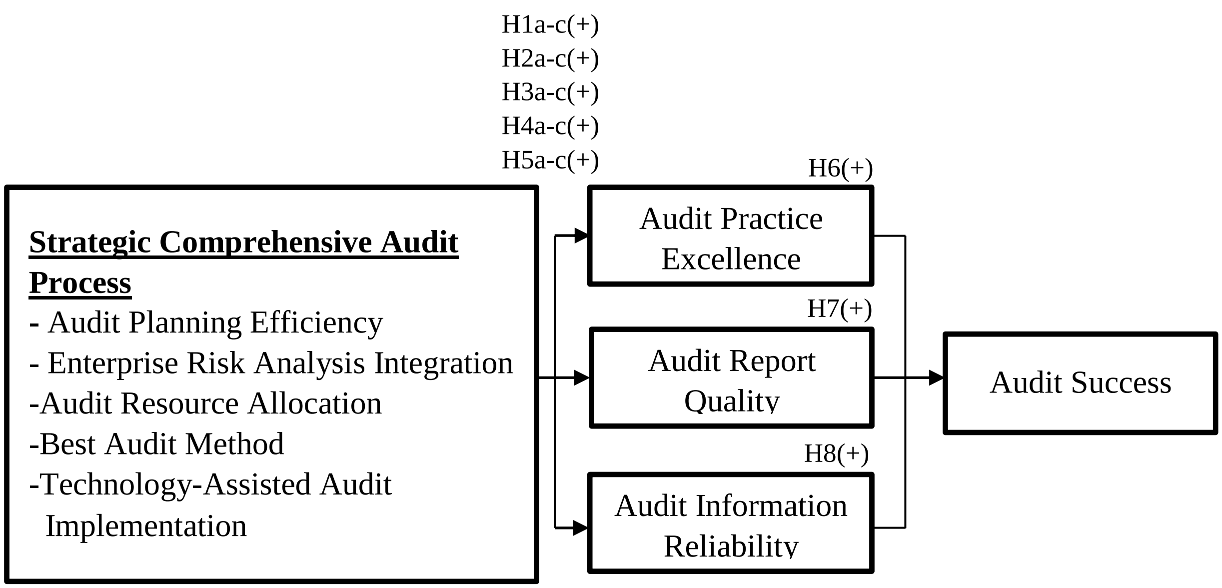

Figure 1: A Conceptual Framework of Strategic Comprehensive Audit Process and Audit Performance

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Strategic comprehensive audit process has the importance of the audit service business in customer expectation, high competition and economic environmental change toward audit performance current (Baker, 2003). The joint strategy that audit process formulates will allow the auditor's understanding and have a focus on the practice exam to achieve this goal by implementing the strategy (Wooldridge, Schmid, & Floyd, 2008). Thus, this paper presents a study on strategic comprehensive audit process and audit performance, which is a new concept and can develop new research by increasing the literature and improving propositions to set hypothesis.

Suggestions for Future Research

The past research studies most of the audit process in developing countries and a population big audit firm. Thus, the framework in this paper can be applied to the study of empirical research on a population of a country's auditor or audit firm in developing countries (White Gunby Jr, 2009). Furthermore, the external environmental variable is customers, law, technology and competition. It can be added to the framework which impacts the strategic comprehensive audit process and audit performance (Stavrulaki & Davis, 2010).

CONCLUSION

Audit service business has a more competitive and high expectation from customers compared to present service. The strategic audit process is necessary for the performance to support a business environment that changes over time, and the auditor can operate efficiently and competitively. Therefore, this paper studies audit process research in the past, then proposes a new framework about strategic comprehensive audit process. It means that the process of determining the scope, period, approaches, knowledge of the auditor, necessary resources and other factors are important in auditing for the agreement and reporting for auditing quality at a lower cost, and competitive advantage for achieving an effective audit. Strategic comprehensive audit process is independent variables that consist of five dimensions: audit planning efficiency, enterprise risk analysis integration, audit resource allocation, best audit method and technology-assisted audit implementation, which each dimension has an effect on dependent variables, including audit practice excellence, audit report quality, audit information reliability and audit success. In addition, the suggestions for future research on the population of local auditors or audit firms in developing countries and the external environment variables can be defined as antecedent variables and moderating variables that impact the strategic comprehensive audit process or audit performance; that it gets interesting for new research and more benefits for audit professionals.

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THE RISK ASSESSMENT PROJECT: A TOOL FOR INTRODUCING CORPORATE GOVERNANCE CONCEPTS INTO THE AUDITING COURSE

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ABSTRACT

The recession of 2008 and the demise of established financial firms served as a reminder that effective corporate governance is important to ensure that businesses remain as going concern. One key area is the implementation of effective enterprise-wide risk management practices. The resulting regulatory oversight enacted through the Dodd Frank Act placed additional responsibility on organizations to develop effective risk management practices. However, business risks are evolving and are now reflected in data breaches and defective parts recalls. Business students, especially accounting majors, must have a working knowledge of risk assessment practices prior to entering the work force. The risk management project was developed to help provide students with this opportunity. It has been used over several semesters at a regional university, and results shows that students are able to identify business risks and perform a basic risk assessment. Students now have a better understanding of the enterprise risk management process and will be more productive as they enter the workforce.

SHARED VACATION OWNERSHIP: A REVIEW OF TAX ISSUES

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ABSTRACT

Over the last several decades, vacationing using shared vacation ownership, often termed timeshares, has had its ups and downs. Even so, though not the highest volume recorded, sales volume in the timeshare industry reached $7.9 billion in 2014. This paper gives detailed facts on the timeshare industry, explains how timeshares work and the tax-related issues associated with owning a timeshare. For example, is rental income taxable? What if a timeshare is sold—are gains taxed or losses deductible? Is a contribution deduction allowed for donated weeks? The paper also discusses vacation home rules as they relate to timeshare ownership and tax deductible items associated with shared vacation ownership.

ANALYSIS OF PROPERTY TAX REVENUES FROM WIND FARMS IN TEXAS

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ABSTRACT

Wind farm development in the State of Texas has increased since 2003. The Texas Economic Development Act of 2001 created an open and inviting environment for industrial wind farm development in the State of Texas. As a result, companies in the business of wind farm production petitioned county authorities within the State of Texas to rezone property in the county and to establish abatements.

Initial benefits to the development of wind farms have been varied; some have materialized, others have not. One of the potential benefits to communities in the State of Texas is the property tax revenues generated from an increase to the property tax base. Local authorities and citizens of the counties viewed this type of economic development as a positive source of additional revenue that would support local government projects such as sewer and water systems, hospitals, county offices, and primarily the school districts in the county. This study examines a 10-year period (2003-2012) of property tax revenues for specific counties in the State of Texas. In addition, property tax abatements and Section 313 exemptions of the Texas Tax Code 2001 and updates are examined.

As of 2012, the total amount of installed capacity of wind farms in the State of Texas is approximately 12,000+ megawatts. This exceeds to renewable portfolio standards of 5,880 megawatts set forth by the State. Tax subsidies from the national, state, and local levels influence the development of energy sources. As a source of electricity production, wind generates nationally only about three percent of the entire electricity production; however, wind farms require approximately 42 percent of the subsidy levels. Compared to other sources of renewable power subsidies such as solar (8.2%), hydro (1.8%), geothermal (1.7%), and biomass (1%), wind power is significantly higher. Base load sources of electricity production such as coal (10%), natural gas (5.5%), and nuclear (21%) are significantly less than wind power electricity production.

The hypothesis for the study is the property tax revenue for a subsequent year is greater than the property tax revenue for a previous year.

A mailed out survey method was sent to the Chief Appraiser in the Central Appraisal District of each county in the State to collect the data initially. Follow up methods included email, telephone calls, and site visits were conducted. All 254 counties in the State responded for a 100% response rate. A pair-wise statistical analysis was performed on the property tax revenue data.

Findings of the research study showed that out of nine paired years, five paired years showed a significant increase in property tax revenues. The average percentage of the abatement increased four times during the 2004-2012 tax periods; for five tax periods the average abatement percentage decreased. Although the Section 313 of the tax code is not the emphasis of this research study, the data collected revealed that some counties that qualified for the Section 313 exemption also received supplemental and recovery payments.

INVESTIGATING THE RELATIONSHIP BETWEEN AUDIT REVIEW INTEGRATION COMPETENCY AND AUDIT OUTCOME: A CONCEPTUAL FRAMEWORK

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ABSTRACT

The major issue for managers is, "how does audit review integration competency affect audit success?" The purpose of this paper is to discuss the relationship between audit review integration competency and audit success. The audit review process is an important step that requires knowledge of the reviewer as an element to create confidence in the audit performance, which will lead to an advantage in terms of competition about audit quality (Cinquini & Tenucci, 2008; Curado, 2006). Prior research emphasis is on audit review process for use as a tool for audit quality control, but it is unclear on capability and function of audit review that may link to audit quality control (Guiral, Ruiz & Rodgers, 2011). Audit review integration competency includes five dimensions (audit planning investigation, audit practice monitoring, audit evidence-checking, audit problem-solving and audit process renewal). These dimensions will have an effect on the audit outcomes as audit transparency, audit excellence, audit proficiency, audit achievement, audit quality, audit report efficiency and audit success. The contribution of this research is to an auditor who may have a clearer understanding of how audit review integration competency plays a critical role in the creation of audit success. Moreover, future research suggests that one should discover antecedents, moderators, and control variables that can be related to audit review integration competency and audit outcome for a model-fit by the literature review. This conceptual paper can develop a proposition for a hypothesis by developing the concept as empirical research, using a questionnaire for the data collected from certified public accountants (CPAs) in Thailand. A questionnaire can use keywords in the definition for a subjective measurement in collecting data from the sample. Furthermore, the relationships among antecedents, consequents, moderators, and control variables of audit review integration competency need a theory to explain the phenomenon in future research. Lastly, a conclusion and suggestions for future research are discussed.

INTRODUCTION

In the present globalization, the economy is rapidly expanding, fluctuates greatly, changes, and is fiercely competitive in terms of trade and investment. It has brought on the collapse of famous companies, such as the Health South, Global Crossing, Parmalat, Hollinger, Adecco, TV Azteca, Adelphia Communications Corp, Enron, WorldCom Inc., and Tyco International Ltd., (Uwuigbe, 2013). Moreover in 2015, it has been announced the earnings management of Toshiba in Japan in 2008-2014. Companies needed to shut down, hundreds of thousands of employees lost their jobs, and it impacted the economy nationwide (Carecello, Hermanson & Raghunandan, 2005; Konishi, 2010; Myers & Ziegenfuss, 2006). Earnings management is falsifying entries in the accounts and results of operations of the company; thus, there is no reliable accounting information. It affects the quality of the audit, which is considered to have a direct impact on accounting and auditing.

Then, in 2010, the Federation of Accounting Professions (FAP) modifies accounting and auditing standards which focus on complying with the IFAC and the legal profession. It was to create high quality professional services to match international standards. This will bring confidence to users or stakeholders in the free world economy by forcing the Thai Standard on Quality Control 1 (TSQC1). This standard came into force in 2014, to audit a firm's quality control standards in the office, and to provide assurance that the auditor accordance with professional standards and regulations (Miller, Fedor & Ramsay, 2006; Tan & Shankar, 2010). It includes a report issued by the auditor who is in charge, and is appropriate to the situation. This resulted in audit quality increasing confidence for the user (with financial and audit report) and to reduce the risk of failure of the audit, which causes damage to the capital markets and the economy as a whole (Bamber & Bylinski, 1982; Tan & Trotman, 2003; Ramsay, 1994).

In addition, the accounting and auditing must adjust because the accounting profession is involved in economic development. The audit opinion affects the decisions of investors, which shows that investors have confidence in the opinion of the auditor (Cullinan, Du & Zheng, 2012).

The audit review is an important mechanism for audit quality control to comply with the changes that occur, and requires the integration of the audit review process and procedure. Audit quality control earns the trust of customers and stakeholders to have confidence in the financial statements, including creditors, shareholders and stakeholders (Guiral, Ruiz & Rodgers, 2011). The reviewer used the audit review technique as a tool to detect the behavior of auditors who ignore the steps necessary to complete the audit (Waggoner & Cashell, 1991). The auditor should integrate the audit review to keep up with economic change and maintain audit quality.

Prior research examined the influence of the audit review process on audit outcome; but only little research focuses on the reviewer’s competence in the audit review process (Tan & Shankar, 2010). In addition, it is unclear as to the capability and function of the audit review that may link it to audit quality control. Similarly, the audit review integration competency of each auditor is different, and it depends on knowledge and capability, which this ability affects audit success. Then, auditors need to develop the ability to focus on using the procedure of audit review for audit quality control. Moreover, there is little empirical research that investigates the dimensions of audit review integration competency and its effect on the audit outcomes as being audit transparency, audit excellence, audit proficiency, audit achievement, audit quality, audit report efficiency and audit success. This paper shows the new dimensions of audit review integration competency and will make an attempt to clarify them. Therefore, audit review integration competency includes five dimensions (audit planning investigation, audit practice monitoring, audit evidence-checking, audit problem-solving and audit process renewal).

The remaining parts of this study are organized as follows. First, the relevant literature review of audit review integration competency, audit transparency, audit excellence, audit proficiency and audit achievement on audit quality, audit report efficiency and audit success are addressed and criticized, and the significant decision research proposition development is also presented. The second section provides a proposition development and the conceptual framework. The last section is a contribution and a suggestion for future research. Lastly, this paper presents the conclusion of the conceptual paper.

AUDIT REVIEW INTEGRATION COMPETENCY

In this paper, the term "integration" refers to a multi-dimensional process to interact together, and collaborate, that is unique, important and useful (Kahn & Mentzer, 1998; Rouzies et al., 2005). Audit review is the major source of responsibility in the field of audit and one hope that the audit review will enhance efforts for audit practice and quality, as well as being the main method of audit quality control and training of auditors (Payne, Ramsay & Bamber, 2010). Audit integration refers to the associated audit procedure, in accordance with a monitoring system, to achieve the goal of reliability of finance and quality of process (Sumritsakun & Ussahawanitchakit, 2009).

Based on an integrative, prior literature review, this paper defines audit review integration competency as the ability to combine the process, approach and review procedures of all auditing systems together for audit quality control and audit goal achievement (Sumritsakun & Ussahawanitchakit, 2009), in order maximize the benefits in the audit and be useful to the audit task (Ramsay & Bamber, 2010; Tan & Shankar, 2010). The summary of the key literature review on audit review is presented in Table 1 as follows:

Table 1
THE SUMMARY OF DEFINITIONS OF AUDIT REVIEW

AUTHORS	DEFINITIONS OF AUDIT REVIEW
Gibbins & Trotman (2002)	Part of a quality control mechanism in the audit practices and standards.
Casterella, Jensen & Knechel (2009)	An important part in the AICPA program to increase the audit quality.
Reed (2010)	A complex process and increased rational effort will result in an even greater complexity of the audit review process as more information is considered.
Payne, Ramsay & Bamber (2010)	Pointing out the responsibilities of the audit field and expectations of the audit review, will increase the audit task and resulted improves audit performance.
Uachanachit, Ussahawanitchakit & Pratoom (2012)	The ability to perform tasks and roles expected of the auditing professionals who are certified and experienced coupled with the standards that are expected of employers and individuals.

PROPOSITIONS DEVELOPMENT

Audit Planning Investigation

Audit planning is an audit practice guideline. Meanwhile, the auditors may use the other appropriate audit practice guidelines to consider the facts and lead to getting an opinion in audit report quality (Bani-Ahmed & Sharairi, 2014; Bell, Doogar & Solomon, 2008; Sikka, 2008). Prior research has studied the relationship of corruption to risk assessment and audit planning decisions, demonstrating that there is a significant risk for fraud, affecting the planning and monitoring. Also, if the auditor does not plan the audit, it will affect performance (Blay, Sneathen & Kizirian, 2007; Graham & Bedard, 2003; Junlasri & Ussahawanitchakit, 2013; Newman, Evelyn & Reed, 2001). Audit planning is important for audit work; thus, it should be carefully investigated.

In this paper, audit planning investigation refers to the consideration and diagnosis of the audit planning capabilities to cover all activities in the audit task. The audit practitioner must complete the audit risk assessment, allocation of audit resources is excellent, and use an integrated audit method and range of the audit covered (Bedard, Graham & Jackson, 2005). Audit plans impact discretion in expressing an opinion on the information in the financial statements in the audit report. Thus, the auditor should determine the extent of the examination to be clear and cover all inspection activities. It helps to save time, reduces costs for monitoring, and result in the enrichment of the investigation (Blay, Sneathen & Kizirian, 2007). Hence, the propositions are proposed as follows:

P1a-f *Audit planning investigation will have a positive influence on (a) audit transparency, (b) audit excellence, (c) audit proficiency, (d) audit achievement, (e) audit quality and (f) audit report efficiency.*

Audit Practice Monitoring

The aim of audit practice is to build a procedure or implement techniques in audit planning effectiveness that lead to audit goal achievement (Ulaga & Chacour, 2001). Thus, the auditor must have best audit practice. Best audit practices is an audit management tool that can lead to a decision or selection among good audit actions (Solomon & Trotman, 2003), can implement accurate judgment, and enhance audit performance (Hui & Fatt, 2007). Therefore, the audit practice is significant for audit work thus, it should be carefully monitor.

In this research, audit practice monitoring refers to a process in continuous consideration and evaluation of the quality control system, including the selection of a service provider to complete a review on a regular basis. Such a process is designed to provide reasonable assurance as to the quality of the control system that operates effectively (Junlasri & Ussahawanitchakit, 2013; Lin, Fraser & Hatherly, 2003; Mearns & Toit, 2008; Owhoso & Weickgenannt, 2009). In an audit practice-based audit plan, the auditor could find that the audit evidence is sufficient, resulting in the quality of work and correctly contributing to the presentation of opinions in the report, in accordance with generally accepted auditing standards (Bell, Doogar & Solomon, 2008; Sikka, 2008). Hence, the proposition is proposed as follows:

P2a-f *Audit practice monitoring will have a positive influence on (a) audit transparency, (b) audit excellence, (c) audit proficiency, (d) audit achievement, (e) audit quality, and (f) audit report efficiency.*

Audit Evidence Checking

Audit evidence consists of information contained in records of the financial statements, and other information (previous audit report, internal control procedures, confirmations from third parties, report from analysts, and comparable benchmarking data with competitors). An auditor must perfectly obtain audit evidence (accuracy and completeness), and the information is appropriately specific and detailed for the audit purposes (Lenard, 2003; Chang et al., 2008). This has an important effect on certain, superior, financial report decision-making (Boatsman, Moeckel & Pei, 1997) and audit performance (Basu & Wright, 1997). Therefore, the audit evidence is important for audit work thus, it should be carefully checked.

In this paper, audit evidence-checking refers to the ability to analyze and confirm the appropriateness and adequacy of information and evidence, the period of document storage appropriate, and the confirmation that the conclusion is consistent with the information and evidence to be detected (Hurtt, 2010; Nelson, 2009). The audit practice of auditors needs to be an audit process that gathers sufficient and appropriate evidence related to the financial statements, to obtain evidence that is reliable, and which can be, in the auditor's opinion, concluded correctly, and confidence of stakeholders (Chang et al., 2008; Sinchuen & Ussahawanitchakit, 2009). Hence, the proposition is proposed as follows:

P3a-f Audit evidence-checking will have a positive influence on (a) audit transparency, (b) audit excellence, (c) audit proficiency, (d) audit achievement, (e) audit quality and (f) audit report efficiency.

Audit Problem-Solving

The problem-solving skill refers to the ability to think in the abstract that will lead to solutions, planning for the future, and looking for help from the other party (Miller, 1998). Additionally, a reviewer spent more when they believe that the auditor has less reliability (due to having been paid as an incentive, and their role as consultants (DeZoort, Houston & Peters, 2001). Audit problem-solving is achieved by auditor rotation which allows a reduction the incentive that may occur, when auditors interact with customers in the long-term. Auditor rotation with greater frequency will reduce client-specific knowledge so that an auditor is required to predict upcoming audit problems.

In this paper, audit problem-solving refers to the ability to use the process and method to identify (search) barriers, determine the cause of a problem; and find alternative solutions. Recommendations, and follow-up solutions (Barnes, 1980) occur in the audit task. Performing is systematic way, and appropriate to the circumstances (Miller, 1998; Petchjul and Ussahawanitchakit, 2013). Audit problem-solving will allow the auditor to perform the audit to better contribute to achieving the audit (Stone & Shelley, 1997; Petchjul & Ussahawanitchakit, 2013). Hence, the proposition is proposed as follows:

P4a-f Audit problem-solving will have a positive influence on (a) audit transparency, (b) audit excellence, (c) audit proficiency, (d) audit achievement, (e) audit quality, and (f) audit report efficiency.

Audit Process Renewal

Audit review process is a quality control mechanism in the audit to ensure that the audit is recognized, and has appropriate judgments (Ismail & Trotman, 1995; Tan & Shankar, 2010). The audit review process helps to assess the quality of the audit (Tan & Jamal, 2001). Audit review is essential to reflect the responsibilities of auditors (Payne, Ramsay & Bamber, 2010). Therefore, the audit process is important for audit work. Thus it should be developed and renewed.

In this paper, audit process renewal refers to the ability to develop the audit process in three steps (audit planning, audit practice and audit reporting and monitoring), which allows one to continuously create new audits and that are consistently appropriate to the client’s business and changing situations (Schulz & Booth, 1995; Pennekamp & Vlasveld, 2006). The review process is an important mechanism to control the quality of auditing to achieve an acceptable and appropriate judgment (Tan & Sankar, 2010). Audit process renewal affects performance (Pennekamp & Vlasveld, 2006). Hence, the proposition is proposed as follows:

P5a-f Audit process renewal will have a positive influence on (a) audit transparency, (b) audit excellence, (c) audit proficiency, (d) audit achievement, (e) audit quality, and (f) audit report efficiency.

Audit Transparency

Transparency means being open and accessible, which is being more transparent for the benefit of the company (Hermalin & Weisbach, 2007). A transparent process ensures the accuracy and reliability of the information being disclosed, and users can access it (Mard, 2011). An audit report increases transparency for the external stakeholder. The potential for audit disclosure is to help educate stakeholders about the audit function and governance role in a way that can affect judgments and decision-making (Archambeault, DeZoort & Holt, 2008). In addition, transparency also makes it clear, makes confidence in the data, and makes reliable.

In this paper, audit transparency refers to the audit processes, procedures and practices that are clear and verifiable (Tidd & Izumimoto, 2002), is strictly according to relevant regulations, the audit practice is unreservedly without bias (Awad & Krishnan, 2006), and the audit information is fully gathered and from a clear source (Bushman & Smith, 2003). Weiner (2013) suggests that transparency makes the data more reliable. Audit transparency creates stakeholder acceptance of the financial credibility, till lead to audit success (Holt & DeZoort, 2008). As aforementioned, the result of audit transparency positively impacts audit quality and audit report efficiency. Hence, the proposition is proposed as follows:

P6a-b Audit transparency will have a positive influence on (a) audit quality and (b) audit report efficiency.

Audit Excellence

Audit practice excellence refers to gathering complete audit evidence so as to reliably express an audit opinion on financial information and statements; and so audit practice can be completed in a timely manner which leads to achieving goals effectively. The accepted agreement, responsiveness, and customer satisfaction is very serious. It is about an auditor's opinion of issues in the evaluation of firm performance (Junlasri & Ussahawanitchakit, 2013). Operational excellence is defined as the successful implementation in supporting operational risk qualification, enhancement of quality, and timeliness with lowest cost and competitive advantage (Nah, Islam & Tan, 2007).

In this paper, audit excellence refers to the audit practice beyond expectations by a better-defined target, under limited resources, openly, accordance with the relevant standards and maximum efficiency, apply innovation and technology, is appropriate and in compliance with the environmental of audit (Hui & Fatt, 2007). Audit excellence is reflected in the hidden risk, and helps to control risk, which helps facilitate the audit (Mock & Turner, 2005). Stakeholders who agree on the performance audit report, tend to enhance the audit quality (Chanruang & Ussahawanitchakit, 2011). As aforementioned, the result of audit excellence is a positive impact on audit quality and audit report efficiency. Hence, the proposition is proposed as follows:

P7a-b Audit excellence will have a positive influence on (a) audit quality and (b) audit report efficiency.

Audit Proficiency

Proficiency is the ratio of inputs per output: such as hours spent per audit report, or years spent per audit report. The auditors are highly proficient leading to create audit yields with each hour of audit time spent. The core idea is to make each time investment count in the audit office. Proficiency is not the only concept that may be revisited through a realization of its multiple potentialities. From a literary and narrative standpoint, it points to the difficulties of translating the idea of performance (Radcliffe, 1998).

In this paper, audit proficiency refers to the audit practices that are according to the plan (Musig & Ussahawanitchakit, 2011), under lowest audit resources, have most value, takes the time to perform with the most value, and has lowest cost (Palmrose, 2006). The auditor can maximize the use of resources that will affect the performance of practical tasks (Palmrose, 2006). The auditors who audit proficiency will gain a reputation as successful (Musig & Ussahawanitchakit, 2011). As aforementioned, the result of audit proficiency positively impacts audit quality and audit report efficiency. Hence, the proposition is proposed as follows:

P8a-b Audit proficiency will have a positive influence on (a) audit quality and (b) audit report efficiency.

Audit Achievement

Audit achievement is required from stakeholders (Palmrose, 2006). Specifically, investors in securities markets need assurance about the audit achievement. The financial statements are recommended by fair representations and materiality disclosures, including independent opinions important in the financial statements (Church, Davis & McCracken, 2008). Financial statement users realize that the impact is reflecting on the losses that would arise from the financial statements (Nelson & Kinney, 1997). These findings suggest that the financial statements provide information that is useful to the users of financial statements (Obaidat, 2007). Thus auditing standards should be dynamic to support an auditor to monitor the information in the financial statements presented to stakeholders, because this information may affect economic decisions. The financial statements increase one's our confidence that the audit practice can be achieved, and provide useful information for decision-making (Elliott, Dawson & Edwards, 2007; Obaidat, 2007).

In this paper, audit achievement refers to the audit practice according the audit criteria related to audit: the audit plan, audit scope, and gathering of audit evidence obtained. It is sufficient and appropriate to get audit opinion on the financial statements in accordance with auditing standards (Musig & Ussahawanitchakit., 2011). Audit achievement will affect its performance of an audit report by offering useful information (Elliott, Dawson & Edwards, 2007; Obaidat, 2007). As aforementioned, the result of audit achievement is a positive impact on audit quality and audit report efficiency. Hence, the proposition is proposed as follows:

P9a-b Audit achievement will have a positive influence on (a) audit quality and (b) audit report efficiency.

Audit Quality

Audit quality is useful for decision-making and using the information of stakeholders (Habib & Bhuiyan 2010; Martin, 2007). Furthermore, the audit report quality has effects on audit performance because the auditor needs to survive in the audit industry. Hence, audit report quality can be provided by financial information usefulness, and lead to audit survival. Audit quality refers to an outcome of an auditor's reports in a profession which is responsible by committing to audit standards that are compliant under the objectives, goals and policies of other factors; and for use in decision-making in the financial report (Behn et al., 2008). Additionally, audit quality is the possibility that the financial information will comprise no material distortion (Palmrose, 1988).

In this paper, audit quality refers to the detection reporting irregularities and errors in financial reporting that have occurred (DeAngelo, 1981). The information in the audit report is accurate (Davidson & Neu, 1993) and the probability is that the financial statements are free of errors (Palmrose, 1988). Audit quality has value to users of financial statements as well as to the owner, investor and client. They are used in audited financial statements as the basis for the decision-making of investors. Investors will consider data that has reliability and quality in the financial reporting. The attempts to seek the composition are for audit quality, and an exercise for audit success (Watkins, Hillison & Morecroft, 2004). As aforementioned, the result of audit quality positively impacts audit report efficiency and audit success. Hence, the proposition is proposed as follows:

P10a-b Audit quality will have a positive influence on (a) audit report efficiency and (b) audit success.

Audit Report Efficiency

The financial statements have been audited in the annual report that is a reliable source. Users of financial statements need financial information that is reliable and timely in order to correctly decide. Thus audit report efficiency is essential for stakeholders. A powerful audit report means that opinion of the auditor is reliable and in a timely manner to ensure that the financial statements are free of material misstatements (Garcia, Benau & Zorio, 2004). Audit timeliness is the most influential factor in the utilization of financial statements and it is an important characteristic of financial accounting information (Leventis, Weetman & Caramanis, 2005; Soltani, 2002). In addition, the delay verification (number of days elapsed from the closing date of the reporting period to determining when it is signed) tends to reduce audit performance (Bonson-Ponte, Escobar –Rodriguez & Borrero-Dominguez, 2008).

In this paper, audit report efficiency refers to the ability to issue an audit report by using invaluable resources, effectively monitoring, and being in accordance with generally accepted auditing standards (Arens, Elder & Beaslsy, 2005). The audit report shown in the subject matter and the auditor's opinion are reliable and useful for decisions (Al-Ajmi, 2009). Thus, auditors with a more efficient audit report tend to gain the greater confidence of users of financial statements, provide reliability, are useful for decision-making (Bhattacharjee, Moreno & Yardley, 2005) and audit performance (Al-Ajmi, 2009). Hence, the proposition is proposed as follows:

P11 Audit report efficiency will have a positive influence on audit success.

Audit Success

Audit success is a trust from those who are involved in the audit task. It increases new customers, and retains existing customers, which leads to survival in the audit market, the satisfaction of stakeholders, confident users of financial statements; and an auditor who can practice the audit like a professional who is distinctive and visible (Craswell, Francis & Taylor, 1995; Wittayapoom & Ussahawanitchakit, 2009). Successful validation is the pride and success over the goals and expectations of the audit field. An effective means to monitor the performance and effectiveness of audit performance monitoring can detect errors in the financial statements, leading to customer satisfaction (Dick & Basu, 1994). The main reason for the success of audit report quality is the pride of the people. This will lead to sustainable development with the opportunity to receive a proposal and be appointed as the auditor of new and existing customers.

CONCEPTUAL FRAMEWORK OF AUDIT REVIEW INTEGRATION COMPETENCY AND AUDIT OUTCOME

This conceptual paper investigates the relationships among audit review integration competency, audit transparency, audit excellence, audit proficiency, audit achievement, audit quality, audit report efficiency and audit success. Thus, the conceptual framework, linkage, and conceptual models present the relationships among audit review integration competency and audit success, based on the preceding discussion of the literature. Altogether, a developed conceptual model in this research is shown in Figure 1.

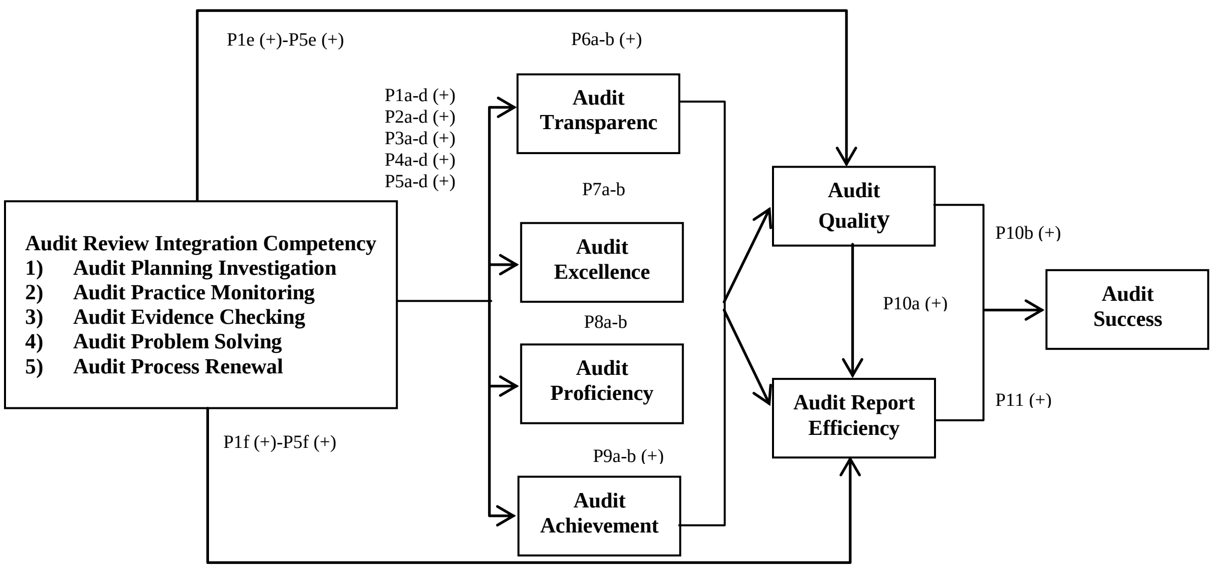

Figure 1: A Conceptual Framework Of Audit Review Integration Competency And Audit Outcome

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

This study is intended to propose a conceptual model of the relationships between audit review integration competency and audit outcome. It provides a unique contribution expanding on preceding knowledge and literature of the interaction roles of audit review integration competency and consequences that will support audit success. This paper provides a new conceptual framework of audit review integration competency for developing propositions to hypothesize. In addition, this paper's focus provides a clearer understanding of the relationship between audit review integration competency and audit outcome. The proposed model of this paper may represent some practical contributions. The auditor may have a clearer understanding of the way of audit review integration competency which plays critical roles in the audit review. This research facilitates auditors who demonstrate that main components may lead to the meaning of audit success. This study also helps an auditor be aware of the importance of audit review that may lead to the meaning of implementation.

Suggestions for Future Research

This conceptual framework shows only the relationship between audit review integration competency as an independent variable and its consequence. Future research should seek the antecedents, moderators, and control variables to put into the model. All concepts in this paper should seek theory to explain the phenomenon for understanding the relationships. Likewise, future research should be empirical research, using the questionnaire for the data collected from CPAs in Thailand.

CONCLUSION

The major issue for an auditor is, "How does audit review integration competency have an influence on audit success?" This conceptual paper attempts to clarify the domain of audit review integration competency, its definition; and the impact on audit transparency, audit excellence, audit proficiency, audit achievement, audit quality, audit report efficiency and audit success. Furthermore, this research adopts five dimensions of audit review integration competency that are: audit planning investigation, audit practice monitoring, audit evidence-checking, audit problem-solving and audit process renewal, for theoretical and practical investigation in the conceptual framework (Deepen, Goldsby, & Knemeyer, 2008; Payne, Ramsay & Bamber, 2010; Tan & Shankar, 2010). This study also offers the role of an auditor to implement audit review integration competency for audit quality control in that it may enhances audit outcomes which include audit transparency, audit excellence, audit proficiency, audit achievement, audit quality, audit report efficiency and audit success. Propositions suggest that should collect data from different groups of samples to verify the generalizability of the study and increase reliability.

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AUDITOR-CLIENT EXCHANGE COMPETENCY AND AUDIT REPORT EFFICIENCY: A CONCEPTUAL FRAMEWORK

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ABSTRACT

The confidence of investors is a foundation of the capital markets, and audit reporting efficiency depends on the proper resolution of contentious accounting that surfaces during the audit process. Most research previously examined the quality of the auditor's evaluation and the characteristic of auditors rather than to investigate actual the audit process. The current view of the auditor and client exchange needs to focus on working together to solve the difficulty of the debate about the use of client judgment. Thus, the overview of this conceptual paper can develop the proposition to hypothesis test auditor-client exchange competency, as consisting of five dimensions: procedural audit collaboration focus, joint audit planning orientation, integrated audit information awareness, insight audit practice emphasis, and detailed audit evidence concentration. These dimensions are an influence on audit operational proficiency, audit functional achievement, audit quality enhancement, and audit report efficiency. Moreover, in the future, research is suggested to find antecedents, and control variables that can be the effects related to auditor-client exchange competency and audit reporting efficiency.

INTRODUCTION

The confidence of investors is a foundation of the capital markets (Brown & Wright, 2008). With this confidence, it causes them to recognize the completion of the audit reports (Chen, Elder & Liu, 2005). When a financial report is released into the public domain, it is a general recognition. It is the result of the cooperation between the auditor and client (Antle & Nalebuff, 1991; Gibbins, Salterio & Webb, 2001; Gibbins, McCracken & Salterio, 2005; Trotman, Wright & Wright, 2005). For capital market acceptance, the auditors can determine which, is the key component in creation confidence in the financial report. Moreover, capital markets will trust the auditor with the ability to monitor. Competency is a key component in building confidence in financial reporting (Gibbins, McCracken & Salterio, 2005; Gibbins, Salterio & Webb, 2001). Therefore, the client is accepted in the audit process and agrees with the auditors on the adjustment of the financial statement and financial report disclosures (Chen, Elder & Liu, 2005). Thus, in the process of checking, the client will provide and agreed with the auditors on the adjustment of financial statements disclosures, and financial reports (Chen, Elder & Liu, 2005). Most of the world informs third party stakeholders as to whether the client firm's financial statements are shown in agreement with financial accounting standards of the country. The auditor-client dealings cause it to be a legally-mandated correlation in which one party, the auditor, is employed and paid by the client. If the auditor finds that the financial reports do not conform to financial accounting standards of the country, the auditor will report that to the client's governance authorities and suggest revisions to the statements (Kleinman, Palmon & Yoon, 2013). Based on the client's reaction to the auditor's request, a conciliation situation may arise in which the auditor is presumed to act in the best interests of creditors and shareholders, who are the stakeholders in the corporation. The problem, at this point, is that the client may feel forced to defend their results. It is a communication between the auditor and client (Brown & Wright 2008; Salterio 2012; Kleinman, Palmon & Yoon, 2013).

Currently, challenging audit areas would be in the audit areas. Most likely, a certificate extends reporting as fair value measurements, fraud, impairment of innovative financial instruments and innovative business structures (McAllister & Bell, 2011). Thus, the auditor is required to realize the audit quality. However, the auditor–client exchange can materially affect financial statements while identifying some accounting and other contextual issues that impact auditor–client negotiations (Wang & Tuttle, 2009). The current views about link between auditors and clients have become more important in the business of the world, including Thailand. Therefore, auditors and clients must make the efforts to exchange knowledge, skills, and the operating experience of the client. The auditor gets access to audit evidence that affect audit report efficiency (Kleinman, Palmon & Yoon, 2013). An auditor's primary responsibility is to service professional accounting with a client, based on the performance of the audit according to auditing standards and regulations, leading to audit operational proficiency. However, the auditor must provide assurance of audit quality when their client prepares it. To ensure the financial statements of customers who have misstated or misrepresented information, important content may detect errors that are proposed to be adjusted to conform to Generally Accepted Accounting Principles (GAAP) before the disclosures (Kleinman, Palmon & Yoon, 2013).

Thus, the main purpose of this paper is as follows: 1) To investigate the effects of the five dimensions of auditor-client exchange competency (procedural audit collaboration focus, joint audit planning orientation, integrated audit information awareness, insight audit practice emphasis, and detailed audit evidence concentration) on audit operational proficiency, audit functional achievement, and audit quality enhancement, 2) To examine the effects of audit operational proficiency and audit functional achievement on audit quality enhancement, and 3) To determine the effects of audit operational proficiency, audit functional achievement and audit quality enhancement on audit report efficiency. In this study, the key questions of this work are as follows: 1) How do the five dimensions of auditor-client exchange competency have an influence on audit operational proficiency, audit functional achievement and audit quality enhancement? 2) How do the five dimensions of auditor-client exchange competency have an influence on audit operational proficiency, audit functional achievement and audit quality enhancement? 3) Lastly, how do audit operational proficiency, audit functional achievement and audit quality enhancement have an influence on audit report efficiency?

This paper is organized as follows: section two is the literature review in the area and streams of auditor-client exchange competency, audit operational proficiency, audit functional achievement, audit quality enhancement and audit report efficiency. Also, links between the concepts of auditor-client exchange competency to all of the variables are reviewed , and the key research proposition for the paper is developed. The suggested directions for future research and managerial contributions in this paper are described in the last section. Finally, the findings of the study are summarized in the conclusion section.

AUDITOR-CLIENT EXCHANGE COMPETENCY

An auditor must be competent enough to want to close the report of the examination, and they expect that clients are willing to provide useful information in the audit report as well (Tan & Trotman, 2010). Therefore, the ability of the auditor is the key used to exchange data with the client, to define the basic requirements, and to monitor through a collaborative process, which will drive the achievement of the objectives of the audit (Kleinman & Palmon, 1999). In addition, Brown & Wright (2008), identifies exchange outcomes that reflect from a link process between the auditor and the client, relating to an accounting or auditing problem. The resolution affects, in addition to the audit report efficiency and the litigation risks, the audit quality for both parties. There also happens to be the characteristic of the ongoing auditor-client link. The result from the exchange can serve to strengthen, which is important in information-sharing, respect, and establishing mutual trust (Gelfand & Christakopoulou, 1999). Thus, auditor-client exchange competency refers to the ability to use communication skills, linking knowledge, and attitude towards clients for building trust and reducing conflicts about the evidence that is materially important, according to related auditing standards for achieving maximum audit report efficiency (Brown & Wright, 2008 ; Salterio, 2012). The ability of the auditor provides audit operational proficiency, audit functional achievement, audit quality enhancement and audit report efficiency to give confidence to the financial status of the clients. Also, it is to accept and maintain a link with clients and their audits.

CONCEPTUAL FRAMEWORK OF AUDITOR-CLIENT EXCHANGE COMPETENCY AND AUDIT REPOR EFFICIENCY

This conceptual paper has investigated the relationships among auditor-client exchange competency, audit operational proficiency, audit functional achievement, audit quality enhancement and audit report efficiency. The conceptual framework, connected proposition, and conceptual models show the relationships among auditor-client exchange competency and audit report efficiency based on the previously reviewed literature, as shown in Figure 1.

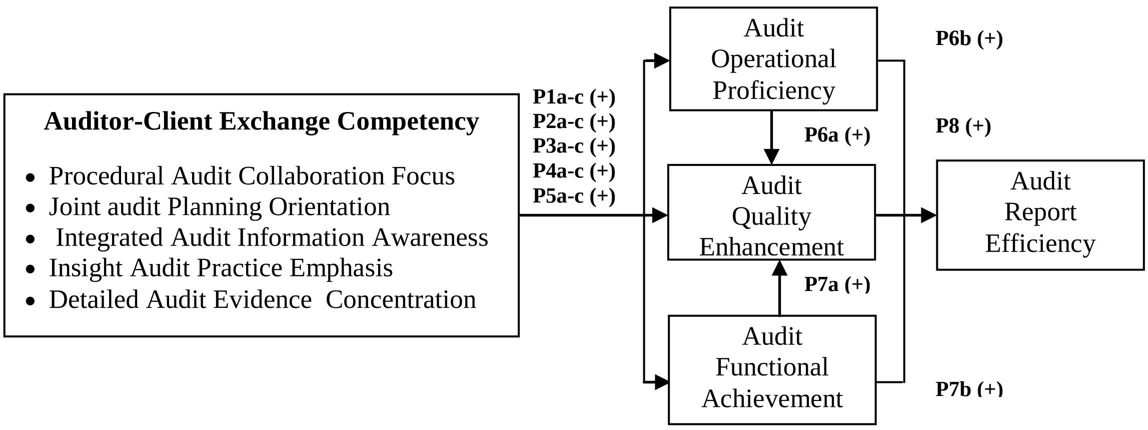

Figure 1: A Conceptual Framework of Auditor-Client Exchange Competency and Audit Report Efficiency

PROPOSITIONS DEVELOPMENT

Procedural Audit Collaboration Focus

Past literatures on interlocking between auditor and client focus more about the nature, and benefits interoperability of auditor and client (e.g., Farmer, Rittenberg & Trompeter, 1987; Zhang, 1999; Beattie, Brandt & Fearnley, 2000; Trotman, Wright & Wright, 2005). According to Wang & Tuttle (2009), the results show financial statements as identifying some accounting and other circumstantial issues impacted on auditor–client relationships. However, Geiger & Raghunandan (2002) suggested that auditors, prior to a bankruptcy filing in the early years of an auditor-client relationship, are more likely to issue a clean audit report. Meanwhile, the study of Lee, Mande & Son (2009) indicates the exchange between audit and client, during the term of office of the auditor, decreases audit delays due to the increased efficiency of the auditor's extra working time. Thus, it withstands the views regarding mandatory auditor rotation, with the opinion that it would imply an additional charge to the markets as the announcement of the audited earnings would be delayed.

Based on the above reasons, procedural audit collaboration focus refers to the ability to convince clients to participate, give feedback, and discuss between the parties regarding the verification process, until it affects defined terms for the mutual benefit of both parties, to achieve the objectives of the joint investigation (Comunale, Sexton, & Gara, 2003; Salterio, 2012). These can imply that if auditors execute less than the procedural audit collaboration focus, it provides audit operational proficiency, audit functional achievement and audit quality enhancement, which make for audit report efficiency. Therefore, the propositions are proposed as follows:

P1a: Procedural audit collaboration focus would be positively related to audit operational proficiency.

P1b: Procedural audit collaboration focus would be positively related to audit functional achievement.

P1c: Procedural audit collaboration focus would be positively related to audit quality enhancement.

Joint Audit Planning Orientation

Audit planning literature currently presents and continues to focus on professional standards and the results of the plan (e.g., documents and inspection reports). Therefore, it has been assumed as the somewhat limited meaning of establishing an agreement with professional standards. Furthermore, this stated that audit planning must have a broad interpretation. It not only involves determining what needs to be done, but also a systematic and rational decision when and how it happened, and who is doing it. The auditor must not confuse planning with the process of thought and planning. In addition, Salterio (2012) indicates that the partnership between an auditor and client in audit planning contains: 1) the preparation for investigating powerfully and quickly, 2) specifying the scope option and the type of monitoring tools to be shared, 3) scheduling as agreed, and 4) strengthening the morale of the employees. The auditor understands client and industry entrepreneurs, including risk assessment of customer operations, performance of the initial analysis, setting standards for significant risk appetite and risk monitoring, understanding and control, risk assessment and control, data collection to assess the risk of fraud, and ultimately involving development of the overall audit planning and audit as planned. Past papers found researchers interested in studying associations among the audit process risk, fraud, and audit planning process (e.g. Basu & Wright, 1997; Fukukawa, Mock & Wright, 2006; Blay, Sneathen & Kizirian, 2007; Martinis). The results demonstrate that the risk significantly impacts fraud audit planning. Hoffman & Zimbelman (2009) found that each intervention (prompted by strategic reason and commissioning in brainstorming) leads to more effective modifications for standard audit procedures, and that the combination of their interventions is not significantly more effective than either intervention used by itself only. The study of Low & Tan (2011) shows that, during audit planning forewarning auditors, of impending time constraints (i.e., early warning), leads to better time-constrained performance on an inventory task.

In this paper, joint audit planning orientation refers to the guidelines, methods of cooperation from customers to support the audit plan, and guidelines according to the auditor that are determined for achieving both the potential and ability in audit efficiency and for more effectiveness. The auditor agreed with the process of obtaining and maintaining a job (Arens, Elder & Beasley, 2008). Thus, the following propositions are posted as follows:

P2a: Joint audit planning orientation would be positively related to audit operational proficiency.

P2b: Joint audit planning orientation would be positively related to audit functional achievement.

P2c: Joint audit planning orientation would be positively related to audit quality enhancement.

Integrated Audit Information Awareness

The prior view of the ongoing debate is about the effectiveness of the audit report in communicating with financial statement users (Bamber & Stratton, 1997). Audit professional standard-setters and stakeholders trouble the audit reporting reliability of auditors, and understanding between auditors and clients (Miller, Reed & Strawser, 1993; Carmichael et al., 1995). In compliance with McAllister & Bell (2011), the complexity of audit practice is currently is higher than in the past. Auditors have to pursue knowledge development and seek guidelines for compliance until it leads them to success and achieving the goals. Therefore, in the audit process, the auditor must be aware of formal information sources with an emphasis on the client's document management (Burk & Horton, 1988; Reynolds, 1980). This paper highlights and discusses challenges to current audit information based on the competency of the auditor. To use audit information to its full potential, the auditor must give priority to developing an integrated information strategy, monitoring, and evaluating in conformity with information-related standards, legislation and policy guidelines (Buchanan & Gibb, 2007).

Therefore, Rus (2012) mentions, that to integrate audit information is to combine all procedures of the audit into the audit ways and system that is integrated into the nature of the information technology audit, financial audit, and other audit-related categories. It includes the use of computer-assisted audit techniques to check for compliance with the principle objective of the audit, including a monitoring system to perform the responsibilities and risks in the operation of the client. The level of information conforms to the criteria outlined to provide adequate and timely information to support the decision of the user. It also meets the objectives of the audit to establish credibility, reliability and completeness of the information prepared by generally accepted accounting principles. As Buchanan & Gibb, (1998) indicate, to provide information to determine the need for strategic information is one of the popular methods to link the information or data integration. This method is associated with processes and information that occur between people in an organization, using a variety of media and technology. Thus, integrated audit information awareness for monitoring effects audit operational proficiency.

Consequently, integrated audit information awareness refers to using knowledge to gather information, techniques, methods, and evidence-based monitoring of clients to connect and bring together analysis, confirming the accuracy of this information from the auditors who are available in order to determine the highest quality (Rus, 2012). Thus, it leads to the propositions set as follows:

P3a: Integrated audit information awareness would be positively related to audit operational proficiency.

P3b: Integrated audit information awareness would be positively related to audit functional achievement.

P3c: Integrated audit information awareness would be positively related to audit quality enhancement.

Insight audit practice emphasis

A CPA is a professional who must strive to withstand the pressure of all the competition and others, and decline to compromise on generally accepted accounting principles, as well as standard quality (Hall & Renner, 1991). Thus, the extension of the customer base and the services expansion provided to clients are increased. This change has resulted in accounting firms increased efforts to monitor the implementation of development as well as the practices associated with the development of the ability to audit operations. The audit quality of financial reporting is based on the performance of the auditor (Cohen & Trompeted, 1998). The audit quality of the financial statement is based on the performance of the auditor (McKnight & Wright, 2011). In audit process work environments, audit practice emphasis has become the activity that auditors have in an implementation to complete audit operation efficiency, audit functional achievement, and audit quality enhancement.

As mentioned above, the auditors will focus on the audit with clear understanding, and with collaboration from information provided by the client. The auditor must comply with auditing standards in every issue related to the audit committee and the cognitive content of the auditing standards. In order to understand the purpose, standardizing the work of the auditors achieves the overall objectives and responsibilities of the practice in particular; as well as scoping the date of adoption and limitations, especially in the audit practice. Also, the interaction between auditor and client has to take place in the audit process to achieve the desired results. Examples are control testing and monitoring content, operational monitoring of potential accounting principles, or the disclosure of information. It is important, both from a general and a specific view, that an account or setting determines what information to disclose in the possibility that there may be a demand for expertise in accounting and is more creative than usual (Salterio, 2012). The role of the auditor to be an expert on accounting practices and techniques needs to be professional in an audit. However, the auditor generally has expertise according to GAAP, as well as to understand their own situation and additional prospects. Auditors need to be aware that external factors are important (i.e. the increasing complexity and data-intensiveness of the business environment, and the growing prevalence of electronic transactions) (Alles, Kogan & Vasarhelyi, 2008). Audit practice can be changed at any time through the perceived risk and change of the environment. However, from the literature reviewed earlier, according to the results of Rennie, Kopp & Lemon (2010), there are suggestions for some potential implications for audit practice. In addition, the results suggest that it is desirable for auditors and auditing standard-setters to be aware of factors that may lead to greater auditor reliability of client management. Hollindale, Kent & McNamara (2011) show that many audit practices provide their staff with formal negotiation training. In particular, the results find that auditors with formal negotiation training place less importance on compromising tactics.

In this paper, insight audit practice emphasis refers to the ability to build trusting relationships with clients, and provide access to evidence for monitoring the environment appropriately according to the situation of a client's industry. It provides inspection reports that are even more effective (Salterio, 2012). Based on the prior literature, the related propositions are postulated as follows:

P4a: Insight audit practice emphasis would be positively related to audit operational proficiency.

P4b: Insight audit practice emphasis would be positively related to audit functional achievement.

P4c: Insight audit practice emphasis would be positively related to audit quality enhancement.

Detailed Audit Evidence Concentration

As to the bankruptcy of a company, there are solemn inferences for various environmental economic and business deputies who are stockholders, inclusive of every side who are accessories themselves. That is why firm insolvency has been of interest in past literature topics until now (Sánchez, Monelos & López, 2013). Despite these rules, the external audit is the major warrant of financial information reliability. Auditors are dedicated to issue professional opinion about whether financial reports have been developed according to GAAP, and communicate a fair expression of the financial and economic shape of the company (Herbohn & Ragunathan, 2008; Sánchez, Monelos & López, 2013). The methodology and inference procedure is based on measuring information about the quality of companies such as in accounting information and market information (Keasey & Watson, 1987). The auditor, to management control about the truth of the evidence, effectively assesses the risk of fraud that is even greater (Trotman & Wright, 2012).

In addition, there is empirical evidence from the study by Janvrin, Caste & Elder, (2010) which show, that in situations where fraud may have been detected, that auditors had confirmed additional items such as material cash balances, marketable securities, and terms of significant accounting transactions. Consistent with Caster, Elder, & Janvrin (2008), these are extensively used and are often perceived by practitioners to be one of the most seductive forms of audit evidence. However, a number of problems with fraudulent and forged confirmations are identified in Accounting and Auditing Enforcement Releases (AAERs). In addition, the academic paper demonstrates that receivable confirmations can be proficient evidence for an actual audit opinion.

In this paper, detailed audit evidence concentration refers to the ability to analyze and evaluate the sufficiency of the evidence to check that which is received from clients in each situation. It contributes to comments on the financial statements that are reliable (Janvrin, Caste & Elder, 2010; Caster, Elder & Janvrin, 2008). Based on the previous literature, the related propositions are postulated as follows:

P5a: Detailed audit evidence concentration would be positively related to audit operational proficiency.

P5b: Detailed audit evidence concentration would be positively related to audit functional achievement.

P5c: Detailed audit evidence concentration would be positively related to audit quality enhancement.

Audit Operational Proficiency

Audit operational proficiency means the ability to manage the review process with the goal of monitoring and adapting to the continuing, changing environment, and to perform an investigation successfully within the specified period (Watson & Dow, 2010). The auditor examines the purpose, and with the correct function of the inspection, reviews, using minimal resources. They also investigate likelihood within the given time, saving resources and labor. It includes checking according to generally accepted accounting principles and professional conduct (Watson & Dow, 2010; Schyf, 2000). However, Dilip (2014) stated that the tool used to measure operational proficiency is time proficiency. Time proficiency is to evaluate performance compared to the established criteria. The term operational proficiency means the volume of resources used to transform inputs into outputs and provide value to customers. It is based on the quantity of raw material, money, and employee imperatives to produce a given level of outputs (Daft, 2007). The concept of proficiency is measured by return on investment or value for money (Khare, 2006). Moreover, Driessen & Molenkamp (1993) mention that operational auditing is the entry-exit of the period, as the years change. It represents many things in many different firms. Thus, in this paper, audit operational proficiency refers to the competency of the auditor to achieve both timeliness and audit processes according to the GAAP (Watson & Dow, 2010; Dilip, 2014). Therefore, higher proficiency of audit operations is positively correlated with audit quality and audit report efficiency (Schyf, 2000). The auditor should seek to maintain a higher level of expertise to monitor the participation of meetings with people who have expertise in the investigation and benefit from a positive impact on auditor ability. The professional auditor should know the limitations and techniques for using competency (Al-Khaddash, Al-Nawas & Ramadan, 2013).

However, previous literature reviews on audit operational proficiency found that Al-Khaddash, Al-Nawas & Ramadan (2013) attribute many papers to have found a positive relationship between audit quality and an auditor's qualifications and expertise. They indicate that there is a positive relationship between audit quality and audit operational proficiency. To become a proficient auditor, a proficient audit team leader, or a proficient audit manager, certain exclusive unique qualifications have to be demonstrated. The auditors then focus on objective control. Thus, auditors with superior audit operational proficiency provide auditing timeliness and save resources. That will improve audit quality enhancement that impacts audit report efficiency. Consequently, the following propositions are postulated as follows:

P6a: Audit operational proficiency would be positively related to audit quality enhancement.

P6b: Audit operational proficiency would be positively related to audit report efficiency.

Audit Functional Achievement

Shafer, Poon, & Tjosvold, (2013) and Fleak & Wilson (1994) define audit functional achievement as achieving the auditor's objective by gathering enough evidence and the right audit evidence in order to obtain reasonable opinions regarding the financial statements permissive by audit standards. The audit function is focused on the issue of an auditor’s opinion in the public market and the market’s negative reaction to nonstandard opinions. Thus, the auditors who specialize in providing audit, accept a role in protecting the interests of the public. Specialization determines auditing functional achievement in the risk analysis of the financial statement and the auditor who can use information technology for audit quality enhancement and audit report efficiency (Lilien, 2008). Functional achievement means an auditor who can achieve work targets in the reduced complexity of the audit process. Functional achievement may improve the functional achievement of the auditor and tends toward audit quality enhancement (Judge et al., 1999; Rode et al., 2008). As mentioned above, the auditor who succeeds in checking, generates better audit quality enhancement and audit report efficiency.

The literature previously found that the client's financial statements were risk assessments by loan officers for setting interest rate premiums, and approving business loans (Bamber & Stratton, 1997). Fontaine, Letaifa & Herda (2013) interviewed 20 financial managers in Canada who were involved in the investigation of the auditor. The results show that the client recognizes the auditor's audit functional achievement as the instructions received from their auditor, and is the source of value. In addition, Obaidat (2007) showed that importance of financial statements is information usefulness for investors and creditors' judgment and decision-making. Based on the above reasons, in this paper, audit functional achievement refers to achieving the purpose of the inspection that was planned for the monitoring and inspection guidelines set forth, as well as to simplify the audit process to be more excellent (Shafer, Poon, & Tjosvold, 2013; Lilien, 2008). Therefore, audit functional achievement relationships are related to audit quality enhancement and audit report efficiency. Thus, it leads to the propositions posited as follows:

P7a: Audit functional achievement would be positively related to audit quality enhancement.

P7b: Audit functional achievement would be positively related to audit report efficiency.

Audit Quality Enhancement

According to DeAngelo's (1981b) framework, an auditor's incentive is to reach a compromise on audit quality with respect to a particular client, and it depends on the economic emphasis of the client relative to the auditor's client portfolio. Audit quality is a probability that an auditor will detect and report regarding an infringement in their client's accounting system (DeAngelo, 1981a). Audit quality enhancement requires both competence and independence. These features have direct effects on veritable audit quality, as well as likely having interactive effects. However, the financial statement user's perception of quality is a function of their perception of both auditor expertise and independence (Krishnan & Schauer, 2000; Manita & Elommal, 2010). In addition, Widiastuti & Febrianto (2010) indicate that audit quality is an audit conducted by an independent and proficient person.

Thus, in this paper, audit quality enhancement refers to expressing an opinion on the financial statements of the auditors in the audit report with increased efficiency and accuracy, complete in all material respects as to the auditing standard, including regulations related to the highest optimum (DeAngelo, 1981a, 1981b). Auditing the quality to increase it, is due to the auditor who has operational proficiency in the validation process for the inspection. In fact, audit functional achievement and the reliability of the evidence is from the source of responsibility (King, Davis & Mintchik, 2012). Nevertheless, Mazur et al., (2005) point to quality control as a process that seeks to reassure that all phases of an audit (i.e. audit planning, audit reporting, execution, and follow-up) are carried out in compliance with rules, practices, and procedures (Mazur et al., 2005). Therefore, audit quality enhancement must adhere to these standards, indicating the auditor's liability as to the confidence level of audit report efficiency (DeFond & Zhang, 2014). Auditor ability helps detect and remove material misstatements that are usually in the financial report (Davidson & Neu, 1993). Thus, audit quality enhancement affects audit report efficiency by auditors as the basis for investment decisions. This is due to auditors being insurance providers, having information credibility and having information quality (Menon & Williams, 1991). Therefore, audit quality enhancement relationships are related to audit report efficiency. Thus, it leads to the proposition posited as follows:

P8: Audit quality enhancement would be positively related to audit report efficiency.

Audit Report Efficiency

Audit report efficiency is a source of high-quality financial information to reduce the information asymmetry between managers and outside investors. Audit report efficiency is influenced by accounting standards, audit operational proficiency, audit quality enhancement, and audit functional achievement (Kothari, 2000). If the auditor's effective monitoring reflects a client's corporate governance, it results in the confidence of investors and external stakeholders in the inspection report, including the confidence to use the information from the report to determine efficiency (Pratt, 2011). However, Lin, Tang & Xiao (2003) suggest that due to a concern for Generally Accepted Auditing Standards (GAAS), auditors are required to express their opinions following GAAS. In practice, the unqualified and qualified audit reports are most generally applied in audit practice. Therefore, the worth of qualification of audit report efficiency indicates the auditor’s registration regarding specific items or a phenomenon such as an infringement of Generally Accepted Accounting Principles (GAAP). A restriction of the scope of audit work prevents an auditor from performing the audit procedures required by GAAP. The uncertainty is an audit opinion on-going concern of the client’s operations. The empirical evidence according to Ittonen (2009) indicates a relationship between the relevance of auditors' on-going concerns and internal control reports to investors. The actual results confirm that the audit reports studied contain some information relevant to the investors. In this paper, audit report efficiency refers to the exposure of an opinion on the financial statements of the auditors in the audit report that increases efficiency and accuracy, and is complete in all material respects as to the auditing standard, including related regulations, and is the of highest optimum (Al-Ajmi, 2009; Pratt, 2011; Pongsatitpat & Ussahawanitchakit, 2013).

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

This paper makes two contributions to the literature of auditor-client exchange competency. Firstly, the new dimensions of audit-client exchange competency is the benefit of this paper; namely, procedural audit collaboration focus, joint audit planning orientation, integrated audit information awareness and detailed audit evidence concentration. Secondly, this paper provides the consequences of audit-client exchange competency and develops a model to test the relationships. Little prior research has studied the audit-client exchange competency and audit report efficiency as relationship via audit operational proficiency, audit functional achievement, audit quality enhancement, and audit report efficiency; especially in Thailand.

Suggestions for Future Research

This conceptual framework has shown only auditor-client exchange competency as independent variable and its consequent. In order for crucial and essential further study that revolves around the current study, the following topics are recommended for future studies. Future research is suggested to find antecedents and control variables that can be effects related to auditor-client exchange competency and audit reporting efficiency. Nowadays, it is becoming increasingly important in the business operations. The auditor and the client attempt to share knowledge, skills, experience, and customer operations for the auditor to access the audit evidence. Therefore, studies should be based on a theory to explain and predict phenomena that occur, which will help it to have more insight.

CONCLUSION

This paper has developed an interpersonal-level model of auditor-client exchange competency. As important as these negotiations are, there has been scant research into the factors that help examine the result (Kleinman et al., 2003; Brown & Wright, 2008; Salterio, 2012). Especially missing, is research that provides insight into the black box of auditor-client exchange competency and its impact on audit reports (Kleinman, Palmon & Yoon, 2013). We believe that the model link knowledge for building trust and reducing conflicts about the evidence relating auditor and client, will generally assist researchers, students and the other interested parties in understanding these links, and in empirical testing of these understandings. Obviously, much more work remains to be done in this area.

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STRATEGIC AUDIT EXPERTISE ORIENTATION AND AUDIT SUCCESS: A CONCEPTUAL FRAMEWORK

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ABSTRACT

Auditing environment rapidly changes due to economy, authority, regulations, and society. It is a complex factor that leads the auditor to consider strategic orientation. This paper brings strategic orientation to the audit expertise domain to encourage an advanced understanding on strategic audit expertise orientation that is newly constructed. So far, little attention has been paid to auditing field and managerial characteristics that support auditor behavior. In response, a conceptual framework is developed to investigate the relationship between strategic audit expertise orientation and audit success. There are five dimensions of strategic audit expertise orientation which include dynamic audit learning, excellent audit knowledge, modern audit skills, continuous audit environment education, and valuable audit experience. The consequences of strategic audit expertise orientation affects audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization and audit report efficiency; all lead to audit success. This is the conceptual paper that predicts a positive relationship of the construct. Future research ought to empirically test the conceptual framework developed in this paper.

INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) with convergence stated by the International Accounting Standard Board (IASB) plays a crucial role in improving the accounting standard and the financial statement (Mourik and Katsuo, 2015). In so doing, it influences the role of auditors in improving themselves as well as seeking new knowledge in order to express an opinion on the financial statement which complies with IFRS and accuracy (George, Ferguson and Spear, 2013). Therefore, expertise serves as an important qualification of an auditor who possesses judgment decision making, and sufficient appropriate audit evidence for opinion accuracy on the financial statements (Smith-Lacroix, Durocher and Gendron, 2012).

Audit expertise is the ability of audit that can be obtained from practice in work, especially well qualitatively practice in specific domains (Bedard & Chi, 1993; Moroney & Carey, 2011). The auditors with expertise are important keys to efficiently create overall audit process, and leads to goal achievement (Casterella et al., 2004). They develop knowledge regarding changes of accounting and audit standards that enhance the degree of assurance for ensuring the client's financial statement accuracy (International standard on auditing: 200, 2009). Accordingly, the knowledge development has positively related to the expertise so as to provide increasingly accurate audit opinions to audit report with optimal benefit to stakeholders (Guiral et al., 2015). Moreover, the expert auditors have a general problem-solving ability that they gain from previous work experience with an appropriate knowledge base. This prevents financial statement irregularities from happening. This brings great benefits to both investors and stakeholders. It supports mechanism of audit quality (Maroun, 2015).

The expert auditors have a long-term vision to develop audit process competency. They have increased ongoing audit quality, and consider the environment factors that impact their profession. The environment factors are uncontrollably namely economy, authority, regulations, and society (Armitage, 2008). Thus, the auditors need to use strategic orientations with different environment conditions (Agbejule & Jokipii, 2008). This is consistent with Hui & Fatt (2007) who established some important combination points between the auditor's audit processes and the firm's strategic management agendas. They suggest that the strategic orientation supports audit superior process as well as application knowledge in order to reduce audit risk. As stated earlier, the research gap pertaining to auditing and strategic orientation arises. Little is known about the audit expertise and strategic orientation, and the consequences of the construct.

Therefore, this study integrates audit expertise and strategic orientations to enhance audit success. The auditors apply strategic audit expertise orientation by knowledge development for comprehensive audit process. The environment factors are included to determine practice, procedure and efficient resource in audit process. Furthermore, the integration helps prevent the risks of material misstatement from happening. Strategic audit expertise orientation promotes quality control for effective audit process, and complies with profession standard. Likewise, the auditors have specialized knowledge in order to consults with clients.

To fill the gap in the prior research, the following research question will be addressed: what are the consequences between strategic audit expertise orientation and audit success? Thus, this study aims to make relevant contributions. The researcher need to know how strategic audit expertise orientation influences audit success which include audit planning proficiency, audit review quality, audit monitoring effectiveness, and best audit practice. These variables have an effect on audit information utilization, and audit report efficiency. They will enhance audit success.

This research is structured as follows: First, we discuss the concept of the strategic audit expertise orientation which links to audit success. Second, we develop a conceptual framework and set out research propositions of this paper. Third, we provide a contribution to create guidelines for future research. Finally, the study provides a conclusion of the conceptual framework.

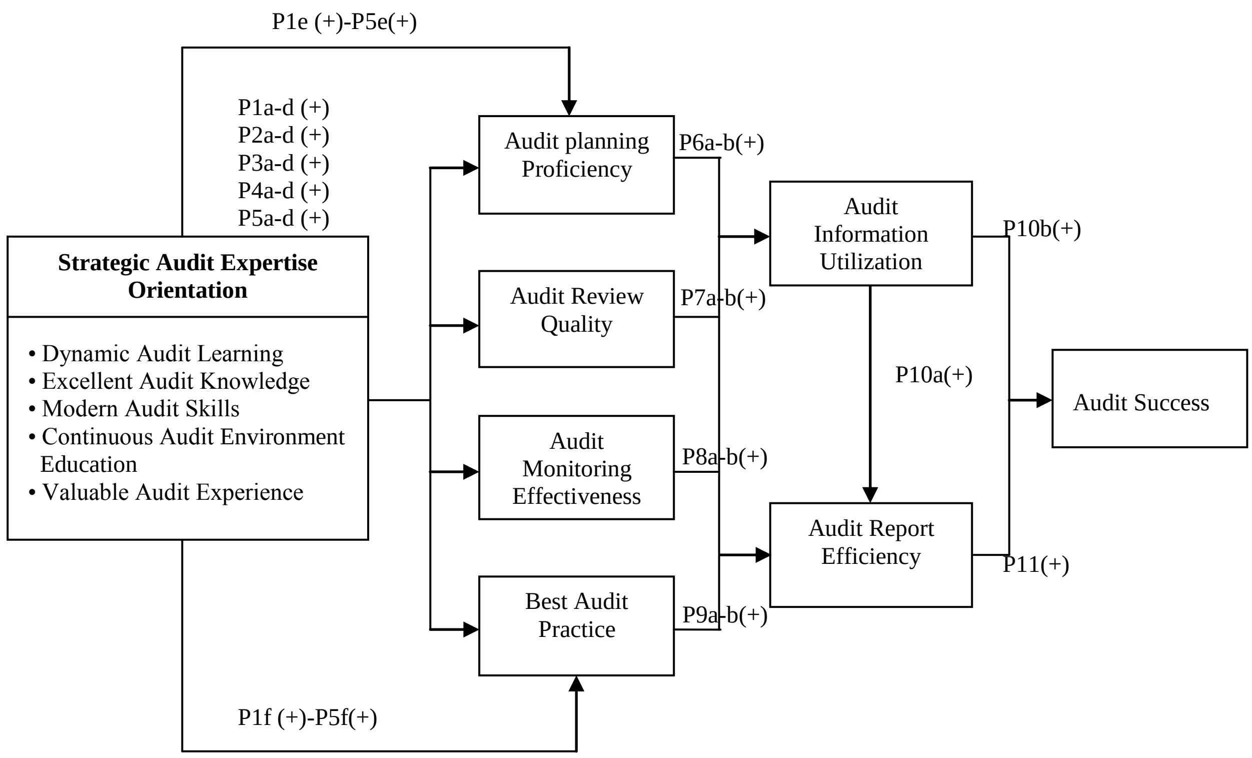
STRATEGIC AUDIT EXPERTICE ORIENTATION

Strategic audit expertise orientation is an important key to enhance superior performance and it is a key component of this study. Traditional research of strategic orientation by Gatignon & Xuereb (1997) states that strategic orientations are the strategic directions implemented by a firm to create appropriate behaviors for the continuous superior performance of the competitor. Recent research by Deshpandé, Grinstein & Ofek (2012) investigated "best practice prescriptions" for firms in a given context, corresponding to orientations of environment conditions. This research study focused on the fact that a firm's decision is important to specific strategic orientation and can adjust based on its competitors' orientation choices. Aforementioned consistent with Hui & Fatt (2007) who established some important combination points between the auditor's audit processes and the firm with strategic management agendas. Also, they stated that the auditor ought to adapt different strategic orientations with environment condition. This study applied the concept of strategic orientation from the organizational level to individual level to integrate the ability of the auditor. The auditor with strategic directions implements appropriate actions under a professional standard for achieving a goal (Hult & Ketchen, 2001). The strategic orientation has an influence on audit process and it matches orientations with environmental conditions. Strategic audit expertise orientation is an independent variable that needs to be examined in this study.

Therefore, strategic audit expertise orientation is defined as the ability of procedural skill in auditing. The large body of knowledge in a professional audit increases the efficiency of the practice, and acknowledges audit goals well. The auditors can integrate comprehensive knowledge, ability and skills that drive toward goal achievement. The construct of strategic audit expertise orientation is developed in this paper. Its measurement tries to explain how strategic audit expertise orientation affects audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization, audit report efficiency, and audit success.

In this study, a conceptual model of strategic audit expertise orientation and audit success is clearly discussed and investigated. Thus, the conceptual, linkage, and research model are provided in Figure 1.

Figure 1
A CONCEPTUAL MODEL OF STRATEGIC AUDIT EXPERTISE ORIENTATION AND AUDIT SUCCESS



PROPOSITIONS DEVELOPMENT

Dynamic Audit Learning

Audit learning is a crucial process that is necessary in professional audit because it enhances an auditor to improve attitudes and new ideas for techniques in auditing jobs (Westermann, Bedard, & Earley, 2014). Moreover, the auditors can add skills and wide knowledge to specific circumstances (Andiola, 2014). When an individual auditor gains best dynamic learning, it is conducive towards development of efficient ongoing performance. Likewise, the International Education Standards for Professional Accountants (IESs) developed by the International Federation of Accountants (IFAC, 2003) suggest that high quality operation is by skills, providing continuous improvement and lifelong learning of professional auditing and accounting. Thus, knowledge is acquired by auditors who receive both formal and informal learning. In addition, the technical knowledge of auditing is created and supported in every practice, and is situated within the social context of work engagements. Also, dynamic audit learning implements efficient achievement to overall audit process and has a positive effect on audit quality under continuous learning to ensure that the audit report is accurate so as to gain confidence for the stakeholders (Garavan, 2007).

In the literature review above, dynamic audit learning is defined as the seeking of development knowledge and competencies of auditors in order to find procedures and technique to practice. It emphasizes audit quality for a comprehensive, continuous system. Moreover, the auditor with dynamic audit learning can seek knowledge about guidelines and new ideas in bringing techniques to facilitate auditing jobs. In order to support auditors who search for information, evidence and audit opinion to accuracy of the audit report are expressed (Dao & Pham, 2014). The auditors can integrate system thinking by linking it with client's operating process that promotes best audit practice (Westermann, Bedard, & Earley, 2014). Agbejule & Jokipii (2008) indicate that dynamic leaning is repeated previous behaviors that provide feedback on audit review and monitoring; it supports risk mitigation strategies. Hence, the first sets of proposition as follows:

Proposition 1a-f: Dynamic audit learning would be positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization and (f) audit report efficiency.

Excellent Audit Knowledge

Knowledge is the basic professional skills which the auditor has to offer that can be obtained primarily from education and training, before going into the professional careers (Sudsomboon & Ussahawanitchakit, 2009). The determinants of auditor expertise are specific experience and training that establish knowledge, and knowledge includes an innate ability to specify performance of auditing (Bonner & Lewis, 1990). Specifically, they were distinguished audit knowledge of three types. First, general domain knowledge: a fundamental of accounting and auditing, which is received via instruction and general experience. A second, sub-specialty knowledge: involving specialized industries or the specific requirements of clients that require gains in a domain through certain industries or firm training, and including informal instruction is general experience. The last one is determined expertise by a mix of both auditor knowledge in the above-mentioned which is obtained through formal instruction and various individual experiences (Moroney & Carey, 2011). Thereby, excellent audit knowledge consists of storage and transfer knowledge (Lin & fan, 2011). In order for the expert auditors to have comprehensive knowledge to create strategic orientations, they have to deal with audit jobs so as to achieve the goals set (Bol & Peecher, 2013).

This essential part of excellent audit knowledge is in this study. Excellent audit knowledge refers to truly understanding the auditing process, audit procedure, and professional standard relating to auditing. Likewise, excellence audit knowledge is an ability, experience, comprehensively knowledge, confidence, communication skills and relationships for success in a profession (Stivers & Onifade, 2011). It is a factor that provides quality component of audit performance. Thus, the propositions are assigned as follows:

Proposition 2a-f: Excellent audit knowledge would be positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.

Modern Audit Skills

Professional accounting education pronouncements also determine skills that are necessary for a person to possess in order to act as a competent accountant and auditor (Crawford, Helliar, & Monk, 2011). It is necessary that audit practitioners must expand their skill to establish successful work; they must also develop responsibilities. Especially, professional accounting control by a regulator, namely, International of Federation of Accountants (IFAC, 2005) enforce IFAC's members to specify the characteristics of the accounting and audit profession, which requires the possession of five skills as follows: intellectual skills, technical and functional skills, personal skills, interpersonal communicative skills, organizational, and business managerial skills. Because of this, the role of positive regulator control due to the circumstances of the global financial crisis to renew modern international trends has to do with adjusting in the auditing practice (Heier & Lopez, 2010). Thus, the auditors who recommend adapting concepts develop themselves into a modern professional (Othman, 2014).

In this paper, modern audit skill is defined as the auditor's ability to apply innovation and information technology that involve audit practice, and support audit work for superior performance. These are the tools and a technique for the auditor who designs the audit work program. The audit information technology extensively uses several audit applications, involving analytical procedures, audit report writing, electronic work papers, internet search instruments, and sampling (Janvrin, Bierstaker, & Lowe, 2008). The auditor's skill brings system thinking that analyze information technology for innovative practice. Moreover, the auditor needs to have multiple skills in order to enhance the audit planning proficiency to communicate business knowledge to their client with fairness and quality practice that leads to audit information utilization, and audit report efficiency for service innovative (Yang, Yang & Chen, 2014). Hence, this paper proposes the following below propositions:

Proposition 3a-f: Modern audit skills would be positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.

Continuous Audit Environment Education

Audit environment change (regulation change, social requirements and all stakeholder expectation) is relevant to a task, relating to uncertain surrounding (Goldberg, Gist & Lindquist, 2011). Consequently, audit task increases complexity. Thus, the auditors ought to respond to improving and adapting their work to be consistent with circumstances. Moreover, continuous audit environment education enables the individual's development of knowledge, competency, and skills to become active throughout their professional lives and to be of value in the pursuit of sustainability (Ferreira, Lopes, & Morais, 2006). The expert auditor has competency to design and transfer professional knowledge standards for creating and continually developing in all professional roles (Martin, 2013).

As stated above, one can conclude that continuous audit environment education is defined as the auditor's understanding of change about regulation, accounting, auditing standards, diversity of social needs, and stakeholder expectation which create dynamic strategy from an idea to implement strategies on the audit practice. Likewise, continuous audit environment education has an ability to determine risk that provides guidance in order to find sufficient evidence for support in the audit review quality and audit monitoring effectiveness (Chaffey, Peursem, & Low, 2011). It enables optimal judgment to solve problems in the practice by changing with best practice applications: training, process, and regulation that are appropriate to environment (Bonner, 1999; Knechel, 2000). Consequently, the overall audit process is obtained to improve judgment and decision making that is used to plan dynamic strategic effectiveness together with the audit information utilization and audit report efficiency (Andiola, 2014). These ideas lead to posit the following hypotheses.

Proposition 4a-f: Continuous audit environment education would be positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.

Valuable Audit Experience

The auditor's experience influences added value, job success, client acceptance, and audit quality. Accordingly, audit experience is the skill of individuals from part-time audit fieldwork, and learning from both the successes and mistakes of experience (Chi & Chin, 2011). The performance improves with experience because the experience creates knowledge and more developed memory structure (Cahan & Sun, 2015). Thus, valuable experience means probable factors that may influence audit goal achievement (Figueroa & Cardona, 2013). It is accurately with involved professional judgment, assessment risk, and fraud detection (Besacier & Schatt, 2014).

In this research, valuable audit experience refers to the auditor's accumulated knowledge that derives understanding of previous tasks to create maximum usefulness. Valuable audit experience that auditor has works specifically for industry-based experience that is positive for auditor performance. When they are faced with unfamiliar tasks, they can successfully apply it to work (Moroney & Carey, 2011). On the other hand, Westermann, Bedard & Earley (2014) state that achievement of audit practice must be important to expertise, which is always gained through formal training programs comprising several of on-the-job experiences. The valuable audit experience establishes auditor industry expertise (service, manufacture industry, etc.) and affects audit planning proficiency (Chi & chin, 2011). Furthermore, prior research presents accurate judgment although under environment uncertainty, and has shown that valuable experienced professionals relate to audit skepticism, and the ability to evaluate evidence in the audit review quality and audit monitoring effectiveness that is driving to audit information utilization and audit report efficiency (Parlee, Rose & Thibodeau, 2014). Thus, these ideas lead to posit the following propositions:

> *Proposition 5a-f: Valuable audit experience would be positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.*

Audit Planning Proficiency

Audit planning is one important step of audit procedures because it supports auditors who collect sufficient and appropriate audit evidence that is consistent with the circumstances. International Standard on Auditing: ISA section 300, "Planning an Audit of Financial Statements" (2010) requires that auditors should create an overall audit strategy that sets the scope, timing, direction of the inspection, and development of audit plans. Therefore, audit planning proficiency can ensure the performance of task and considers a problem carefully as well as can identify risk and resolve problems well. Furthermore, audit planning proficiency can promote work respectively and assign assistants appropriately (Hammersley, 2011). It can coordinate with other organizations, other auditors with specialized excellence that rapidly builds audit work success and efficiency (International Audit Standard: ISA section 300, 2010). Audit planning proficiency is the guideline to implementation which leads to better audit information and reasonable audit reports (Chanruang & Ussahawanitchakit, 2011).

To conclude, audit planning proficiency is defined as the audit scheme that clarifies guidelines which conform to organizational risk nature as well as suitable resource allocation, and applies appropriate consistency to circumstances. The goal of planning is implication information utilization, support of accurate judgment decision making, and acceptance of all stakeholders (Bentley, Omer & Sharp, 2013). Especially, the planning stage is critical as it can specify whether the scheme has success or failure. Based on the usefulness of the information, the auditors can utilize such information in locating directions within organization, between an organization and external environment (Henczel, 2000). Moreover, audit planning efficiency brings about audit report timeliness (Habib & Bhuiyan, 2011). Based on the above, the following propositions are postulated:

> *Proposition 6a-b: Audit planning proficiency would be positively related to (a) audit information utilization, and (b) audit report efficiency.*

Audit Review Quality

The review process provides a quality control function of International Standard on Quality Control (ISQC1) (Favere-Marchesi, 2006). The concept of audit review is the hierarchical feature and iterative process. When the evidence is gathered and evaluated by subordinates, it is conducted supervision by the next superior in the hierarchy (Solomon, 2003). For example, the reviewee (junior auditor) manages prepared documentation or a working paper provided for a reviewer (staff and senior auditor) to conduct a peer review of their performance (Agoglia & Hanno, 2003). In order to control audit effectiveness and audit efficiency, highlighting the important review depends on the senior auditor (reviewer) because he/she has more experience, knowledge and expertise to provide creditability and reduce error in audit procedures before the audit reporting discloses (Yen, 2012). In addition, the above is consistent with Fedor, & Ramsay (2007) who found that the reviewer affects their reviewee (junior auditor) because they gain the reviewer's feedback for improving their performance. It means transferring ability from the supervisor to the subordinate.

In this research, for more understanding of the importance and features of audit review quality, it refers to the iterative process that follows a hierarchical aim to obtain sufficiency appropriate to audit evidence by using of reasonable judgments for preparation of correct conclusions. Audit review quality has shown that the audit review process is a powerful tool to monitor and improve the quality of the audit (Favere-Marchesi, 2006; Harding & Trotman, 1999). Moreover, the review relates positively to the audit report efficiency by detecting error in the working paper (Lennox, Wu & Zhang, 2014). It is consistent with Agoglia, Hatfield & Brazel (2009) who found that the mode of audit working paper review efficiency links to a reviewer's judgment quality. Therefore, audit working paper is information usefulness leading to auditor improvement of continual performance that is consistent with regulations and quality control policy (Favere-Marchesi, 2006). Thus, this paper's relationships are proposed as shown below:

Proposition 7a-b: Audit review quality would be positively related to (a) audit information utilization, and (b) audit report efficiency.

Audit Monitoring Effectiveness

The International Standard on Quality Control (ISQC1) applies to all firms of professional accountants in respect to audits and reviews of financial statements, other assurances and related services engagements. It is mainly about quality control systems both at the level of an accounting firm and the individual, related to reasonable assurance (International Federation of Accountants, 2009). This monitoring is the one component of ISQC1. Monitoring is an essential action to process control and follow-up, which improve performance and play a key role in preventing or reducing risk (Gamble, 2010). Furthermore, audit monitoring is the competency of the process and the technology used to ensure that monitoring operates effectively to achieve the objectives, including the reliability of financial reporting and compliance with laws and regulations (Alles, Kogan & Vasarhelyi, 2004). Thus, the audit firm ought to create a monitoring process designed to provide it with reasonable assurance. The policy and procedures involve the system of quality control, sufficient, and effective performance (Yeh & Shen, 2010).

This study provides a definition of audit monitoring effectiveness, which is defined as a process of assessing the quality of audit practice controls, which establish reasonable assurance that is corresponded with professional standard and accomplishment of audit objectives. It is a factor that enables auditors to improve deficiencies in their functions (Marques, Santos & Santos, 2012). Similarly, Bedard et al. (2008) demonstrates that audit monitoring effectiveness not only supports the organizational management of monitor system quality, but also enhances the ability of internal reviewers and external auditor to control audit processes. Especially, auditor monitoring effectiveness is a tool of quality control to improve prior operations by countering-check in order to increase evidence of reliability for a completely supporting audit reports and successfully audit task (Gamble, 2010). Therefore, based on these rationales, the propositions are formulated as follows:

Proposition 8a-b: Audit monitoring effectiveness would be positively related to (a) audit information utilization, and (b) audit report efficiency.

Best Audit Practice

As a global competition intensifies, achieving best practice is not only a desirable goal but it is also a necessity for survival (Prabhu, Yarrow & Gordon-Hart, 2000). It is an important factor that drives superior performance. In terms of auditing, The Public Company Accounting Oversight Board (PCAOB) mentions that "best practices'' describe especially good audit quality, with the intention of learning how to apply those practices more broadly (Martin, 2013). Therefore, the expert auditors have implemented best audit practice that promotes operational efficiency because they have higher capability to apply methods or specific technique links to overall audit systems contributing to superior performance (Aragón, 2009). The component of expertise is knowledge surrounding the context of the profession of auditing such as law, regulation, accounting, auditing standard, and environment (Chiang, 2010). To identify diagnostics and problem pertaining to audit practice, the auditors need to have specific knowledge to handle tasks.

One can conclude in this research that best audit practice refers to the ability to integrate methods and various techniques that relate to auditing procedure efficiency, and continuously improving audit quality. This is consistent with Burns & Fogarty (2010) who find that the auditor adopt auditing standard appropriate implementation, develop continual the audit method in order to complete audit report. The auditor with the best method has to obtain a comprehensive perspective of modern practice and prevent risk of material misstatement of a financial statement (Shelton, Whittington & Landsittel, 2001). Moreover, best audit practice enhances audit report accuracy in that it proxies for audit quality leading to the reliability of information for stakeholders to make an accurate decision (Martin, 2013). It can be concluded that the auditors with best practice has a potential for higher performance. Therefore, the proposition is proposed as follows:

Proposition 9a-b: Best audit practice would be positively related to (a) audit information utilization, and (b) audit report efficiency.

Audit Information Utilization

The role of auditing provides assurance to the financial statement. The value of the assurance allows the auditor to depend on the information obtained and verifiable. The auditor also supports the integrity and independence of the supervision (Lin, & Tepalagul, 2009). The auditor has verified information that he receives from the evidence in the forms of documents, interview and confirmation message which appear on the working paper. Therefore, the working paper is important to the overall audit process because it gathers information from each audit task (Bagley & Harp, 2012). Moreover, the expert auditor who created the working paper has effective implementation to cover the work function in the audit. For example, the working paper helps audit planning and practice in recording the memory on audit evidence. In addition, the working paper has information utilization that can be used to reduce complex tasks, checking mark accurately complied with audit objectives, audit review process, quality control and drawing conclusions to auditor's report (Chen et al., 2014).

This study can be concluded that audit information utilization is defined as the capability to use information from the audit task for judgment decision making accuracy, and appropriately depend upon either task or work objective. These outcomes of ability can generate accurate judgment decision making from reliable financial statements and strategic allocation resources for planning (Fukukawa, Mock & Wright, 2011). Furthermore, audit information utilization can help completing the steps in the audit program, confirm to document any work performed consistent with auditing standard and stakeholder assure their performance (Amir, Kallunki & Nilsson, 2014). This means that the expert auditor attempts to enhance audit information utilization for decision making accuracy that influences effective audit report driving to successfully. Hence, this paper proposes the following proposition as below.

Proposition 10a-b: Audit information utilization would be positively related to (a) audit report efficiency, and (b) audit success.

Audit Report Efficiency

Audit report is the result used to formally communicate to multiple stakeholders including boards, creditors, investors, and the government (Duréndez Gómez-Guillamón, 2003). It enables usefulness to all users who explicitly understand that business perform better. However, the auditors have a main responsibility to verify a client's financial statements which are in compliance with Generally Accepted Auditing Standards (GAAS). The auditor plays a critical role in forming an opinion on the financial statements that include supplementary information (International Standard on Auditing 700, 2010; Habiba & Bhuiyan, 2011).

This research provides a definition of audit report efficiency which is defined as the auditor who has formed an opinion to establish reasonable assurance to all users that present fairness of the financial statements along with reliability and timeliness. The auditor with expertise has effective strategic planning in operation. To bring about correct audit report, the auditor needs to be equipped with expertise in audit practice that leads to audit success. Moreover, audit expertise with skepticism can signal to investors the going concerns of firms. The investor uses audit report to assess financial statements of firms and to aid accurate decision making (Carson et al., 2013). Hence, this paper proposes the following proposition as below.

P11 Audit report efficiency would be positively related to audit success.

Audit Success

Auditing regulation is crucial to society, both to ensure the proper functioning of capital markets and to provide reliable information to the general public (Richard Baker, Bédard, & Hauret, 2014). Besides, external environment pressures and global capital markets for standardized regulatory practices are those factors for auditors to apply the strategic in the audit process and implement efficiency and effectiveness (Lacroix, 2012). The goal-setting of an audit is to protect one's interests for stakeholders, investors and owners (Schelker, 2012). The way to a goal is for the auditors to use their deep capability of knowledge, skills, and attitudes that create audit process for success. The auditors with expertise are able to adapt himself for improving audit procedures consistent with situations (Bol, Moers & Peecher, 2013). Furthermore, they can integrate knowledge into the accounting and auditing standards in order to prevent or detect material misstatements on the financial statement of their client (Ritchie & Khorwatt, 2007). In addition, audit success provides assurance to users of financial statements that obtain accuracy, and reliability of information.

In this research, audit success refers to the audit process outcome of accomplishment that performs according to professional standards in order to provide assurance, and acceptance by all stakeholders (Lacroix, 2012; Schelker, 2012; Bol, Moers & Peecher, 2013). However, industry-specific expertise increases portfolio market share, and market share is related to positive earning quality (Krishnan, 2003). Consistent with Stanley and DeZoort (2007), the auditor with industry expertise can reduce restatements of clients because he can detect and prevent probable fraud.

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions to Scholarship and Future Research

Despite the growing interest from research and practice in auditor behavior, a few is known about the audit expertise and strategic orientation, and the consequences of the construct (Hui & Fatt, 2007). Following the advice of strategic and auditing paradigm researchers, we have showed that a conceptual framework that advances the understanding of strategic audit expertise orientation. In revealing a conceptual framework for the professional and regulator of auditing, we propose a research agenda for future researchers to use to further examine strategic audit expertise orientation.

The framework, when empirically tested, can evaluate the proposed propositions which affect strategic audit expertise orientation, audit outcomes and audit success. The challenge for researchers will be to gather the data for conceptual framework that explores in real contexts. The fact that strategic audit expertise orientation is influenced by individual difference in audit profession context requires the collection of individual-level data. The researchers need to collect and analyze data from multiple audit types, such as certified public accountants, tax auditor, and government auditor context. This would facilitate the study of the impact of contextual changes on strategic audit expertise orientation.

CONCLUSION

Strategic audit expertise orientation is essential for auditors to improve overall audit process. They can develop continuously for audit procedural knowledge correspondent with environment which changes all the time. The proposed conceptual framework, when empirical tested and verified, can give a tool for audit work to help the auditors in understanding how to bring about strategic audit expertise orientation.

The auditor has applied strategic audit expertise orientation by specialized knowledge in order to enhance overall audit work to superior performance. It is essential that the auditors create their excellence practice for audit objectives. Moreover, the study adopts five dimensions of strategic audit expertise orientation from the reviewed previous research: (1) dynamic audit learning, (2) excellent audit knowledge, (3) modern audit skills, (4) continuous audit environment education, and (5) valuable audit experience. This is the ability of an auditor to implement strategic audit expertise orientation to establish outcome which includes audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization, and audit report efficiency. These factors enhance auditing to gain accomplishment.

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EXCELLENT ACCOUNTANT AND ACCOUNTANT SUSTAINABILITY: AN EMPIRICAL EXAMINATION OF THAI ELECTRONIC MANUFACTURING FIRMS

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ABSTRACT

This research aims to explore the effects of excellent accountant on accounting sustainability. The study examines the relationships among excellent accountant on accounting quality, where professional experience is taken as a moderator. The results indicate that excellent accountant including professions expertise; ethics awareness; individual learning; social competence have a direct effect on accounting quality. Excellent accountant under professional experience has become increasingly important as the advantage of accounting information have become more widely known, ensuring accounting quality. Moreover, the strong positive accounting quality potentially yield higher accounting information worth, as well as add value and increase the opportunities for accounting sustainability. Finally, contributions and suggestions are also provided for further research.

Keywords*: excellent accountant, professions expertise, ethics awareness, individual learning, social competence, professional experience, accounting quality, accountant sustainability.*

INTRODUCTION

Excellent accountant has an important role in establishing financial reporting and accounting information that external and internal users use to assess the firm's financial status and performance to enable firms to control their various units (Astrachan, 2010). Such as, financial reporting presents asset values, incomes, taxation expenses. Thus, the view accounting is a tool for administering resources efficiently, supporting to rational decision making, and promoting administrator to strategic planning, task process improvement, and performance evaluation (Colley, 2007). Further, Hall (2009) suggested that the role of accounting information can support manager to increase knowledge development, managerial work, and form of communication. However, excellent accountant focuses on answering to the needs of executive (Collins, Zoch, 2004).

Duties of an excellent accountant concern a wide range of information and also mixed. Through an skills with regard to amounts is necessary, and need to have computer system capabilities, be a master at issue fixing and then report files effectively (Gijselaers and Milter, 2010). Excellent accountant need to become scientific inside their tactic, often be organized and in addition be capable of give thought to fine detail to protect itself from doing problems. Notably will be very discreet along with reliable because their always be managing business's economical info. Excellent accountant includes profession expertise, ethics awareness, individual learning and social competence (Gustafson, 2012). This research is designed for accountant ability to create accounting quality and accountant sustainability.

Developing models for study the effects of excellent accountant on accountant sustainability via accounting quality as mediator is a challenge as the literature on excellent accountant is vast, varied, and evolving. Yet, there was not any systematic testing about effects of excellent accountant on accountant sustainability via accounting quality as mediator within Thailand and abroad. These have motivated researches to continue to develop improved models with research question.

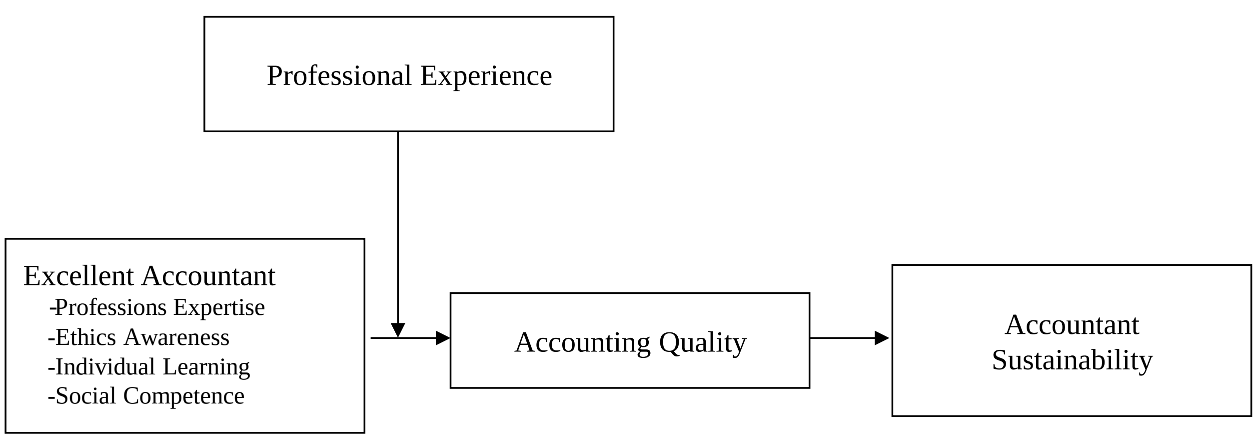
The purpose of this study is to test effects of excellent accountant on accountant sustainability via accounting quality as mediator. This research has extended from previous research which will help researcher obtain better understanding of the scope and the activities associated with excellent accountant and allow researchers to test the consequences of excellent accountant. Second, this research tests accounting quality which is the mediating effect of the relationship between excellent accountant and accountant sustainability. Third, this research tests professional experience which is the moderating effect of the relationship between excellent accountant and accounting quality. Forth, this research tests the effect of accounting quality and accountant sustainability. Lastly, offering a validated instrument to measure excellent accountant, and by providing empirical evidence of the importance of excellent accountant on accounting sustainability via accounting quality as mediator.

This research will offer useful guidance for measuring and implementing excellent accountant and facilitate further research in this area. The research question of this work is how does excellent accountant affect accountant sustainability via accounting quality as mediator?

RELEVANT LITERATURE REVIEW

The research model of this study is illustrated in Figure 1. It shows the effect of excellent accountant on accounting quality via the professional experience as a moderator. Moreover, accounting quality also affects accountant sustainability under the audit committee. Further, the accounting quality also has a positive influence on accountant sustainability**.**

Figure 1
ROLE OF EXCELLENT IN PROFESSIONAL SUSTAINABLE OF ACCOUNTANT IN ELECTRONIC MANUFACTURING FRIMS IN THAILAND



Professions Expertise

Professional expertise development concerns the initial training as well as the work place socialization and growth of expertise of professionals in different occupational areas and on different education levels (Annisette and Kirkham, 2007). Professional expertise is about the competence, or expertise, the term preferred here, that professionals show when dealing with the tasks they have to perform and problems they encounter, especially in situations in which the tasks are ill-defined, complex and novel, with problems of high stakes and when decisions have to be taken with a high level of uncertainty (Bezes, Demazière, 2011). Professional expertise development refers to the integrated acquisition of the knowledge, skills, attitudes, ethics, and emotion regulation strategies that come into play in these situations (Diedrich and Styhre, 2012). Reflected in policy programs, such as EU's Life-long Learning, is the awareness that nowadays in virtually all vocations and professions, from the plumber to the medical specialist, the required job competences change so rapidly due to knowledge and technology development, that in professional training programs but also in workplace arrangements a shift in focus is needed from transferring static knowledge and established skills to promoting attitudes and skills that favor continuous learning and self-propelled development of up-to-date expertise. In the medical profession, for instance, the body of pertinent and up to date knowledge for patient care has now grown to be too large and too diversified to be acquired within a training period (Jones, 2003). Therefore, a shift toward learning while doing is crucial.

Profession expertise refers to accountant's action to the effect a firm by using accumulating persuasion knowledge, know-how, and expertise from the firm experience. The experience moderation effects may interact with attitudes, behavior or performance. Moreover, the Profession expertise can be learned from performing tasks and receiving feedback on their judgments (Morris, Crawford, 2006). The implementation of their experience is necessary for the acquisition procedural knowledge needed for skilled tasks and help to acquire accuracy, completeness and information feedback for procedural knowledge (Diedrich and Styhre, 2012).

Thus, profession expertise seems to have a positive relationship with accounting quality via professional experience as moderator. Therefore, researcher posits the hypothesis as follows:

H1a: The higher the Professions expertise of excellent accountant is the more likely that firm will achieve greater accounting quality.

H2a: Professional experience will positively moderate the Professions expertise of excellent accountant to accounting quality.

Ethics Awareness

Many of the financial crises have its root in the ethically questionable behavior of top management that provides accounting information in statement that explained the approximate genesis of the newest financial crisis that falls the financial institution like as Lehman Brothers can be attributed to the subprime mortgage lending practices in the United States (Ali, Grigore, 2012). The problem came from several factors such as speculation, greed, fraud, and tax oversight blinded the financial institution leaders from making ethical decisions. Then, societal ethics tend to influence its members' ethical or unethical decisions (Al-Khatib, Robertson, 2002). A code of ethic has been the traditional means by which a professional assures the public and its clients of its responsibilities and thereby the maintenance of its integrity and reputation because code of ethic provides quality assurance for their clients (Harris, Sapienza, 2009).

Thus, ethics awareness is defined as accountant who adopt relevance ethical guidelines consisting of professional code of conduct, GAAP, GAAS, and concerned with stakeholder benefit to solve ethical dilemmas in audit performing. To confirm this theoretical framework, a great number of previous researches are empirically investigated. The results indicated that accountant with higher audit ethic orientation can enhance their accounting ability such as accounting planning quality, accounting operation transparency, and improved accounting report value.

Therefore, code of ethics in excellent accountant having integrity, objectivity, professional competence, confidentiality, and professional behavior. The moral decision between right and wrong generally develops from a person's cognitive moral development. Moreover, business leaders are sometimes faced with ethical situations for which there are no explicit guidelines in the institution's policies. Thus, ethics awareness seems to have a positive relationship with accounting quality via professional experience as moderator. Therefore, researcher posits the hypothesis as follows:

H1b: The higher the detailed audit orientation of excellent accountant is the more likely that firms will achieve greater accounting quality

H2b: Professional experience will positively moderate the detailed audit orientation of excellent accountant to accounting quality.

Individual learning

Individual learning refers to an accountant always learning attitude that variety knowledge is acquired mainly through education and training in accounting programs which have pursued in relevant news such as accounting standard announcement, dynamic regulation, and economic change which improves accounting performance, communication or interaction with the external environments such as clients and others, and conservations with among accountant (Cegarra-Navarro, Jiménez, 2007).

Individual learning leads to new and higher levels of knowledge constantly renewed, widened, and improved (Draghici, Draghici, 2012). Also improved extensive and newly knowledge base make a special effort to keep up with facts, trends, and developments. The accounting context has less empirical statement of accounting learning. As ongoing process of forming, storing, retrieving modifies mental models and schemas in a response to the accounting of the situations and environments (Floyde, Lawson, 2013). Moreover, continued learning can be viewed as a personal learning establishes ongoing accumulation of a new skills and knowledge influencing by social changes, perceived learning activities by integration both clients and learners goals (Grosse and Fonseca, 2012)**.**

Learning goals orient people to improve their abilities and master the tasks they perform. Importance is attached to develop new skills. The process of learning is valued by itself, and the attainment of mastery is seen as dependent on effort (Malik, Sinha, 2012). Individual learning stems from an intrinsic interest in one's work: a preference for challenge, a view of oneself as being curious, and a search for independent attempts to master detail (McKeown and Philip, 2003). Moreover, the individual within a firm with development of new knowledge or insights has the potential to influence learning behavior which inhibits the ability to perceive, acquires and utilizes new knowledge to enhance individual performance (Malik, Sinha, 2012). Then, accounting learning accountant within a firm with development of new knowledge or insights has the potential to influence learning behavior which inhibits the ability to receive, acquire and utilize new knowledge to enhance accountant performance. Thus, individual learning seems to have a positive relationship with accounting quality via professional experience as moderator. Therefore, researcher posits the hypothesis as follows:

H1c: The higher individual learning of excellent accountant is the more likely that firms will achieve greater accounting quality.

H2c: Professional experience will positively moderate taking decisive action of individual learning to accounting quality.

Social Competence

In today's business world, accounting is one discipline of which every manager should have as a working knowledge (Baron and Markman, 2003). Its concepts can be readily applied to any project by persons having any designation in the company, be a manager, secretary, engineer, a sales rep, a marketing executive, or a field worker (Grosse, 2011). Organizations often need a way to "keep score" when conducting business operations. Accounting fulfills this need by allowing companies to establish budgets and create financial reports that can be compared with other companies or an industry standard (Kowert and Oldmeadow, 2013). And it is important for managers to understand how to use these reports to support their business functions.

In this research, social competence is the foundation of accountant upon which expectations for future interaction with others are built, and upon which individuals develop perceptions of their own behavior (Muzychenko, 2008). Often, the concept of social competence frequently encompasses additional constructs such as social skills, social communication, and interpersonal communication (van Kleef and Roome, 2007). Thus, social competence seems to have a positive relationship with accounting quality via professional experience as moderator. Therefore, researcher posits the hypothesis as follows:

H1d: The higher social competence of excellent accountant is the more likely that firms will achieve greater accounting quality.

H2d: Professional experience will positively moderate social competence of excellent accountant to accounting quality.

The Effect of Accounting Quality and Accountant Sustainability

Generally, the studies in accounting quality are relatively recent and important in the financial report and accounting information. It identifies major issues that need to be considered to improve reliability, transparency and uniformity of the financial reporting process that allows investors to make intelligent decisions (Ball, 2004). Normally, financial statements are reviewed by directors, shareholders, analysts, employees, and governments. The quality of the decisions made by these stakeholders is dependent on both the quality of financial information available to them and their understanding of the limitations of financial statements (McCallig, 2007). The quality of financial reporting relies on three things, namely accounting standard, applies standard properly in preparing enforcement of standard by regulators, and auditors (Burritt and Tingey-Holyoak, 2012). In addition, firms that have incomplete information create uncertainty among stakeholders. This uncertainty creates information risk for investors and creditors interested in a higher rate of return for capital employed. As higher rate of return results in higher cost of capital for the firm, it generates lower stock prices (Chulián, 2011). Moreover, several studies take an interest in information asymmetry by using a variety of measures of both investment efficiency and accounting; the results of these studies have all been consistent that accounting quality is high because the reduction in information asymmetry leads to an improvement in investments However, accounting information quality can be also measured indirectly by investigating the motives and incentive of accounting information prepared (Bagaeva, 2008). In this research, accounting quality refers to the extent to which accounting information accurately reflects the company's current operating performance, is useful in predicting future performance, and helps assess firm value.

Values of firm are the main point of accounting quality. The depth and extent of change are indicated by a possible contribution from accounting to participate in a cultural evolution (Kao, Pan, 2009). It is also considered that an evolution could bring the concepts and practices of sustainable development. This concept has an objective of identifying the criteria and specifications for a sustainable development management and accounting tool (Birkin, Edwards and Woodward, 2005). The social and environmental accounting is evaluated by the needs of sustainable development (Russell and Thomson, 2009). Business corporate should concern with the consequences of their activities that impact stakeholder benefit to gain business reputation and consequently enhances their business growth in the future. Also, accountant should use sustainable concept to enhance their accountant success. Besides, to comply with relevance regulations that improve accounting quality, accountant should concern stakeholder benefits to achieve accountant reputation and enhance accounting success for the long time. Thus accounting quality seems to have a positive relationship with accountant sustainability. Therefore, we posit the hypothesis as follows:

H3: The higher accounting quality is the more likely that firms will achieve greater accountant sustainability.

RESEARCH METHODS

Sample Selection and Data Collection Procedure

For this study, the sample was selected from chief accounting officer of Thai electronic manufacturing firms. A mailed survey was used the original 838 mailed. A database of 838 names and addresses was obtained from Thai-Department of export promotion: website. The questionnaire was sent to 838 chief accounting officers Thai electronic manufacturing firms as key participants. With regard to the questionnaire mailing, 56 surveys were undeliverable because some firms were no longer operate or had moved to unknown locations. Deducting the undeliverable from were received. Of the surveys completed and returned, only 198 were usable. The effective response rate and usable was approximately 25%.

According to Aaker, Kumar and Day (2001), the response rate for a mail survey, without an appropriate follow-up procedure, is less than 20%. The means of demographic variable, personal experience, of two waves were tested by t-test whether the means are different, but its result was not significant. Thus, the response rate of this study is considered acceptable.

Measurement

All of the variables were obtained from the survey. Independent variables include Profession expertise measured by five items, ethics awareness is measured by five items, individual learning is measured by five items, and social competence is measured by four items. Excellent accountant is measured on 5-point Likert scales (e.g., 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree). Most of the scales employed have been adopted from the existing and validated scales used in the extant literature to fit the current situation.

Beyond the dependent, independent, and mediator variables, this paper included professional experience as a moderator variable that provides excellent accountant and may shift the accounting quality. Moreover, accounting quality and may have influenced higher accounting sustainability. Researcher tests all of these variables. All variables used is a five point Likert-type scale ranging from one (strongly disagree) to five (strongly agree). In addition, the control variables are firm age and size. Firm age was measured by the number of years a firm has been in existence with a dummy variable (e.g., number of years since 1 – 10 = 1, other = 0) (Zahra, Ireland and Hitt, 2000). The firm's size was measured with the number of employees in a firm with a dummy variable (e.g., number of employees from 1 to 500 = 1, others = 0) (Arora and Fosfuri, 2000).

Method

Confirmatory factor analysis (CFA) was employed to investigate the validity of constructs. Furthermore, factor scores were used to estimate for regression analysis. Table 1 demonstrates the results of factor loading and Cronbach's alpha coefficiencies. All factor loadings are greater than 0.6 (Hair et al., 2006) and are statistically significant. Cronbach's alpha of all variables are greater than 0.7 (Nunnally and Berstein, 1994). Overall, the results from Table 1 indicate the reliability and validity of these constructs. The ordinary least squares (OLS) regression analysis was employed to estimate parameters in hypotheses testing. Two equation models are shown as follows:

Equation 1: $AQ = ß_{01} + ß_1\,PEe + ß_2\,EA + ß_3\,IL + ß_4\,SC + ß_5\,PE + ß_6\,PEe{*}PE + ß_7\,EA{*}\,PE + ß_8\,IL{*}PE + ß_9\,SC{*}PE + ß_{10}\,PA + ß_{11}\,PerEx + \varepsilon$

Equation 2: $AS = ß_{02} + ß_{12}\,AQ + ß_{13}\,PA + ß_{14}\,PerEx + \varepsilon$

Where PE is Professions expertise; EA is ethics awareness; IL is individual learning; SC is social competence; AS is accountant sustainability; AQ is accounting quality; AI is audit independence; and AEX is audit experience as measured by equity; ε is error term.

RESULTS AND DISCUSSION

The main point of the study is to examine the impacts of excellent accountant, accountant sustainability via accounting quality as a mediator. Table 2 shows the descriptive statistics and correlation matrix between variables analyzed by Pearson correlation coefficients. Although it indicates high correlation between independent variables, it does not severe the multicollinearity problems according to VIF range from 1.83 to 3.64 (Hair et al., 2006). However, the exploratory results are correlating between two variables and expecting direction of them as conducting hypothesis testing by OLS regression analysis below is shown.

Table 1
RELIABILITY AND VALIDITY ANALYSIS

Variables Factor	Loading Range	Cronbach's Alpha
Accountant sustainability (AS)	.54 - .87	0.90
Accounting quality (AQ)	.70 - .90	0.83
Professional experience (PE)	.64 - .94	0.91
Professions expertise (PE)	.58 - .90	0.87
Ethics awareness (EA)	.58 - .88	0.81
Individual learning (IL)	.81 - .94	0.91
Social competence (SC)	.76 - .94	0.94

Table 2
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX

Constructs	AS	PEe	EA	IL	SC	AQ	PE
Mean	3.42	3.58	3.56	3.58	3.64	3.48	-
Standard deviation	0.38	0.69	0.52	0.57	0.57	0.51	-
Accountant sustainability (AS)							
Professions expertise (PEe)	0.45						
Ethics awareness (EA)	0.44	0.82**					
Individual learning (IL)	0.64**	0.36	0.38**				
Social competence (SC)	0.62**	0.42**	0.33**	0.74**			
Accounting quality (AQ)	0.86**	0.43	0.25*	0.23**	0.36**		
Professional experience (PE)	0.76	0.89**	0.43	0.54	0.33	0.32	

* $p< 0.10$
** $p< 0.05$
*** $p< 0.01$
[a] Beta coefficients with standard errors in parenthesis.

Impacts of Excellent Accountant on its Consequences

Table 3 and 4 present the results of OLS regression analysis of the relationships between excellent accountant and accountant sustainability.

Model 1, to inference hypotheses 1a – 1d whether examines the relationship between excellent accountant (e.g., includes Professions expertise; ethics awareness; individual learning; and social competence) and accounting quality. The results show that all independent variables consisting of Professions expertise; ethics awareness; individual learning; and social competence have a significant positive effect on accounting quality ($b_1 = .080$, $P < 0.05$; $b_2 = .085$, $P < 0.1$; $b_3 = .096$, $P < 0.01$; $b_4 = .076$, $P < 0.1$). It is concluded that, Hypotheses 1a, b, c, and d are supported. Similar to Benford and Hunton's (2000) Professions expertise, Tsamenyi, Cullen et al., (2006)'s ethics awareness, Reinstein and McMillan (2004)'s individual learning, and Nicalaou (2003)'s social competence are an important factor used to gain operating opportunities in achieves accounting quality. Firms with the greater degree of all dimensions in computerized excellent accountant appear to have higher accounting quality.

Interestedly, Model 2 shows that accounting quality is directly related to audit independence. Accounting quality is shown to have a significant positive influence on audit independence ($b_{12} = .056$ $P < 0.10$). The results indicate that firms with greater accounting quality have higher audit independence. The finding is similar to Lin, Fraser et al., (2003) where accounting quality is positively related to changes in the level of audit's excellence, competitive advantage, and performance. Thus, Hypothesis 3 is supported.

Table 3
RESULTS OF OLS REGRESSION ANALYSIS

Independent Variables	Models 1:AQ
Professions expertise (PEe)	.063** (.080)
Ethics awareness (EA)	.079* (.085)
Individual learning (IL)	.142*** (.096)
Social competence (SC)	.007* (.076)
Professional experience (PE)	.184* (.042)
PEe*PE	.089* (.056)
EA*PE	.164* (.048)
IL*PE	.077** (.089)
SC*PE	.125*** (.054)
Personal Age (PA)	.023 (.025)
Personal experience (PerEx)	.012 (.023)
Adjusted R-square	0.46

* $p< .10$
** $p< .05$
*** $p< .01$
[a] Beta coefficients with standard errors are in parenthesis.

Table 4
RESULTS OF OLS REGRESSION ANALYSIS

Independent Variables	Model 2:AS
Accounting quality (AQ)	.121* (.056)
Personal Age (PA)	.017 (.036)
Personal experience (PerEx)	.053 (.011)
Adjusted R-square	0.49

* $p< .10$
** $p< .05$
*** $p< .01$
[a] Beta coefficients with standard errors in parenthesis.

Moderating Effects of Professional Experience on Excellent Accountant into Accounting Quality

Model 1, to inference hypothesis 2a – 2d whether examines the relationship between excellent accountant (e.g., Professions expertise; ethics awareness; individual learning; and social competence) and accounting quality via professional experience as a moderator. The results show that all independent variables consists of professions expertise; ethics awareness; individual learning; and social competence that has a significant positive effect on accounting quality via professional experience as a moderator ($b_6 = .056$, $P < 0.10$; $b_7 = .048$, $P < 0.10$; $b_8 = .089$, $P < 0.05$; $b_9 = .054$, $P < 0.01$). That is, Hypotheses 2a, b, c, and d are supported. Having greater Elias (2001)'s ethics awareness, Braun (2000)'s individual learning, and Rowe (2008)'s social competence appear necessary to effectively adjust to changing accounting quality. Thus, Hypothesis 2a, b, c and d are supported.

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

This study adds to the knowledge and the literature to provide a clear understanding of the excellent accountant that has a significant influence on firms requirement to improve accounting quality and accountant sustainability. Particularly, we attempt to integrate excellent accountant which includes Professions expertise, ethics awareness, individual learning, and social competence in the same model. In testing, this study investigates excellent accountant relative to accounting quality via professional experience as a moderator; and accounting quality relative to accountant sustainability under audit independence as a moderator. According to the results of this study, the need for further research is apparent. Because this study finds that excellent accountant context has more effect on other consequences (e.g., transparency and performance), future researches needed to reconceptualize the relationships between excellent accountant and accountant sustainability via accounting quality as a mediator in tax internal auditor because it needs to collect data from other population in order to increase the level of reliable results.

CONCLUSION

This study attempts to determine whether excellent accountant has relevant significance. It also looks at whether excellent accountant influences accounting quality and accountant sustainability. In this study, excellent accountant has a greater significance. Interestingly, among the dimensions of Professions expertise: ethics awareness; individual learning; and social competence have a direct effect on accounting quality via professional experience. Surprisingly, accounting quality is significantly and positively associated with accountant sustainability within professional experience as a moderator. Further, professional experience is shown to have a significant positive influence on excellent accountant. As growth and sustainability necessitate an increased excellent accountant, research analyzing their methodology will contribute significantly toward understanding how accountant utilize their excellent accountant to improve accounting operations, gain accounting quality, and achieve accountant sustainability.

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MOMENTUM INVESTING USING INDUSTRY SECTOR ETF's

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ABSTRACT

The advent and rapid expansion of ETF's (Exchange Traded Funds) has made momentum investing much simpler due to the fact that ETF's can be bought and sold short in a manner very similar to individual stocks. This makes it easier to device a momentum or a long-short investment strategy based on industry rotation. My study will be similar to an earlier study of mine on momentum investing that was published in a refereed journal some time ago.

This study will identify a number of ETF's based on an industry classification system. Monthly and quarterly ETF prices will be collected and their returns will be computed for the various industry ETF's. Based on the returns rankings, investments for the subsequent quarter will be made in those ETF's that performed the best in the prior quarter. The analysis will then compare this strategy's return-risk characteristics with a naïve buy and hold strategy.

PROACTIVE INTERNAL AUDIT STRATEGY AND FIRM PERFORMANCE: A CONCEPTUAL FRAMEWORK

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ABSTRACT

In the past three decade, although several attempts have been made to continuously improve and develop internal audit system quality, financial crises still occur. This clearly demonstrated an ineffective internal audit function of an organization which lacks integrating, building, and refrigerating their strategies, especially proactive strategy, that fit in all circumstances. Proactive internal audit strategy is considered as a powerful instrument that matches with environmental change, which can lead an organization to sustainable goal success. However, this paper provides a new conceptual framework of proactive internal audit strategy in order to develop propositions for hypothesis testing in the future research. In addition, it creates a better understanding of the relationships between proactive internal audit strategy and internal audit strategy outcomes.

***Keywords**: Proactive internal audit strategy, Internal audit strategy outcomes, Fraud prevention competency, Superior operational excellence, Transparent business practice, Stakeholder credibility, Firm performance*

INTRODUCTION

The road to success in business is filled with obstacles and competitors who are ready to kill each other under various circumstances and changes (Bateman and Grant, 1999). Therefore, it will be difficult for an organization to survive in the long run if it lacks a powerful tool that can lead to success. In the past decades, several organizations have tried to develop an effective tool to promote an internal audit system consistent with standards and business circumstances which cause changes all the time. In so doing, it will lead to the goals that the organizations set (COSO, 2004).

Although several attempts have been made to continuously improve the quality of audit instruments, financial crises still occur which causes tremendous effects on the overall world business (Finch, 2009). For example, Subprime mortgage crisis affected the level of confidence of the world capital markets (Roth, 2009) which brought about bankruptcy and disastrous effects on several organizations and stakeholders. In addition, those people who collected money in the form of investment encountered loss as well as consequences of important financial crises. This situation revealed the weakness of control system as well as audit system of ineffective financial system (Andrews, 2008). Recently, there has been news about a fraud of 1.663 billion baht conducted in the period of 3 years (A.D. 2012-2014) by top administrators at King Monkut's Institute of Technology Ladkrabang (Bangkok Post, 2014). This clearly demonstrated the decline of an internal audit system as well as its potential in developing the internal audit system.

Although the damage did not have an impact on the world economy, it affected the mechanism of a good governance of Thailand which was known among public sectors as an organization with effective internal audit and control system. Therefore, questions concerning the improvement as well as the continuous development of an internal auditor arose. Such a situation brought about failure to of some organizations namely WorldCom, Enron, and Arthur Andersen audits and it also called for resolutions to protect such damage from opening.

The study entitled Firm failure revealed answers to some questions. Factors that caused failure dealt with the lack of skills of defining and creating appropriate strategies which were consistent with the circumstances of the organizations. Similarly, a research study by Choi & Lee (2002) indicated that an organization would face with poor performance if it failed to come up with a new body of knowledge and new strategies. In contrast, large organizations could survive during the decline of world economy because such organizations continuously utilized the resources and came up with strategies (Thornhill & Amit, 2003). Therefore, to be able to survive the organizations need to develop complete internal audit strategies (Alic & Rusjan, 2010). Particularly, proactive internal strategy puts an emphasis on providing independence and fairness of assurance as well as consulting services by evaluating and improving effectiveness and efficiency of risk management together with an appropriate control and a systematic governance (Anderson et al., 2012; Pickett, 2010). Through integrating techniques, methods, procedures and new technology, the organizations are able to maximize the potentials in the competitions. In doing so, the organizations are able to gain success in the long run (Porter, 2011).

Moreover, proactive internal audit strategy functions as the dynamic capability which integrates building and reconfiguring different strategies so as to be consistent with the appropriateness and effectiveness of changes (Pavlou & El Sawy, 2011; Teece, 2007). At the same time, proactive audit strategy reflects the development of good governance which serves as an important tool for administrators to foresee problems, obstacles and a loss and prevent such situations that may happen. Additionally, proactive internal audit strategy assists top administrators in finding opportunities to improve and maximize effectiveness as well as efficiency of economical utilization of resources. Therefore, proactive internal audit strategy serves as powerful tools for administrators to bring about strength, potentials, and competitive advantages to their organizations. It not only helps the organizations to achieve their goals, but also increases the level of confidence of stakeholders in the long run.

PROACTIVE INTERNAL AUDIT STRATEGY

Businesses under changing environment over time are filled with competitors who are ready to kill. Thus, it is difficult to walk toward the goal set for a long period of time without a powerful instrument. Proactive internal audit strategy seems to be the best answer for such an issue by continuously evaluating and improving the effectiveness and efficiency of risk management, internal control, and governance, which are an organization’s capabilities. That is because such actions generate new knowledge (Pavlou & El Sawy, 2011), reflecting different strategies (Kaplan & Norton, 2004) which encourage a competitive advantage that can lead an organization to accomplish its long-term strategic goals (Porter, 2011). On the other hand, businesses will face poor performance if continual creation of new capability does not exist (Choi & Lee, 2002). Besides, the access to valuable resources with unique characteristics is only one-way to build sustainable competitive advantage (Zack, 1999). For instance, an organization having superior knowledge can coordinate and combine its resources for giving more service to customers than competitors (Pensose, 1995). New capabilities, then, is the valuable strategic asset that can offer proprietary competitive advantages; and, it is more important for organizations to separate themselves by knowledge of management strategies (Choi & Lee, 2002). Moreover, proactive internal audit strategy also concentrates on creating strategy maps as instruments for assessing the linkage between strategies and performance of an organization (Seminogovas & Rupsys, 2006). Hence, proactive internal audit strategy in the managerial accounting concept is considered as a key that leads to sustainable goals.

PROPOSITIONS DEVELOPMENT

Internal Audit System Integration

An unexpected and rapidly changing environment causes an organization to change its strategy to build a new advantage over rivals (Gupta & Winter, 2009). Integration is one approach that can be used to make a difference in its capabilities, through the assimilation of the existing knowledge economy (Acworth, 2008), which is the ability for integrating internally-held knowledge that needs to share its view of the problem by combining and reformulating existing knowledge to generate new insights and solutions (Nonaka, 1994). These provide a faster affordable mechanism such as creating a new product (De Boer, Van Den Bosch & Volberda, 1999) in order to achieve superior performance by integration R&D costs (Frost & Zhou, 2005).

Hence, knowledge integration that involved an internal audit system is at the heart which analyzes the difference in creating the dynamic capabilities (Alavi & Tiwana, 2002). The internal audit activities are recognized as smarter fraud prevention, especially, in-house internal audit which effectively enables improving the operational processes of an organization (Salameh, et al., 2011). Additionally, Carmeli & Tishler (2004) also find that intangibility of organizations (e.g. internal audit) has a positive effect on firm performance and can lead an organization to success by improving productivity of employee and increasing the return on investment (Bryer, 2006). Therefore, the propositions are shown as follows:

> *P1: Internal audit system integration has a positive effect on (a) fraud prevention competency (b) superior operational excellence (c) transparent business practice (d) stakeholder credibility and (e) firm performance.*

Participative Internal Audit

Participation plays an important role in much work redesign methods and initiatives (Wilson, 1991). This is because, participation can then build common support and educate around an agency's activities; as well as it can enhance exchanging of information usefulness and it empowers individuals and groups to influence an agency's decision-making (Glass, 1979). In addition, if employees are involved in the decision-making process, they can take the result of decisions to apply in strategic work procedures that a manager needs to fulfill his work which depends on situation and the number of organizational levels (Jermias & Setiawan, 2008). This means that, participation reflects people's trust and willingness to participate; especially, in participatory audit that encourages transparent operation (Gaventa & McGee, 2013) and anti-fraud process (Gaventa & McGee, 2013). Therefore, strategic participation helps strengthen the effectiveness of internal auditing and becomes a major factor in achieving organizational operation efficiency (Hawkes & Adams, 1995). As in Jain & Kini's (1995) research, it suggests that venture capitalist monitoring has a positive influence on operating performance. In a similar vein, McNabb & Whitfield (1998) find that participation has significant effect on financial performance. Moreover, civic participation also reflects on trust in stakeholder or the relevant public (La Porta et. al., 1996) and is used as a strategy for enhancing the flow of important information, which leads an organization to superior performance (Lin & Tseng, 2006). Thus, the propositions are shown as follows:

> *P2: Participative internal audit has a positive effect on (a) fraud prevention competency (b) superior operational excellence (c) transparent business practice (d) stakeholder credibility and (e) firm performance.*

Comprehensive Business Risk Assessment

When financial fraud persistent appeared, business risk assessment becomes a vital issue that all organizations have turned their attention to. That is because risk assessment is a systematic process for evaluating and identifying events that might affect both positive and negative organization's objectives (Frigo & Anderson, 2011). If these potential events intersect with the objectives of an organization, they will become risks (PWC, 2008). In addition, risk assessment is used as a technique to evaluate identified risks, isolate causes, determine the relationship to other risks, and express the adverse effects in terms of both probability and consequence of incidents (Beasley, Branson & Hancock, 2010).

Therefore, the risk assessment is then an extremely important matter in an internal audit system. Ballou (2005) mentioned that the effective assessments are anchored in defining the risk appetite and tolerance of an organization, and gives a basis to determining risk response, as well as building a robust risk assessment process in the internal audit system. Furthermore, business risk assessment reflects management effectiveness (Haimes, 2005), social responsibility (Kytle and Ruggie, 2005), transparency (Pennywell, 2009), and fraud prevention of an organization; and helps to leverage an organization's capabilities, as well as increases effective strategic decision-making in organizational management (Trotman & Wright, 2012). Moreover, Pézier (2003) finds that development of risk management function has a significantly effect on firm's survival. Thus, the propositions are shown as follows:

> *P3: Comprehensive business risk assessment has a positive effect on (a) fraud prevention competency (b) superior operational excellence (c) transparent business practice (d) stakeholder credibility and (e) firm performance.*

Advanced Internal Audit Technology Applications

For building competitive advantage, many organizations attempt to use advanced technology application such as information technology, innovative technology, and technology-based audit techniques. They are discussed as main factors that are important for the organization at the present (Porter, 1991). Then, the adopted modern technology both software and hardware shows the organization's capabilities to offer a new product and or service (Koellinger, 2008); as well as contributes to higher achievement of goals (Williams & Frolick, 2001). A great number of studies showed the relationships between the application of technology and operational value (e.g. Brynjolfsson, Hitt, & Yang, 2002; Black & Lynch, 2001). An organization with superior information technologies can assist firms in rapidly accessing information, reducing its costs for business, and increasing their revenue (Porter, 2001). This means that it contributes to the operational excellence and superior outperformance both presently and in the future

(Brynjolfsson & Hitt, 2005). Especially, high information technology investment can be prevented both external fraud and the system from internal fraud (Shaikh, 2005; Tam, 1998). For instance, performance monitoring will increase when an auditor uses Integrated Test Facility, Test Data, and Generalized Audit Software (Swanger & Chewning, 2001). Moreover, applying technology reflects an organization's credibility (Lee, Kim & Phaal, 2012) and operational transparency when there is better auditing (Sudhir &Talukdar, 2015). Therefore, the propositions are shown as follows:

P4: Advanced internal audit technology applications have a positive effect on (a) fraud prevention competency (b) superior operational excellence (c) transparent business practice (d) stakeholder credibility and (e) firm performance.

Outsourcing Internal Audit Utilization

Although internal audit function serves as a part of an organization, outsourcing is required for business. According to Serafini et al.'s (2003) survey research, it reviews that of the firms that had an internal audit function, 54% uses outsourcing service, and 43% tends to use outsourcing in the future. 15% of US firm's internal auditors are outsourcing providers (Carcello, Hermanson & Raghunandan, 2005), and 64% of internal auditors in South Africa's public sector are outsourcing (Barac & Van Staden, 2014). This implies that most organizations believe that outsourcing can give more something right such as quality, superior service, and image to the organization than an in-house internal audit. Additionally, outsourcing can also increase budget flexibility, decrease the need for hiring and training specialized staff, bring in fresh expertise, and reduce some management cost (Visagie, 2005). Ramirez-Blust (2007) indicates that outsourcing functions can increase the effectiveness of the organization's operational practice, and can promote independence in the function that reflects the transparency of operations. At the same time, relying on outsourcing for auditing also helps an organization to gain superior performance (Rothaermel, Hitt & Jobe, 2006) and to effectively protect fraud as well (Coram, Ferguson, & Moroney, 2008). The outsourcing concept is then described as the contracting of professionals from external organizations in order to provide services for various tasks (Endorf, 2004). Therefore, the propositions are shown as follows:

P5: Outsourcing internal audit utilization has a positive effect on (a) fraud prevention competency (b) superior operational excellence (c) transparent business practice (d) stakeholder credibility and (e) firm performance.

Fraud Prevention Competency

Fraud becomes the great problems that not only damage the organization, but it also has more effects on stakeholders, the public, and the nation. Some fraud gives rise to financial crisis that has an impact on the broader economy (Shiller, 2012). For example, Enron, WorldCom, and Arthur Andersen audit in 2001 causes the biggest world economic collapse by fraud executives (Gabbioneta, 2014). Fraud is then an act or cause of deception, deliberately practiced to gain unlawful or unfair advantage (Ramos, 2003). In addition, fraud can occur at any time when a person is faced with acquisitiveness, lack of restraint, and an unconscious mind (Benjamin, 2001). A survey of Global Fraud Research by the Association of Certified Fraud Examiners in 2012 reported that each year businesses will lose 5 percent of their revenues due to fraud, and had more costly for detecting potential fraud (Tackett, 2013). However, Feroz, Park & Pastena

(1991) finds that abnormal returns in a three-day surrounding window are negative when announcing fraud. Moreover, fraudulent firms usually have poor governance which decreases credibility of stakeholder as well (Farber, 2005). For this reason, prevention is the best method to cope with financial loss through fraud; and, fraud prevention also enables the organization to achieve business goals by increasing revenue, decreasing costs, and reducing losses (Montague, 2010).Therefore, the propositions are shown as follows:

P6: Fraud prevention competency has a positive effect on (a) stakeholder credibility and (b) firm performance.

Superior Operational Excellence

Operational excellence is the goal of conducting business in a manner that improves quality, obtains higher yields, faster throughput, and less waste (Adkins, 2007). The past research demonstrates how operational excellence is a part of an organization that succeeds when it is used in the management of decision-making (e.g. Leonard and McAdam, 2002). Therefore, operational excellence is driven on an organization's management approach that gives rise to business growth (Day et al., 2008). For instance, Asif et al., (2010) explored the methodology of operational excellence; the results yield that operational excellence is a developing, lean process that provides technical structures and routines (manufacturing practices). This finding revealed that manufacturing practices are developed by an organization over time. It makes practice subsequently change with a positive impact on performance (Shah and Ward, 2003). In addition, operation excellence is a major factor that can enable an organization to create competitive advantage, which will lead it to achieve goals, whether they are profit or growth in all circumstances (Duggan, 2011). Hence, the propositions are shown as follows:

P7: Superior operational excellence has a positive effect on (a) stakeholder credibility and (b) firm performance.

Transparent Business Practice

Transparency is basic for business that enables an organization to attain goal setting (Greiner, Ockenfels & Werner, 2011). Transparency practice is then defined as the availability of firm-specific information to those outside publicly traded firms (Bushman, Piotroski, & Smith, 2004). To reduce information asymmetries and to increase transparency in businesses (Penno, 1997), disclosure needs to be mandatory such as in disclosing full and truthfulness, performance accountability, and equal assessing of information. This issue in empirical research by Myers and Majluf (1984) reveal that more organizations that are transparent are more likely to count more on equity than debt because equity is more sensitive to information in a market than debt. Then, firms with voluntary disclosures have superior performance (Anderson, Duru, & Reeb, 2009) and serves as the strategy to correct poor performance (O'Neill, 2006). Additionally, Stiglitz (2003) indicates that the market will rapidly respond to good information; thus, transparency is then an instrument that highlights the credibility of stakeholders, by which Osborn (2004) believes that transparency is the way to reduce the opportunities for corruption that helps to increase trust, in the stakeholder view (Rawlins, 2008). Hence, the propositions are shown as follows:

P8: Transparent business practice has a positive effect on (a) stakeholder credibility and (b) firm performance.

Stakeholder Credibility

Stakeholder credibility is trust and confidence of stakeholders that entail an organization's success (Post, Preston & Sachs, 2002). Typically, a stakeholder trusts the organization so as to gain benefits or to protect potential damage from his involvement or equities (Greenwood & Van Buren III, 2010); particularly, when stakeholders involve in an investment with the firm (Greenwood, 2007). An organization can build trust with stakeholder by adopting ethical standards, implementing code of conduct, and understanding the public benefit requirement (Lannuzzi, 2000). According to King, Lenox & Barnett (2002), the working with a reputable stakeholder promotes credibility that entails superior performance. Similarly, Hegen & Choe (1999) highlights the importance of stakeholder trust on firm performance, where they find that building a cooperative relationship with a partner in their country achieves a higher level of performance than in a different country. Besides, if firm lacks credibility from an investor or other stakeholders, markets always ends with unexpected surprise. Stakeholder credibility is then good, and Stakeholder credibility will be better if it helps an organization to achieve its goals (Lins, Servaes & Tamayo, 2015). Hence, the propositions are shown as follows:

P9: Stakeholder credibility has a positive effect on firm performance.

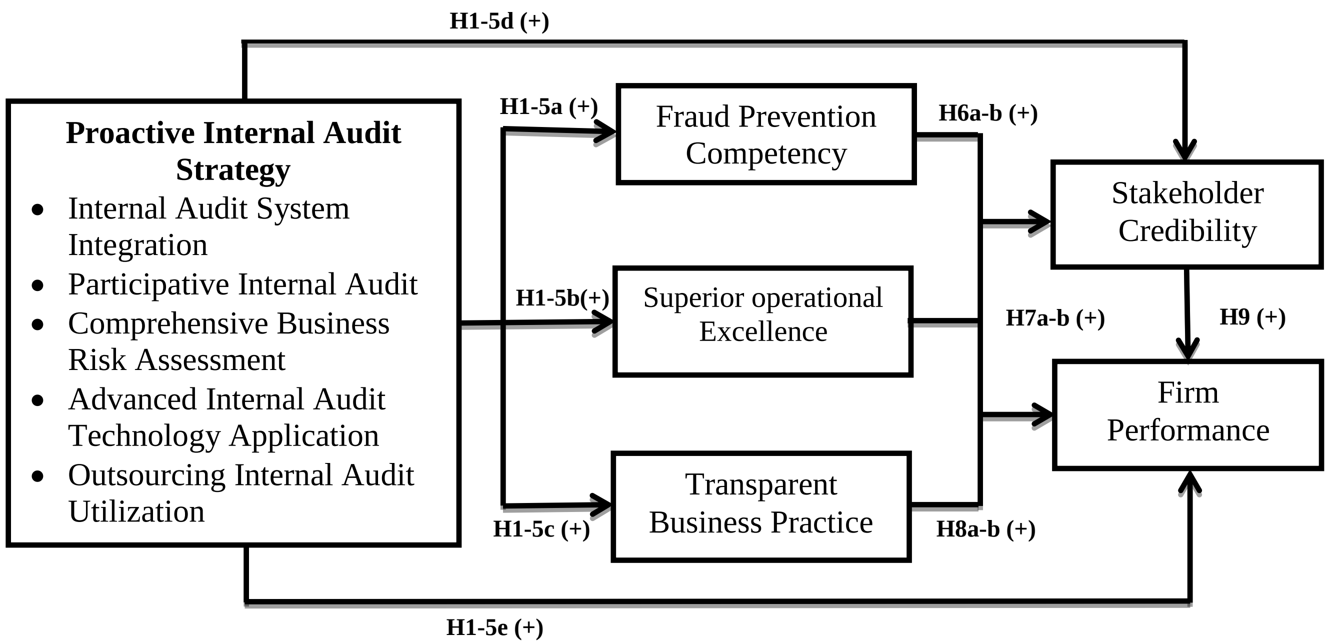
Firm Performance

Performance is often recommended for supporting strategy implementation and improving operational performance to achieve a firm's objective goals (e.g. Davis & Albright, 2004; Franco-Santos, Lucianetti & Bourne, 2012; Ittner, Larcker & Randall, 2003). Then, prior studies usually measure firm performance through financial (e.g. profit, return on assets, return on equity, return on sales, and revenue growth) (Edwards, 2013; Ittner & Larcker, 1995), and non-financial measurement (e.g. employee turnover, customer satisfaction, process efficiency) (Abdel-Maksoud, Dugdale & Luther, 2005; Hancok et al., 2013). Particularly, the use of an appropriated performance measurement reflects the ability of the processes, technology, and strategy by which an organization performs under environmental changes overtime. In this paper, however, firm performance refers to achieve an organization's goals by using the utilized resources effectively, efficiently, and economically.

CONCEPTUAL FRAMEWORK OF PROACTIVE INTERNAL AUDIT STRATEGY AND FIRM PERFORMANCE

The concept of this paper is aimed at explaining the relationships among proactive internal audit strategy, fraud prevention competency, superior operational excellence, transparent business practice, stakeholder credibility, and performance. Based on the literature review, hence, linkage variables on the conceptual framework are presented in Figure 1.

Figure 1
CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS



Contributions

This paper offers a new conceptual framework of proactive internal audit strategy in order to develop propositions for hypothesis testing in the future research. This paper also offers a better understanding about the proactive internal audit strategy ─ internal audit outcomes relationships. Nevertheless, proactive internal audit strategy is a key instrument for integrating, building, and reconfiguring the organization’s capabilities in order to survive in all situations. Moreover, it becomes strategies for carrying out goals, responding to the level of confidence of related parties, and adding values to an organization in a sustainable manner.

Suggestions for Future Research

The conceptual framework of this paper presents only proactive internal audit and its consequence. Then, the future research should ascertain antecedents, moderators, and control variables of the relationships between proactive internal audit and organizational outcomes. Additionally, the future empirical investigation should use the questionnaire for data collection from listed firms because these firms can survive in previous financial crisis. It shows the ability for adapting and developing the other strategy to suit the situation. Moreover, the theory should be used to explain the phenomenon of all concepts in the conceptual framework.

CONCLUSION

The continuous environmental change causes the firm to try to enhance strategies by integrating, building, and refiguring existing firm’s specific competencies into new capability that can create competitive advantage over its rival (Teece, 2007). New capability, especially proactive internal audit strategy, becomes a powerful instrument that mathes with all circumstances and leads organizations to sustainable growth and success. Prior research indicates that new capability contributes to generate sustainable competitive advantage, which gives rise to superior competencies and abnormal returns (Porter, 2011; Teece et al., 1997). In addition, Quinn (1999) states that strategy is at the heart of business for continuous increasing profit. This means that proactive internal audit strategy may give rise to superior competencies that can impact on organizational success.

Moreover, this paper provides a new conceptual framework of proactive internal audit strategy in order to develop propositions for hypothesis testing in the future research; and, it makes a better understanding about the proactive internal audit strategy - internal audit strategy outcomes relationships. Additionally, this paper also adopts five dimensions of proactive internal audit strategy from literature review including internal audit system integration (Seminogovas & Rupsys, 2006), participative internal audit (Greenwood, 2007), comprehensive business risk assessment (COSO, 2012), advanced internal audit technology application (Sudhir & Talukdar, 2015), and outsourcing internal audit utilization (Barac & Van Staden, 2014). These are capabilities of the firm which explain proactive internal audit strategy that may encourages internal audit strategy outcomes comprising fraud prevention competency, superior operational excellence, transparent business practice, stakeholder credibility, and performance.

However, future research should find out antecedents, moderators, and control variables of the proactive internal audit strategy - outcomes relationships. In particular, future empirical investigation should employ the questionnaire for data collection from listed firms because of these firms have the capability in adapting and developing various strategies to fit every situation (Noorbakhsh, Paloni & Youssef, 2001). Also, in order to make a better understanding, the theory should clearly explain the phenomenon of all concepts of the conceptual framework.

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INVESTIGATING THE RELATIONSHIP BETWEEN AUDIT RENEWAL STRATEGY AND AUDIT PERFORMANCE: A CONCEPTUAL FRAMEWORK

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ABSTRACT

The important tool that leads to achievement in the audit profession under this dynamic environment is a renewal strategy because it has an influence on a certified public accountant's (CPAs)'s adaptation. Previous research has centered mainly on the renewal strategy and self-renewal of organizations in the field of strategic management, but research in the field of auditing is still lacking. One, therefore, aims to have this question answered: "How does audit renewal strategy affect audit performance?" With the purpose of this conceptual piece being the investigation of the relationship between audit renewal strategy and audit performance, there are five dimensions of audit renewal strategy considered which include: audit development continuity, audit method adaptation, audit concept change, audit process flexibility and audit learning dynamism. This study has come to a conclusion that audit performance outcome is based upon best audit practice, audit information advantage and audit professionalism effectiveness. The results of this conceptual framework can serve auditors with an audit tactic development guide, and it can also help them to recognize key components that may be of significance in bolstering their career as an audit. In future work, This researcher plans to provide additional analysis of antecedents, moderators, and control variables related to audit renewal strategy and performance outcome, in order to broaden understanding on the subject and explain a real-life situation based on theory.

INTRODUCTION

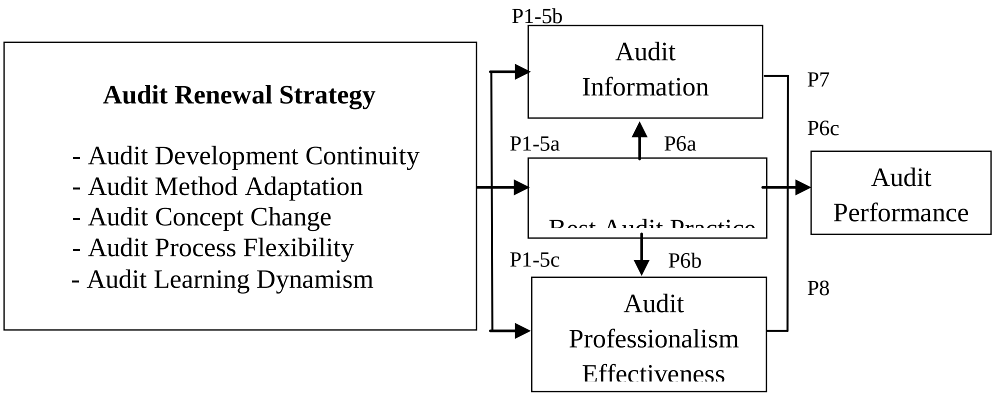
Globalization has increased rapidly in the last decades leads to a much more intense competition in both trade and investment. The audit profession in Thailand affected by entry into the ASEAN Economic Community are auditors' opportunities, challenges and significant changing points under the new realm of free movement of labor. This will increase competition among auditors and will affect the success and sustainability of the auditing profession (FAP, 2015). To ensure their sustained success, Thai auditors must adjust their audit strategy in accordance with this new economic era, the changes in the international accounting standard, and complex transactions. Their professional services must meet international standards so that investors and stakeholders have full confidence in them. Since investors need to be assured, in order for them to make a correct business decision that the financial statements have accurated and prepared according to the international standards, good auditing is of great importance to the economy (Peecher et al., 2007).

This work applies audit renewal strategy from the concept of strategic renewal that has current perspectives on strategic renewal and has increased the field of strategic management. Previous literature has found that strategic renewal is supported by the middle management perspective (Floyd & Wooldridge, 2000; Wooldridge & Schmid, 2008), in two aspects of strategy content, and the dynamic capabilities view (Agarwal & Helfat, 2009). Moreover, a great deal of research on renewal strategy has focused on the need of firms to continually renew or recreate their strategies (Huff, Huff, & Thomas, 1992; Leonard-Barton, 1993), and self-renewal of organizations. However, there has been only limited research in the field of auditing. For this reason, this study aims to fulfil this gap in the literature. The main purposes of this conceptual paper are to investigate the relationship between audit renewal strategy and audit performance, and to evaluate the possible effects of the former on the latter. This article is outlined as follows. The first section discusses the existing literature in audit renewal strategy. The second one describes the conceptual framework, based on the interdependence of each variable, and the proposition developed on the basis of the framework. The following sections focus on the managerial contribution that this work might have for the auditing profession, as well as on the direction of future research. Finally, the findings of the study are summarized in the conclusion.

CONCEPTUAL FRAMEWORK OF AUDIT RENEWAL STRATEGY AND AUDIT PERFORMANCE

The audit renewal strategy relationships of CPAs in Thailand are thoroughly investigated. To study the effect of the five components of the audit renewal strategy on the audit performance, a conceptual framework linking the renewal strategy with the performance through the audit information, best audit practice and audit professional effectiveness has been constructed as shown in Figure 1.

Figure 1
A Conceptual Framework of Audit Renewal Strategy and Audit Performance



AUDIT RENEWAL STRATEGY AND AUDIT PERFORMANCE

Audit renewal strategy is the key construct in this research that is adapted from strategic renewal. There are some issues to be discussed. Firstly, the definition of strategic renewal strategy is one type of firm capability (Das & Teng, 2000), and is the general framework for making decisions about innovations and change (Sundbo, 2001). In addition to this, it can bring a firm to superior performance. In general, strategic renewal refers to a collective part of strategic management that can be attributed to the contributions that were of great significance to the field (Schendel & Hofer, 1979). In the beginning, strategic self-renewal was understood as a transformative action that involves the environment, objectives, strategy and/or structure in order to survive in a sustained manner (Chakravarthy, 1984). The concept stresses the bottom-up approach to learning of new skills and capabilities. In a similar fashion, Floyd & Wooldridge (2000), defined strategic renewal as a procedure that involves the promotion and accommodation of novel information and innovation that lead to new development in a firm's strategy and/or its core capabilities. Furthermore, it can cope with an environment subjected to constant change, and is gradually replacing the moment of strategic change (Huff, Huff, & Thomas, 1992).

Therefore, renewal strategy in the context of auditing is the capabilities of an auditor to perceive the importance of adaptation, process, method, concept and self-development continuity according to the situation the audit faces, whether it involves internal or external uncertainty. In this research, audit renewal strategy includes a set of activities or evolutionary auditing processes which promote auditors to use new knowledge and innovative behaviour to improve their capabilities. In a dynamic environment, they must be able to profess the abilities to adjust, adapt and change, and must stay flexible as well. This study proposes five dimensions of the audit renewal strategy which are: audit development continuity, audit method adaptation, audit concept change, audit process flexibility, and audit learning dynamism. Each aspect is elaborated under the next section.

PROPOSITIONS DEVELOPMENT

Audit Development Continuity

Audit development continuity refers to the continuous learning of an auditor through both informal and formal training in order to stay constantly up-to-date with the new information in the field of auditing. The formal development continuity includes activities such as a participation in a seminar, an attendance of a training course and holding of a lecture. The informal development continuity mostly involves the auditor's learning of the rules of the Federation of Accounting Professions. The information acquired from such learning may have implications on the audit performance and may be beneficial for the interaction with customers. The knowledge gained, both formal and informal, is evaluated to ensure that the auditor is capable of working successfully in various situations (Nelson &et al., 2005). According to Generally Accepted Auditing Standards (GAAS), auditors must maintain a level of adequate knowledge in order to understand events, transactions, and practices. The continuous learning would then stimulate new ideas and creativity (Wong & Chueng, 2008), leading to the renewal, widening and improvement of knowledge (Goh & Richards, 1997).

Prior research on audit development continuity has involved the improvement of action, tacit learning, and knowledge-sharing that were implemented to achieve best audit practices and lead to good audit performance (Garavan, 2007). Moreover, the finding of Schultz et al., (2010), pointed out that trained auditors might be less inclined to take evidence concerning the risk of the business or material misstatement straight into their evaluations. Interestingly, previous study found the association between increased education requirements, audit fees, and audit quality (Allen & Woodland, 2010). According to Kinney (1997), despite the auditors' attempt to evaluate business risk to understand the clients, training remains an important tool for them to realise the business risk. (Erickson et al., 2000). Similarly, Knechel (2007) stated that continuous audit improvement enable auditors to effectively assess the business risk of their clients. In summary, development continuity has the potential possibility to affect best audit practice, audit information advantage, and audit professionalism effectiveness. Consequently, this study propositions this as:

P1a-c *Audit development continuity setting would be positively related to (a) best audit practice, (b) audit information advantage, and (c) audit professionalism effectiveness.*

Audit Method Adaptation

Audit method adaptation refers to a process by which an audit's objective is achieved through the collection of suitable audit evidence in order to gain an opinion on the financial statement in compliance with generally accepted accounting principles (GAAP). Audit efficiency generally includes audit practice effectiveness, audit risk reduction, and audit efficiency enhancement. Additionally, the increased awareness of value-added leads one to choose the methods for an internal audit's effectiveness that can be reliably measured and evaluated (Bota-Avram, Popa & Stefanescu, 2010).

Mock & Wright (1999), found that audit method adaptation appeared to show no correlation between risk and audit method. The audit method was slightly altered when risk differed from that of the previous year. The auditors ignored the development of the audit method, the efficiency of the audit method and the quality of the audit report. Audit method should be concerned with the engagement, objective of auditing, risk, and internal control. As a consequence, the audit method affects the relationships of audit effectiveness, as well as the acceptance of stakeholders (Shoommuangpak & Ussahawanitchakit, 2009). In ISAs section 210, "Agreeing with the Terms of Audit Engagements" (2009), auditors should attend to the purposes of the engagement. Engagement in understanding leads to disparities between auditor and management. It assesses an audit agreement, indicating the duty of the management and the auditors in the audit agreement. It indicates the responsibility of the management and auditors. The objectives of the engagement should reflect the efficiency of the audit method.

Consequently, audit method adaptation refers to the ability of the auditor to change or improve ways of appropriate auditing. It should be in accordance with task commitment contexts and must meet professional standards, being able to detect fraud or errors in a range of situations. The audit method affects the relationships both audit effectiveness and stakeholder acceptance. Also, they address issues relating to the control and motivational aspects of audit method adaptation. Hence, it is posited that:

P2a-c *Audit method adaptation setting would be positively related to (a) best audit practice, (b) audit information advantage, and (c) audit professionalism effectiveness.*

Audit Concept Change

As environment become more dynamic and complex, doing business likely involves higher degrees of uncertainty. The main task of management, therefore, is to find mechanisms that will reduce, absorb, counter, or avoid uncertainty (Jabnoun, Khalifah, & Yusuf, 2003). The changes, however, do not translate only to uncertainty. They bring with them new opportunities for organisations to adapt to the new environments – developing their competitiveness and evaluating their strategies so that they can cope well under intense competition (Sumritsakun & Ussahawanitchakit, 2009). Consequently, the auditor needs to be aware of the uncertainty and instability of the environments, including technological transformations that may influence their audit performance.

Audit concept change focuses on the transformation of notions and attitudes to improve the audit performance. The capability to develop and implement changes is necessary for every individual and organization that wants to prosper. It has been found to be beneficial in developing specific concepts for changes that lead to improvement. Moreover, concept change includes the development that is associated with process improvement. At present, the dynamic and complex environment in technology warrants the changes in customer needs and tastes, demand and supply conditions, and competition, (Sumritsakun & Ussahawanitchakit, 2009). Hence, audit concept change has an effect on audit practice. Audit practice efficiency is best audit practice. It involves the collection of evidence that aids the auditors in managing risks, with the purpose of providing assurance to the investors on the financial statement. Thus, the hypothesis is proposed as follows:

P3a-c Audit concept change setting would be positively related to (a) best audit practice, (b) audit information advantage, (c) and audit professionalism effectiveness.

Audit Process Flexibility

Of late, the business environment has become much more dynamic. To survive in this very challenging environment, firms need to adapt to maintain their levels of competitiveness and focus on their long-term survival (Wheelen & Hunger, 2008). In the ever-changing dynamics of doing business, it is crucial for firms to be flexible in order to be able to adjust and look for opportunities as responses to new challenges (Birkinshow, 2000). Success is highly dependent on firms' abilities to stay flexible (Hitt, Keats & DeMarie, 1998; Hitt et al., 2001). The flexibility of a corporation determines its success in the competitive global market.

Prior research on strategic flexibility was concerned with a firm's belief and intention to respond and adapt to the operational methods, and to various demands of highly uncertain competitive environments, through selecting strategic options, processing the allocation of resources, and implementing suitable situations to enhance effective and timely performance (Chai-Amonphaisal & Ussahawanitchakit, 2010). The corporate strategy should be suitable with the environment it faces. Also, it can help the stakeholder ensure the capacity of the firm to succeed. Thus, strategic flexibility is a distinctive capability of a firm to achieve and maintain their levels of competitiveness and performance (Grewal & Tansuhaj, 2001; Verdu-Jover, Llorens-Montes & Garcia-Morales, 2006). Likewise, flexibilities on volume and mix are external components of competition (capabilities) that should lead to increased customer satisfaction (Prahalad & Hamel, 1990).

In the context of the audit profession, audit process flexibility refers to the ability to modify an audit process such as audit planning, audit practice and making audit reports. It involves continuous improvement so that the auditors can rapidly respond to the changing audit environment and technologies. In order to adapt to new situations, flexibility plays a very important role. Moreover, the audit process flexibility enables the auditors to meet different expectations of customers without adding further costs to the organization. Thus, the hypothesis is proposed as follows:

P4a-c Audit process flexibility setting would be positively related to (a) best audit practice, (b) audit information advantage, and (c) audit professionalism effectiveness.

Audit Learning Dynamism

Levitt & March (1988), believed that learning involved the transfer of experiences from the organization the behavioural routines of the individuals. To maintain a high degree of competitiveness, firms need to be able to deploy and upgrade their capabilities (Luo, 2000). Personal learning refers to an individual's perceiving to learn and develop new audit skills and knowledge (Woolf & Quinn, 2008; Akerlind, 2005). Auditors' learning depends on individual characteristics. They need specific and wide professional audit skills to challenge and improve their audit professionalism. Dynamic learning describes a firm's attempt to learn the dynamics from their changing environments, both internally and externally, and both domestically and internationally (Kaleka & Berthon, 2006; Luo, 2000).When a firm aims for a sustained growth, learning capability must serve its demand, while also be suitable for environmental characteristics (Luo, 2000). The learning of employees leads to the development of competitively valuable organizational resources and capabilities through comparative advantage (Sharma, 2000). In addition, the knowledge base of the profession is also an important factor in the determination of the ability of professions to achieve their objectives.

In this research, audit learning dynamism refers to professional learning that can make an auditor a professional. Professional learning is behavioural skill development achieved through training and following certain tasks. It also includes communication and interaction with the external environment (Benson & Standing, 2001). Also, the knowledge base of the profession is an important factor in the determination of the ability of professions to achieve their objectives. In accounting literature, the quality of the financial statement audits is dependent upon the performance in the job of auditors. The auditors stand to gain from the skills such as training, and this will improve their performance (McKnight & Wright, 2011). In being aware of continued learning, the auditors possess a new capability that would greatly benefit their organizations. Therefore, dynamic learning is important for a firm to create new capability.

Audit Learning Dynamism refers to an effort in learning under dynamic international environments (Kaleka & Berthon, 2006) by focusing on capacity development and understanding of the various issues in order to be able to increase capability and respond to continually changing situations. Besides, audit learning dynamism also refers to the procedure of creating new knowledge and new ideas to enhance existing resource capabilities. Additionally, Teece, Pisano, & Schuen (1997), proposed learning as a dynamic process, which is essential, social and collective. It occurs not only through simulation and emulation of individuals. Hence, the proposition is as follows:

P5a-c Audit learning dynamism setting would be positively related to (a) best audit practice, (b) audit information advantage, and (c) audit professionalism effectiveness.

Best Audit Practice

According to O’Dell & Grayson (1998), the best practices are practices of firms, humans, or processes that can be implemented successfully. They refer to techniques, methods, processes, and procedures that can be put into practice to improve the business results of the organization. The successful best practice of audit includes techniques for project management, which concern the achievement of plans, and those of alternate management that facilitate change (Ramesh, 2003). To ensure that a task is efficiently accomplished, management experts believe that best practices involve audit management. Moreover, best practices must have a high degree of dynamism. It is more effective to take into account the continuous changes occurring during the process of accomplishing a task – rather than relying solely on static and formulaic approaches.

Based on the literature above, best audit practice refers to a method or technique in audit practice, leading to audit achievement, that is in accordance with audit and accounting professional standards through knowledge, ability, expertise, transparency, and independence. Auditors collect sufficient evidence to show an audit opinion clearly under the inherent risk, control risk, reporting of a higher quality audit, and the achievement of audit objectives in giving confidence to financial statements which are accurate and reliable (Francis, 2011; Gomez, 2003). Purpose builds confidence in financial statements which are accurate. Reliability is based on accounting standards (Obadiah, 2007; Hui & Fatt, 2007). It leads to decision-making (Solomon & Trotman, 2003) by auditors who have applied practice, judgment, and accuracy, as well as in audit performance (Carnaghan, 2006; Hui & Fatt, 2007).

Best audit practices are necessary in the evaluation of the efficiency of audit methodology which can enhance audit execution and business process development. They can control risk to include those relating to roles, responsibilities, authoritative audit activities, audit processes, and evaluating audit credibility. The lack of effective audit practice might translate into the failure to converge in audit work, an inadequacy of how processes are generally applicable, to find the mistakes in the financial statement (Chaney & Kim, 2007). Therefore, the proposition is posited as follows:

P6a *Best audit practice setting would be positively related to (a) audit information advantage, (b) audit professionalism effectiveness, and (c) audit performance..*

Audit Information Advantage

Audit evidence or audit information is all the data gathered and used by the auditor in order to establish conclusions. The audit opinion generally bases itself upon these conclusions. The audit evidence or audit information includes information found in the accounting records of the financial statements. Not all information may be subjected for examination. Cumulative audit evidence is a collection of evidence from audit processes and of diverse sources. In addition, good information can help confirm or point out mistakes of past assessments of the financial statements (IFAC, 2009). It refers to the potential of information sources used as evidence. The type and amount of evidence are crucial when one needs to signify the audit objectives (Leventis, Weetman,& Caramanis, 2005).

Prior research suggested that audit information advantage was associated with audit information, which found that financial information presented in the financial statements is required to meet the needs of varied users, such as owners or managers, investors, employees, governments, and financial institutions (Watts & Zimmerman, 1986). That useful information is apparent by users inside and outside, by the decision-making of inside users, or by the internal financial information which will assist management in decision-making of businesses on new products or services, expansion, or investment in new technology. It shows that financial information is of great importance in the decision (Kieso & Warfield, 2004). Consequently, this information is accurate, leading to recommendations, determinations, and solutions. It includes appropriately contributing an opinion in the report. Hence, a reviewer is required to track the accuracy of this information, including closely checking the progress of the work performed, which should back the conclusions; and, it should be properly documented (Petchjul & Ussahawanitchakit, 2013; Pongsatitpat & Ussahawanitchakit, 2012; Solomon & Trotman, 2003).

Therefore, audit information advantage is the capability of auditors to acquire data superior to others. The possession of superior data or information helps confirm or point out mistakes of past assessments of the financial statements. The information should be sufficient and appropriate so that the audit objectives can be determined, and it has a significant influence on the decision-making of inside users. Consequently, audit information advantage supports audit performance. Therefore, the proposition is posited as follows:

P7 *Audit information advantage setting would be positively related to audit performance.*

Audit Professionalism Effectiveness

Audit professionals refer to those with an important task in audit assignment as those who make judgments based upon the overall audit opinion. This definition means an audit professional should be a professional accountant, and one who has the abilities as required in IES 1 to 6. The audit professional does the audit function and is substantially involved in an audit assignment concerning a financial statement.

Prior research on auditing focused on the audit task. The outcome of the research evaluates the effectiveness of audit work. According to the literature, audit task is divided into the following groups: the ability to use standard and core principles for audit work (Kent et al., 2008), the communication and relationship between auditor and client (Hilton et al.,2006), the knowledge and skill of audit techniques (Dittenhofer, 2001; Thompson, 2001), the consciousness of professional ethics in the job, effectiveness of judgment (Leung & Trotman, 2005), and environmental auditing change (Struweg & Meintijes, 2008; Jayalakshmy et al., 2005; Read et al., 1987).

Based on the literature above, audit profession effectiveness is the outcome of auditors using knowledge, abilities and skills in the audit process to achieve the goal in the audit profession. The customers and stakeholders receive satisfaction and timeliness of work (Nicolaou, 2000).Furthermore, this leads to added audit performance. As a result, the hypothesis is proposed as follows:

P8 Audit professionalism effectiveness setting would be positively related to audit performance.

Audit Performance

Audit performance has been defined in numerous ways. Its definitions include: (1) the probability that an auditor will not issue an unqualified report for statements containing material errors (Lee, Liu,& Wang, 1999); (2) the correctness of an information report accumulated by an auditor (Davidson & Neu, 1993); (3) the measure of the ability of an auditor to exclude wrong information and improve accounting data (Wallace, 1980); (4) and the probability that an auditor will find and present errors in the financial statements (Libby & Luft, 2003). In addition, AICPA (1989) defined audit performance as the outcome of two primary purposes: 1) to acquire sufficient evidence for the audit opinion, and 2) to be able to provide a quality control function ensuring that the work is done in accordance with generally accepted auditing standards and the firm's own requirements.

Prior research found the provision of independent verification, of whether the financial statements are credible to third parties, to be of great importance. The audit performance must have an effective and sufficient quality for the financial statements to be credible (Sucher, Moizer & Zarova, 1998). The audit of great quality means that the information can be trusted and it, thus, impacts the quality of the financial statements. The higher their performance, the more credible the auditors (Watkins, Hillison,& Morecroft, 2004). As a consequence, high-quality auditing services are of particular importance that brings about the credibility of financial statements, and they increase a client's confidence. Thus, audit performance influences auditors' best practices under different circumstances (Wilson, Apostolou & Apostolou, 1997). The components of audit performance consist of audit independence and audit judgment (Watkins, Hillison & Morecroft, 2004). In addition, Salteio (1994) suggested that an auditor having higher best audit profession in competencies may also have higher audit performance. Firth (2002) found that the ability of auditor affects audit performance.

Therefore, audit performance is an outcome that guarantees that there is sufficient audit evidence, which can serve as a basis for the audit opinion and audit work performed in accordance with GAAS and the firm's own requirements. The use of audit renewal strategy would likely increase effectiveness and efficiency. The audit performance then depends on best audit practice, audit information advantage and audit profession effectiveness.

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

Audit renewal strategy is an abstract concept which is difficult to define and measure. This research has, therefore, developed hypotheses that provide an insight into, and an understanding of, the relationship between audit renewal strategy and audit performance. It is the first empirical evidence supporting causal relationships between audit renewal strategy and the performance of certified public accountants (CPAs) in Thailand. The results of this conceptual framework can serve auditors with an audit tactic development guide, and it can also help them recognize key components that may be of significance in bolstering their career as an auditor.

Suggestions for Future Research

In future work, the research plans to provide additional analysis of antecedents, moderators, and control variables related to audit renewal strategy and performance outcome, in order to broaden the understanding on the subject and explain a real-life situation based on theory. One would extend the scope of the work to include a larger population such as tax auditors (TAs), governmental auditors (GAs), and internal auditors (IAs) in Thailand or in other countries, to expand the generalizability and increase the reliability of the findings.

CONCLUSION

The constant changing in the global economy leads to a much more intense competition in both trade and investment. Thailand’s entry into the ASEAN Economic Community are auditors’ opportunities, challenges and significant changing point under the new realm of free movement of labour. Thus, the important tool leading to achievement in audit professions is renewal strategy because renewal strategy processes influence a certified public accountants (CPAs)’s adaptation.

Much of previous research focused mainly on renewal strategy and self-renewal of organizations in the field of strategic management, but research in the field of auditing is still limited. Therefore, the aim is to have this question answered: “How does audit renewal strategy affect audit performance?” With the purpose of this conceptual piece being the investigation of the relationship between audit renewal strategy and audit performance, there are five dimensions of audit renewal strategy considered, which include: audit development continuity, audit method adaptation, audit concept change, audit process flexibility and audit learning dynamism. One must come to a conclusion that audit performance outcome is based upon best audit practice, audit information advantage and audit professionalism effectiveness.

The results of this conceptual framework can serve auditors with an audit tactic development guide, and it can also help them recognize key components that may be of significance in bolstering their career as an auditor. This study has developed hypotheses that provide an insight into, and an understanding of, the relationship between audit renewal strategy and audit performance.

In consequence, future research suggests to additional analysis of variables related to audit renewal strategy and performance outcome in order to broaden understanding on the subject, and should seek theory to explain the phenomenon for understanding the relationships. To expand the generalizability and increase the reliability of the findings should collecting data from a larger population such as Tax Auditors (TAs), Governmental Auditors (GAs), and Internal Auditors (IAs) in Thailand or in other countries.

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MODERN COST MANAGEMENT INNOVATION AND PERFORMNCE: A CONCEPTUAL MODEL

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ABSTRACT

Modern cost management innovation has a significant role in improving competitive advantage and performance of the organization. Most prior research emphasis is on the modern cost management for using it to be a tool for operational management, but they overlook the ability of cost practices to implement and use it for operational control. The dimensions of modern cost management innovation include value chain cost focus, strategic cost relationship concern, competitive-based cost emphasis, value-added cost orientation and resource-sharing cost concentration. These dimensions will enable cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance. Moreover, in the future research is a suggestion to find antecedents, moderators, and control variables that can relationship to modern cost management innovation and firm performance for a model fit by the literature review. This conceptual paper can develop a proposition to a hypothesis by developing their concepts as a subjective questionnaire as an instrument. A mail survey questionnaire can use the keyword in the definition of an individual measurement for collecting data from the sample. The sample should be the electronics and electrical manufacturing business. Furthermore, the relationship between antecedents, consequents, moderators, and control variables of modern cost management innovation is needs a theory to explain the phenomenon in the future research. Thus, this conceptual paper will discuss the relationships between modern cost management innovation and firm performance.

INTRODUCTION

Globalization in business administration is essential for management and administration which must be updated to comply with the conditions of market competition that fluctuate over time, because consumers today can foresee global information quickly (Thoma & Sullivan, 2011). The demand must be credible, affordable, and must expect to receive quality service as well as after-sales service. For the company and its products to meet the needs of customers, who would rely on a system of accounting data and information, the company has an advantage over the competition (Yilmaz, 2012). Also, if the system has cost and management accounting and corporate business, then it appears that this system cannot provide data to create a competitive advantage, because it is focused on the production of many products to sell. Currently, there are changes in the field of science. Technology and telecommunications systems introduce the concept of new business to the market, so that a business enterprise cannot provide data for cost and management accounting, because it affects business. It needs to be improved, developed, and made new as to the concept of costs, so that management uses it as a tool for continuously managing cost effectiveness and efficiency (MacMilan, 2014).

The competitive intensity of current economic conditions cause many businesses to adapt and develop their own business to make it survive the change which is available at all times, and is currently the subject of innovation or complementary business technology. The role of innovation or technology plays a role in the management of business processes (Graham, 2004). Managerial accounting system efficiency, in most cases, is a business that requires the innovation or technology to be involved from beginning to end. It is often a business in various industries, such as the automotive steel industry, or even other industries such as the textile industry, which is currently focused on the innovative use of technology in order to make its own business to be able to produce large quantities (Kazemi, 2010). Quality, cost, and risks may arise from the use of human labor. From the above, it shows that businesses are currently trying to find different ways to help. The tools that can be used for business to meet the needs of the business and information are equally important to the cost of the business that the cost has been collected from the operation of the business. As well as the duration of the production process cost of the business it requires much accounting knowledge richness that is basic. Even then, it is no less important than the story of innovation. Such information is to be presented to management.

In addition, high competition in the world of advanced technology that has been applied in manufacturing and innovation is also another factor that is a major role in the development of the competitiveness of the sector (Rieckhof, Bergmann & Guenther, 2014). In modern times, it is considered a form of entrepreneurial innovation applied to business operations that can be classified into three types: product innovation, service innovation, and process innovation that demonstrates by applying the concept. Included are new processes that affect the production process work to increase efficiency and effectiveness (Fayard et al., 2012). Previously, it reflects the changes in these ways. Forms, or even bringing efficiency to management will affect the competitiveness and market advantage of the business. There is innovation happening in the industry which tends to be related to the issue of cost, which is the heart of the manufacturing system. Modern cost management innovation is necessary to apply to the effective cost and in appropriate circumstances that rely on many factors.

At present, to create a potential for wealth and stability to the organization, the best way is to create a competitive advantage, which is at the heart of strategic planning (Houthoofd, Desmidt & Fidalgo, 2010). Competitive advantage is the ability of an organization that cannot be imitated by competitors or rivals to take the time to justify themselves before one’s ability to imitate, such as in innovation management within the organization. Factors are the most important underlying cause that are a competitive advantage in the knowledge that an organization must try to create learning and development as a learning organization. Then, the administration brings the knowledge of personnel that has brought innovation to the organization, by which the industry and company can produce at a lower cost than competitors. This often results in increased advantage (Teeratansirikool et al., 2012). Typically, low cost happens when the market is large, and manufactured goods must be used with the same standards as the lower cost. Low cost and good results of the company's profit are higher than usual-and at the same time they prevent competitors from reducing prices to protect customers, and pressure suppliers on prices due to the already low cost of the consequences. If the executives are monitored to measure and control the performance of the organization, it can bring an organization to better asset management. Firm performance measurement also affects the reputation of the organization, as well as affects the outcome of the activity (Ou et al., 2009).

MODERN COST MANAGEMENT INNOVATION: MCMI

The business environment and firms have trends and change to new and better approaches to business management (March & Gunasekaran, 1999). The new processes are implemented in firms such as quality, reengineering, and other approaches. This philosophy requires firms to be respondent and flexible in profit, and value-added in products. Also, modern cost management innovation is one of the new processes for contemporary management. Moreover, the recent proliferation of studies in modern cost management innovation related topics explains the increasing interest of researchers in this area. Under the new economy, strategic cost management to decisions, is by cost information and are more in the process of managing costs to date (Fu, 2007). The concept of Porter is a competitive advantage that develops the Shank model of cost management and provides a series of analysis methods that could give insight into management. These are value chain analysis, position analysis, and cost drive analysis. Consistent with this perspective, business management is a continuous process of three methods: 1. It analyzes sources of cost and structure of product cost. 2. It carries on a position analysis of three aspects of products, industry, and market. 3. Afterward, it determines competitive strategy.

However, Anderson, Asdemir & Tripathy (2012) argued that modern cost management is an alignment development of business resources management and associated structures with short-term and long-term. Additionally, value chain improvements, reallocating resources, and evaluating product and service about customers is required. Thus, it is essential to identify the cost drivers, and to utilize proper tools. ‘‘Business Innovation’’ is a concept, practice and invention that is perceived as new (Daft, 1978; Damanpour, 1991). The literature distinguishes between technical innovations, and involves new technologies, products, services, management innovations, processes, policies and organizations (Daft & Becker, 1978). This paper focus on modern cost management innovation, Especially those related to procedures and processes. Process innovation is a change in the products (Robey, 1986). It was the introduction of the new method or responsibility in the organization. (Davenport, 1992).

Modern cost management is one of the management techniques that provides useful cost information to strategic development decision-making, a sustainable competitive advantage, and it is important for operating more efficiently in a higher competitive environment (Tontiset & Ussahawanitchakit, 2010). Modern cost management is important and reflects the critical success of the firms (Shank & Fisher, 1999). A review of the recent literature found that cost management can be categorized as traditional, contemporary, or modern. Traditional cost management focuses on financial orientation while modern cost management focuses on a more strategic orientation. However, some past studies revealed that modern cost management is not a strategic goal achievement. For example, Hussain, Gunasekaran & Latinen, (1998) suggests that modern management accounting practices were not successful in Finland service organizations, in order to achieve the goal of decision-making, management control, and to improve the information system within the organizations that were consistent with the work.

The development of modern cost management innovation has been a concept in a series of innovations that makes the lighting industry test the validity of innovation theory (Daft & Becker, 1978). The theory itself has evolved over time. Work on the “creative destruction” nature of innovation was pioneer and expanded to include innovation mapping with curves, a category of technical change, or matrices to help a business decide whether a technology is worth pursuing (Muehlen, 2004). Those matrix divisions, some of which include taxonomy such as in radically and revolutionary innovations, were largely supplanted by a more recent work on two subjects: absorptive and disruptive. Both provide an explanation for why large businesses frequently have difficulty in the development and control of major innovations, and why disruptions can create an exploitable opportunity for small businesses (Davenport, 1992). The concept of disruptive innovation, as championed by Daft & Becker (1978) and others, define a new category of innovation. Earlier categorization of technologies, such as revolutionary, were supplanted by categories of innovation as sustained or disruptive. Sustained innovation could often strength incumbent firms, but disruptive innovation could topple even large business with an established R&D facility, strong human resources, and other absorptive capabilities (Corso & Paolucci, 2001).

Thus, this research defines modern cost management innovation as referring to the ability to know the cost of building concepts, methods and new techniques for application in the development process, and to achieve a competitive advantage in situations and changing circumstances (Grahovac & Devedzic, 2010). Cost management has focused on the application of the concept of strategic cost management that is an important tool in the modern era, in the management of the enterprise (Fayard et al., 2012). Analysis on cost management resulted in success (Thoma & Sullivan, 2011). Predictions will maximize the cause and are successful in operating correctly. The goals and the objectives of the organization are planned (Rieckhof, Bergmann & Guenther, 2014). Also, modern cost management innovation is related to the subject of the organization, and to the environment to which the organization will need to adapt to achieve consistency in the administration. Moreover, it clearly leads to a competitive advantage, and is appropriately harmonized with various situations (Grossmann, 2013). Modern cost management innovation is a key to goal achievement. In the past, much research on modern cost management innovation has provided the definitions in Table 1.

Table 1
The Summary of Definitions of Modern Cost Management Innovation

AUTHORS	DEFINITIONS OF MODERN COST MANAGEMENT INNOVATION
Choi & Chan (2004)	The ways or new forms of industrial process control to achieve the efficient management.
Unger (2011)	The innovation which emphasize the roles of absorptive capacity and disruptive innovations in new product development.
Abulrub, Attridge & Williams (2011)	Consider to the most important engines for a company growth, and successful innovation can move a company forward in its sector.
Abulrub et al. (2012)	These system have useful in cutting the cost and time in product development.
Fayard et al. (2012)	Strategic cost management approach to management cost that span organizational boundaries in supply chains.

PROPOSITION DEVELOPMENT

Value Chain Cost Focus

The key concept of the value chain business processes for an organization is not a new idea (Porter, 1985). Therefore, the use of the word "chain" is a word that makes it interesting. Its use by Porter and others is a way to have creative, descriptive concepts. It is an analogy that is very valuable as it identifies a process within companies that are or should be linked. According to the survey, it can make comparisons and expand further to identify weak and strong. Links in the chain are useful in describing or identifying the company's competitive advantage or weakness (Armistead, Pritchard & Machin, 1999). However, the terminology of "value chain" has often been used in a manner inconsistent, overlapping, and confusing. Therefore, "value chain" has been used to explain the links in the industry, the analysis, and the explanation of the value of this macro level (Butler et al., 2001). The "new economy" is likely to be the first step to increasing the company's individual business model. The best companies should add to the value chain of the industry by positioning itself in the chain that is based on the resources and capabilities (Dankbaar, 2007). The first stage of any business process engineering should have a clear understanding of the context of the industry value chain that is operated.

Value chain is used to describe the micro level of the actual business processes that are employed by the company. While the value chain is about the networking industry, micro value chain explains the actual operations of the company. The second stage of the engineering business processes is to map and clear the company's value chain processes at a micro-level value chain of the industry (Glazer, 1991). The subsequent creation of value in the set is necessary to the link or event (Hanna & Walsh, 2008). Different processes will not necessarily work in tandem and may often have a conflict (Stanley, 2006). In the process, they describe the costs of various materials to add value to products, distribution, sales, and service (Wayne & David, 2006). They also analyze the cost and value-added materials to the user's end product as a manufacturer and distributor with each step representing industries. Thus, the relationship discussed in this paper is propositioned as shown below.

P1: Value chain cost focus would be positively related to (a) operational effectiveness, (b) cost Utilization and (c) business excellence.

Strategic Cost Relationship Concern

Strategic cost relationship concern is creating linkages between the firm and outside benefits to strategic linkages that achieve strategic goals and increase superior performance. The strategic linkage also enables firms to reduce uncertainty and the association with internal development (Nohria & Garcia-point, 1991). In this research, strategic linkage capability refers to a focus on cost management techniques adopted in different deployment scenarios. It can be defined as the organization's strategy and value creation that occurs due to an event (Chitmun & Ussahawanitchakit, 2012). Most prominently, in strategic cost relationship concern, accounts are important to support the formulation and strategic communications. Buhovac & Slapnicar (2007) It makes the operation more efficient, and data happens to make a success in terms of quality, cost and time (Cinquini & Tenucci, 2007; Rexford & Archie, 2002).

The term "strategy" could be related to impact on business strategy (Roslender & Hart, 2002; Shank & Govindarajan, 1992), competitive advantage achievement (Shank & Govindarajan, 1992), external orientation (Cinquini & Tenucci, 2007; Roslender & Hart, 2003), internal orientation (Cinquini & Tenucci, 2007) and future orientation (Cinquini & Tenucci, 2007; Roslender & Hart, 2003). According to Valancienc & Gimzauskiene (2007), modern cost management innovation has changed its focus from being shareholder-oriented to a customer-shareholder integrated solution. Again, strategic linkage capability in this research is integrated with business strategy, including customer strategy, manufacturing strategy, and quality strategy. The operational business needs information for decision-making support. Buhovac & Slapnicar (2007) demonstrate that the company's cost management system will provide the necessary information for decision support. According to Roslender & Hart (2003), the implementation of the strategy and tactics, marketing, and manufacturing, within the framework of strategic management is linked to operational cost efficiency. The demand for information supports strategic and operational decisions in order to be influenced by environmental conditions that occur both inside and outside (Buhovac & Slapnicar, 2007). Thus, the relationship discussed in this paper is propositioned as shown below.

P2: Strategic cost relationship concern would be positively related to (a) operational effectiveness, (b) cost utilization and (c) business excellence.

Competitive-based Cost Emphasis

Cost leadership is defined as "The ability of organizations to compete with major competitors based on price" (Li et al., 2006). Organizations should have the ability to change all activities that do not provide benefits to costs. However, companies must find ways to cut costs and look for ways to produce more cost input technology and resources, access to raw materials, product design and even looking to outsource activities with other organizations that would help make it a cost advantage achievement. Porter (1980) defined the costs as being a leader of leaders to achieve overall cost in the industry, through a series of policies aimed at a function for this purpose. It is set in an aggressive level of facilities that are powerful, energetic pursuits of cost reductions from experience, control, avoiding marginal accounts, and reducing costs in areas such as research and development. Porter (1980) listed 10 top cost drivers, which are attributed to the low-cost strategy that is linked directly and indirectly to the management and production resources. In cost leadership, Porter’s focus is not on different pricing tactics, but focused on strategic planning and the strengthening of the direct lower costs than competitors, regardless of the pricing methods used. How, then would cost leadership be an achievement? It is primary to lead effectively (Green, Lisboa & Yasin, 1993). This efficiency can be obtained through various economic, production or distribution processes (e.g. economies of scale, scope, marketing, etc.), studying the relationship between methods of competition, and general strategic performance.

In general, Campbell-Hunt (2000) summary of the presence or absence of an expert in competitive strategy cannot explain the performance of many companies. Therefore, the study of Arping & Loranth (2006) found a negative correlation between monetary authority and differences in business strategies. The concept of activity-based costing (ABC) and many studies, have demonstrated its benefits, which include reducing costs, the ability to control activity better (Cooper, 1990), determining the profitability of the consumer (Booth, 1994b), and in decision-making (Cooper & Kaplan, 1988). With respect to the relationship between strategy and activity-based costing, the study by Bhimani, Gosselin & Ncube (2005) found the relationship between strategic and operational success of activity-based costing. Regarding target cost, several studies have been conducted that showed the benefit of this technique, which included reducing costs, understanding the cost structures of suppliers, improving the management of internal cost, controling cost better and increasing the capability of accounting for cost (Ellram, 2000). Thus, the relationship discussed in this paper is propositioned as shown below.

P3: Competitive-based cost emphasis would be positively related to (a) operational effectiveness, (b) cost utilization and (c) business excellence.

Value-added Cost Orientation

For modern cost management innovation, there must be a commitment from the senior management of business, with the participation of workers at all levels, and the establishment of a self-perpetuating system of improvements that will help improve value-added activities and reduce non-value-added activities (Agrawal & Mehra, 1998). Value-added activities are those that are judged to contribute to customer value or meet the needs of the organization. Features of the cost increase to reflect the belief that things cannot be eliminated without reducing the volume, response or quality of output required by the client or organization. In general, such activities add features to the products that are valued by the external customer or those who will pay for them. All other activities are non-value-added. However, many of the non-value-added activities are also essential. For example, the company has to train its workers. The training activity is of no concern to the customers who expect a product of consistent quality all the time. The training activity is non-value-added, but an essential activity (Agrawal & Mehra, 1998). Moreover, value-adding activity can help additional value-creating tasks at a specific stage of production in the eyes of the end users or consumers (Narong, 2009). The concept of value-added activity utilization is associated with managing the cost of activities to help evaluate which activity should be focused on as essential, and creating value in the value chain (Picur, 2007). Therefore, the continuous process improvement initiatives can be carried out by analyzing the activities that should cover the entire value chain. Moreover, value-added activity utilization adds major value information to decision-making.

Furthermore, the analysis of activities can reduce operational cost by optimizing value-added activity. Especially, the activity is to explore customer expectation and define value from the customers aspect, identifying which step adds value to the process, and utilization activity analysis to assign costs used for activity costing to improve processes management (Kruse, Sorensen & Hansen, 2012). Value-added cost process that adds value to the costs may result from the operation and benefits of the product. The term “value-added” is a process that: 1.Changes the way a product is marketed. 2.Changes the form of the product before it is marketed. 3.Changes the way the product for market. 4.Growth the product for a special market. 5.Adds a new enterprise (Narong, 2009). Many benefits can be obtained from the company into a value-added. Adding value to sustainable development can capture a share of the consumer, create a logical extension of the business, provide the means for small to compete with larger operations, keeping local communities, and providing significant local economic development strategies. Thus, the relationship discussed in this paper is propositioned as shown below.

P4: Value-added cost orientation would be positively related to (a) operational effectiveness,(b) cost utilization and (c) business excellence.

Resource-Sharing Cost Concentration

Resource sharing cost concentration is based on an activity of management, and it has long been of interest to management scholars. In contemporary management, strategic management scholars have an enormous, express interest in resource advantage. This vision regards the firm as different from resources usage. Some are superior, and others perhaps increase organizational capability that may enable the firm to deploy better quality resources than the competitors. Therefore, resources usage quality is an ability of a firm to analyze resource requirements, and process the allocation of resources for each department in order to utility resources efficiently (Balkin, Markman & Gomez-Meja, 2000). Accuracy consists of the process of gathering information and analysis of resource requirements. The process of gathering information is collecting the resource requirements of various departments by specifying the number, size, quality and attributes of resources to meet the needs of various departments. Meanwhile, the analysis of resource requirements considers the demand for resources from various agencies that are accurate and appropriate for operations. Therefore, allocation accuracy awareness is relationships with a variety of information that will be collected from the analysis of resource requirements of the various departments within the company. Consequently, a variety of information has potential for significant information (Bouwens & Abernethy, 2000) and leads to a competitive advantage. In addition, these problems have led to the cooperation of various organizations to participate in decision-making in the form of preference and also have increased management efficiency (Eker, 2009).

Resource-sharing is a general concept that may be applied to any problem involving concurrent tasks with limited, shared resources. Resource-sharing deals with resource management and efficient scheduling of resources. Techniques and tools have been developed to facilitate scheduling of resources in computer systems and manufacturing systems. The main idea is to coordinate concurrent tasks according to the availability of shared resources. This problem may be viewed from different levels of abstraction. A major issue in resource-sharing is the type of algorithm that is selected to govern the accesses to shared resources in such a way that the integrity of a resource is preserved. Also, problems such as deadlock that could halt the system should be examined. An important consideration is a stage at which shared resources scheduling is considered. One possibility is to assign all the resources prior to task execution (compile-time). Another possibility is that the tasks compete for resources during task execution (run-time) according to a predefined algorithm. A combined compile-time and run-time scheduling may also be considered. In this research, the process of how the classification of different resources on how to deal with problems have been identified. Thus, the relationship discussed in this paper is propositioned as shown below.

P5: Resource-sharing cost concentration would be positively related to (a) operational effectiveness, (b) cost utilization and (c) business excellence.

Cost Utilization

Cost utilization can be considered to assess the quality of the operational activities. Several studies have investigated the perceived quality costs related to lower costs of an operation. Empirical studies by York & Miree (2004) state that quality management improves the efficiency of the processes that produce products or services. Any quality cost that is reported such as scrap or rework will support improving operational cost effectiveness by quantifying specific quality levels and ultimately improving productivity (Chopra & Garg, 2011). Higher information quality assists managers to improve decision-making (Cohen & Kaimenaki, 2011). In detail, the following sequence of quality cost awareness has improved operational cost effectiveness by finding out the ways and the means to reduce quality costs (Chopra & Garg, 2011). Many companies have support in terms of build quality, based on various factors contributing to the success and achievement of their goals (Schiffauerova & Thomson, 2006). Also, modern cost management innovation can produce, and it costs much more for accurate information (Apak et al., 2012). Customer satisfaction survey responses is a major challenge for businesses (Weng, Hsiao & Chen, 2010). The business which focuses on the cost of quality is more likely to succeed in reducing costs and improving quality for customers (Schiffauerova & Thomson, 2006).

Prior literature found that cost respond increases firm performance, sales growth, and the firm's market-to-book ratio (Anderson, Asdemir & Tripathy, 2012). The firm performance of this research depends on an ability of the firm to utilize operational information that is both financial and non-financial, to support decision-making, to maximize its profitability and market share and competing continuously in the long-term. As a result, the firm can continuously achieve performance in the long-term by being concerned about the overall quality through quality cost awareness. However, based on information obtained from administrative costs, it also depends on several factors (O'Donnell & David, 2000) such as personal character (such as their cognitive patterns that affect the demand for their skills, or their information systems) and the decision environment (e.g., accountability, or group membership). The importance of congruence, or "fit," between the environment and the information-processing activity of the firm has been a major factor in decision-making. During the year, the excise tax exemption policy for first car buyers, which was announced, can be viewed as an important factor to concentrate less on the quality of auto products in the parts businesses in Thailand, because of the demand being more than the supply. The Thai automotive industry will add production capacity for the effect of this project. It may imply that quality cost awareness is less important than the ramp-up to production capacity. Thus, the relationship discussed in this paper is propositioned as shown below.

P6: Cost utilization would be positively related to (a) operational effectiveness,(b) business excellence, (c) goal decision-making achievement and (d) firm performance.

Operational Effectiveness

Operational effectiveness can be the key to business competitiveness. However, firms must best operate and commit to improving faster than the competition (Bigelow, 2002). Therefore, the capacity is set as processes, based on its core competencies within the organization which are looking for excellent performance while continuing excellence in operations. As a consequence, organizations can better use their resources through the eliminated of unnecessary activities, and appropriate implementation of strategic management to achieve the goals. Operational effectiveness is derived from strategic cost management, which can improve ability in planning, cost estimates, and inventory control. It also causes a reduction in informal systems for material management and production control (Fiona, Islam & Tan, 2007). Moreover, effective organization operation helps to minimize the resources of an economy and has the quality to complete a process to achieving objectives and goals, including value-adding in use and maintenance. The concept of output is what a that firm can do to minimize operational cost through profitability and firm success (Boonmunewai & Ussahawanitchakit, 2010).

As aforementioned, operational effectiveness is the ability of a firm to manage that provides goal achievement more prominent than competitors. Also, it is responding to change through operations that are accepted by internal and external organizations (Rabinovich, Dresner, & Evers, 2003). Thus, business is attempting to meet objectives wants to pay attention to their outstanding operational excellence, as this is a drive for performance excellence. Furthermore, the ability of a firm to adjust procedures to effectively increase environment change is instrumental to solve problems, improvement quality, development of operational design, generate ideas that influence aggressive practice, and gain increased benefits. Therefore, it makes the firm to achieve the original organizational objective. Performance refers to the cost, operations and work to reduce resources in the economy, gain speed, and quality. To complete the process, cost information is required to achieve the objectives and goals (Boonmunewai & Usssahawanitchakit, 2010). The three key elements of operational excellence to strategic goal achievement are suggested by Bigelow (2002) as: 1. Maintaining product and service quality, 2. Preserving total compliance, and; 3. Reducing quality-related costs to satisfy customer needs, to contribute to confidence and affect their ability to compete. Thus, the relationship discussed in this paper is propositioned as shown below.

P7: Operational effectiveness would be positively related to (a) goal decision-making achievement and (b) firm performance.

Business Excellence

Business excellence can be the key to global business competitiveness. However, firms must best operate and commit to improving faster than the competition (Bigelow, 2002). Therefore, set as a process, based on inside core capability, an organization leads to business excellence on a continuous basis. As a consequence, organization is able to use better resources through eliminating unnecessary activities, and appropriate operations of strategic management to achieve the goals. Business excellence is derived from strategic cost management, which improve ability in planning, cost estimate, and inventory control. It also can reduce informal systems for material management, and production control (Fiona, Islam & Tan, 2007). Many firms are aggressively seeking better ways to operate because of the increase of competition in the marketplace. Certainly, business excellence helps firms achieve their business goals, and increases the firms' performance (Gordon, Loeb, & Tseng, 2009). Moreover, effective organization helps reduce the economy's resources and quality to complete the process and to achieve the objectives and goals, including value-added, maintenance, and safeguards.

The idea of a business to reduce the costs incurred from operations through this, causes the profitability and success of the company (Boonmunewai & Ussahawanitchakit, 2010). Business excellence outstanding is the ability of a firm to manage that which provides goal achievement more prominently than competitors. In addition, a respondent for change through operations is accepted by internal and external organizations (Rabinovich, Dresner, & Evers, 2003). Thus, the company seeks to need an objective to focus on operational excellence that is prominent, such as driving performance excellence. Furthermore, the company ability to adjust the process, effectively increased environmental change as a tool to solve problems, improve quality, develop an operational design, generate ideas that influence aggressive practice, and gains increased benefit. Furthermore, it makes the firm achievement the original organizational objective. Business under good governance, which is subject to the terms of the Stock Exchange of Thailand, is particularly important for organizational awareness and focuses on providing audit committee effectiveness to contribute to the credibility of stakeholders. It also leads to more corporate governance success. Thus, the relationship discussed in this paper is propositioned as shown below.

P8: Business Excellence would be positively related to (a) goal decision-making achievement and (b) firm performance.

Goal Decision-Making Achievement

Goal achievement is a mark that represents the last process of operation or performance, according to defined objectives such as missions, visions, and strategies. In addition, goal achievement is a performance that demonstrates the ability to perform an outstanding job in both financial and non-financial areas, including operating better than competitors. This is caused by firms that plan to operate more effectively, consistent with organizational missions, visions, strategy and procedures relevant to their goals (Deepen, Goldsby & Knemeyer, 2008), which will help the company achieve its goals. Past research suggests that basic operations strategies effectively and efficiently help them achieve goals depending on their link rather than an organization's missions, visions and goals. Also, the goal of an organization is a challenge that will lead to effective basic operations. On the other hand, the firm's internal control affects the achievement of the organizational goals. Also, it affects continuous operations. Therefore, the firm is recognized by customers from the past to present and on into the future. There are associations between operational costs effective and responsive customer efficiency that are important to support strategic process and monitor the achievement of strategic goals.

The role of management accounting systems is to support the operation of organizational strategy. Tegarden et al., (2005) suggests that a strategy process enables higher commit and achievement of goals because the quality of information is used in decision-making, and the communication as to what goals are important. It increases with organizational participation in the strategy process, subsequently leading to firm financial performance. Based on the literature review, the decision means the actions of individuals who take the time to take action or to solve problems (Solomon & Trotman, 2003). In other words, the decision is to consider alternative options and to consider alternatives with a probability of performance or success in participation with the goals and values (Chitmun & Ussahawanitchakit, 2012). Chaikambang & Ussahawanitchakit (2010) define decision-making success as the achieving of business that helps firms achieve their business objectives or the goal of the operation. Prior research indicated that goal decision-making achievement has a positive relationship to survive in business operations (Ninlaphay & Ussahawanitchakit, 2012). Thus, the relationship discussed in this paper is propositioned as shown below.

P9: Goal decision-making achievement would be positively related to firm performance.

Firm Performance

The survival of the business depends on several factors, including the nature of corporate default (Persson, 2004), setting goals, determining the mission and vision of the organization for direction, having a unique advantage of innovation (Groenewegen & Langen, 2012), employment information within the organization, knowledge of employees (Davila, Foster & Gupta, 2003), or a combination of these factors that are important in the long-run. Similar to previous evidence, influencing the survival of the company operations in dynamic organizational survival becomes increase important for sustaining business growth (Johne, 1999). The review of the existing literature has recorded a positive result of the dynamic competitive advantage in business (Abushaiba & Zainuddin, 2012). Similarly, modern cost management innovation is important for the development of internal and external data for cost accounting to be seen as technical costs which will benefit from the competition (Pretorius, Visser & Bibbey, 2003).

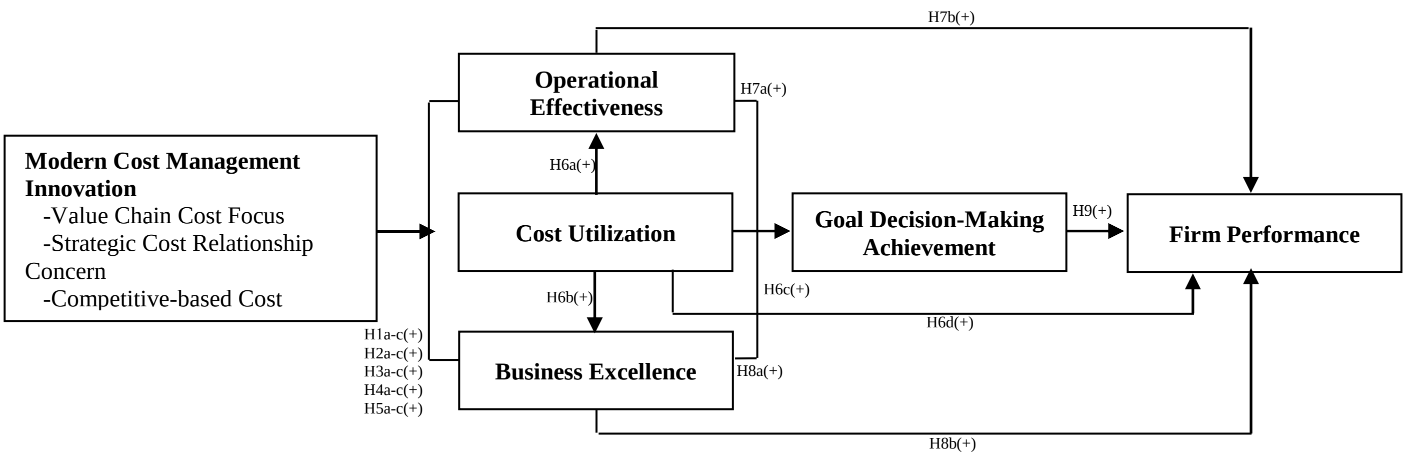
More recently, Pungboonpanich & Ussahawanitchakit (2010) studied the effects of advantage in the competition for the success of cooperation in budgetary control, which shows a significant and positive relationship. This implies that the company's efficiency and productivity gains cost management that is modern, dynamic and of a competitive advantage to the company's operations. The results of operations of the company include profitability, decision-making, market share and continuous competitive advantage in the long-term. As a result, the company is successfully operating, as the results of the company to be continued as a long-term use, and the ability to link strategy. The results showed that analysis of the value chain, creating opportunities to improve supply chain performance, creates a competitive advantage (Hutaiba, 2011), thus achieving profitability and nurturing business relationships. It also includes the development of quality products and innovation (Prajogo, McDermott & Goh, 2008), as well as the earnings and benefits more than competitors. Similarly, target costing is a critical component of innovation.

Advanced cost management will to lead company profitability in the future (Everaert et al., 2006).

CONCEPTUAL FRAMEWORK OF MODERN COST MANAGEMENT INNOVATION AND PERFORMANCE

This conceptual paper investigates the relationships between modern cost management innovation, cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance. Thus, the conceptual framework, linkage, and conceptual models present the relationships between modern cost management innovation and performance in the preceding discussion of the literature. The proposed conceptual framework is shown in Figure 1.

Figure 1 A Conceptual Framework of Modern Cost Management Innovation and Performance



CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

This paper is intended to provide a clearer understanding of the relationships of MCMI, cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance. It also intends to expand its contribution to the theory of knowledge and literature of MCMI. The theoretical contributions of MCMI include: the proposed consequences of MCMI: cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance for the theoretical. Moreover, this paper has managerial implications for practitioners about MCMI. Primarily, the cost management function has a cost practice and firm performance. MCMI helps lead to critical cost management competencies that reveal cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance. This paper provides a better understanding of how cost management can encourage MCMI. Moreover, modern cost management innovation should provide for the appropriate resources to support cost practices that are involved with firm performance.

Suggestions for Future Research

This conceptual framework showns only MCMI as an independent variable and its consequent. Future research should seek antecedents, moderators, and control variables of MCMI and firm performance relationships. Moreover, future research may attempt to study empirical research by using a mail survey questionnaire as an instrument for collecting data from electronics and electrical manufacturing businesses. These businesses need continuous adjustment in environmental change and controlling operation by implementation cost management processes that lead the firm to sustainable competitive advantage and goal achievement. Therefore, all concepts in this paper should seek theory to explain the phenomenon of understanding the relationships.

CONCLUSION

Currently, the cost management function must improve and develop performance to generate efficiency, effectiveness, and organizational survival. They seek tools for controlling operations by rules or professional regulations. Additionally, prior research can explain the relationships among MCMI and its consequences. Moreover, this conceptual paper contributes to an understanding of the relationship between MCMI and firm performance. Additionally, one adopts five dimensions of the MCMI from the reviewed prior research: 1. Value chain cost focus, 2. The strategic cost relationship concern, 3. Competitive-based cost emphasis, 4. Value-added cost orientation, and 5. Resource-sharing cost concentration (Taylor, 2005; Chitmun & Ussahawanitchakit, 2012; Dekker & Smidt, 2003; Camanho & Dyson, 2005; Iamitchi, 2003). This is the ability of a firm to implement its cost management function practice efficiencies so that it may enhance organizational outcomes, including cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance.

Furthermore, to complete the concept, the interested researcher should find antecedents, moderators, and control variables that can be related to MCMI and firm performance. This conceptual paper can develop the hypothesis for testing by developing their concepts into a questionnaire as a tool for collecting data in the future. These can use subjective measurement for all concepts by using the keyword in the definition of the measurement. A suitable sample should be the electronics and electrical manufacturing business. In the future, this conceptual model needs to employ empirical investigate to increase the evidence for MCMI and firm performance. In conclusion, this conceptual paper needs theory to explain the phenomenon for understanding all relationships for conceptual framework fit.

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INTERNAL AUDIT INTELLIGENCE AND FIRM SUCCESS EVIDENCE FROM THAI-LISTED FIRM

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ABSTRACT

This research aims at investigating the relationships among five dimensions of internal audit intelligence (best internal audit concept, internal audit knowledge well-roundedness, internal audit skepticism focus, internal audit ethics awareness, and internal audit excellence mindset) and firm success through the mediating influences of internal audit planning effectiveness, best internal audit practice, and internal audit review efficiency. Governance vision, internal audit learning, internal audit competency, and stakeholder expectation become the antecedents of internal audit intelligence. In this study, data were collected by mail survey questionnaire of 126 Thai-listed firms in Thailand. The results of OLS regression analysis indicated that internal audit knowledge well-roundedness has a significant positive effect onbest internal audit practice, internal audit planning effectiveness, and internal audit review efficiency on the consequents. In addition, internal and it quality consequents have a significant positive association with firm success. Furthermore, governance vision, internal audit learning and, stakeholder expectation force have a positive influence on internal audit intelligence. To verify and increase managerial and contributions of the study, future research needs to collect data from a larger population or comparative population in order to increase the reliability of the results, as well as use another sample population, such as certified public accountants (CPAs), governmental auditors (GAs), or others in Thailand. A potential discussion concerning the research results is effectively implemented in the study. Theoretical and managerial contributions are explicitly provided. The conclusion, suggestions, and directions for future research are recommended.

INTRODUCTION

In the era of globalization, change, and volatility, the economic environment has influenced the predictability of firms in survival and maintenance of sustainable growth in a highly competitive situation. In order to survive and grow, firms need continuous development for their operational processes that respond to economic change, to ensure survival, and to achieve firm success Danneel, 2002). Moreover, several companies such as the Petroleum Authority of Thailand (PTT), The Siam Cement Public Company Limited (SCG), the Bangkok Petroleum Public Company Limited, and the Kasikorn Bank Public Company Limited have adopted and held to corporate governance and accountability to society and environment as an operational guideline to business growth that led to simultaneous survivability and sustainability (Hopwood, Unermab & Fries, 2010). That is consistent and in accordance withrules prescribed by the Stock Exchange of Thailand (SET). Many organizations such as the Toyota Motor Thai Company Limited, Thai Airways International Public Company Limited, and Murata Electronics (Thailand) Company Limited try to seek the appropriate management processes or methods to improve the operational practices and develop into proper firms, which lead to high performance in creating competitive advantages in the long term(Institute of Internal Auditors, 2003). Therefore, best practices approach was used to increase firm performance, value added (James, 2003), and sustainable competitive advantages which are important goals of current businesses.

Rapid environmental change affects improvement of the internal audit function emphasizes future-orientation and continuous improvement as a dynamic, evolved and expanded that scope that of work to cover all aspects of control and, hence, apply their expertise to outside finance focusing on efficiency and effectiveness in operational activity (Cecere, 2008). The role in protecting assets is more important than the earlier-mentioned situations. Moreover, some critical points need best practice to check and present weakness issues, that is, the quality of audit work (O'Dell, 2011). Additionally, the role of the internal audit function was expanding service to support other departments within organization as well (Hass, Abdol mohammadi & Burnaby, 2006). In this situation, executives and all parties expected that the internal audit function could assess and consult concerning risk management, control system, and corporate governance effectiveness (Hermenson, 2006). Additionally, they can have the stakeholders ensure that finance information which is used in the operations and for decision-making is more use and reliable. Therefore, it is a challenge for the internal audit function to find the best guidelines or procedures for an audit task to respond to an executive's needs, in which the internal audit function can help organizations and stakeholders to ensure that the key risk was identified and controlled appropriately (Jeffrey, 2008). Moreover, it can be said that the current role of the internal audit function is both as an independent consultant and catalyst for change in the operations processes in the organization in order to be able to survive in a competitive environment and in current change (Institute of Internal Auditors, 2002).

The accounting scandals at Enron (USA), WorldCom (USA), Sumitomo (Japan), and other companies have led to a serious focus on corporate governance and internal control effectiveness (Carecello et al., 2005) due to a lack of transparency of business operations. These serious events have indicated that important role, played by the boards of directors in strengthening effective corporate governance, including disclosure,is the ultimate responsibility for internal control systems in their institutions (Al-jabali et al., 2011) As a result, the regulator's response has focused on the increasing demand for disclosure and corporate governance, and internal control and risk management such as in the United States and other countries which emphasize the importance of the investor's confidence in the financial reporting quality and the need for a quality financial report to meet expectations of current and potential investors (Al-Shetwi et al., 2001; Soh & Martinov-Bennie, 2011). Importantly, Gramling et al., (2004) stated that one of the four cornerstones of corporate governance is an internal audit function, which improves the transparency and quality of financial reporting, auditing, detecting, preventing fraud, and assessing internal control effectiveness.

Currently, the management of organizations, both in the public and private sectors has been expanded to affect increasingly complicated management, including the rapid changes in the economy, society, politics, and technology. As a result, a board of directors cannot thoroughly control the operational details of various departments. The internal audit is a tool which is used as a supporting role in management, and for audit and control measures to be effective (Gramling et al., 2004). The role of the internal audit is to help the organization achieve its objectives by way of a systematic and strict support risk management evaluation by planning, verifying the extent of compliance with policies, improving the effectiveness and efficiency of the firm's operation, control and management process, and financial report presentation (Al-Shetwi et al., 2011; Institute of Internal Auditors, 2004; Rama and Newman, 2002; Vasile et al., 2011). Similarly, Rahahleh (2010) stated that internal audit is the independent activities the operation and consulting service that is designed to add value to the organization as well as improve performance. Therefore, the internal audit is the independent activities of an operation to help support risk management, to plan, to check the compliance with policies and financial report presentation, achieve objectivity, and add value to the organization.

From the above, the responsibility of the internal audit requires examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process (Institute of Internal Auditors, 2009). In addition, the main objective of the internal audit function is to play a role as a monitoring mechanism and assist organizations in achieving objectives effectively by providing unbiased and objective assessments and improvement of risk and internal control (Ahmad et al., 2009; Hermanson et al., 2008). Internal audit function is also used to assess internal control effectiveness (Wancharoendate & Ngamtampong, 2012). Thus, the operation of internal audit causes the internal audit function to adhere to the responsibility of practices leading to adding value to the organization (Popescu & Vasile, 2011; Spira & Page, 2003).

Knowledge, skills, and ability are major important issues in practice work.According to Palmer et al., (2004), changes in the accounting profession are necessary to enhance important skills, as well as professional knowledge. The prior research of Ahmad et al., (2009) found that auditors lack appropriate knowledge of effective auditing approaches. Similarly, Abu-Eker et al., (2011) stated that the auditors have a lack of knowledge of accounting and processes. As well, Van (2004; 2005) stated that auditors do not have sufficient knowledge to make useful support concerning knowledge of the important background of the internal audit (Swinkels, 2009).

In addition, Dittenhofer (2001) found that unskilled internal audit work affects non-achievement of objectives, because skill or ability in the operation of a business affects the quality of the audit function (Matarneh, 2011).Meanwhile, the International Standards for the Professional Practice of Internal Auditing assigns attribute standards that address the attributes of the organizations and individuals performing internal auditing on the part of proficiency, which is essential in meeting the responsibilities of the internal auditors and the internal audit activity (International Standards for the Professional Practice of Internal Auditing, 2009). Therefore, the commitment of compliance with the standards, including knowledge, skills, and abilities, are used as sufficient practices, that effectively affect achieved objectives.

THEORETICAL FOUNDATION, RELEVANT LITERATURE REVIEWS AND HYPOTHESES DEVELOPMENT

Theoretical Foundation

There are three main theories used to describe the relationships among the variables in this research, including the knowledge-based view of the firm,and theinstitution theory.

Knowledge-based view of the firm

The knowledge-based view of the firm is a concept and model of business enterprises which explains their structure and behaviors (Grant, 1996). The definition of the knowledge-based view of the firm considers the knowledge as important for firms, and is difficult to imitate (Grant 2002). In addition, this theory knowledge is at the group and firm levels for analysis as to what had been a construct. Different knowledge and ability are a key factor in the firm's sustainable competitive advantage, and leads to superior performance (Hitt, Ireland, & Hoskisson, 1999; Teece, Pisano, & Shuen, 1997). By doing so, a firm will focus on interpersonal communication, and the exchange of knowledge and construction (such as the development of performance); and finally, the impact of such interaction in order to have competitive advantage. This knowledge is procedural, which is knowledge and skill of the sequence of operations. The process of developing procedural knowledge for a skill-based task has been shown to occur in the following three stages: (a) It presents a description of a way to perform a task, (b) One practices; it, perhaps haltingly at first but intelligence improves with continued practice and it benefits from feedback, and (c) One reaches the point at which the ability to perform the task is automatic; one no longer has to think about it (Lakshmanan et al., 2010).

The knowledge-based view of the firm is used to support the context of accounting, auditing, and internal audit (Brocheler, 2004; Hui & Fatt, 2007). In the accounting context, firms were able to use knowledge to appropriate and accumulate accounting practice, as mediated by variant structures of accountability, a leading to different performance (Toms 2006). In addition, the knowledge-based theory of the firm is applied to clarify the fact that internal audit intelligence is the crucial knowledge of the firm which creates advantage over competitors and leads to firm goal achievement. This is because internal audit intelligence is knowledge that is the most strategically significant resource of a firm, and it leads to superior performance. In an internal audit context, firm's knowledge can be advanced by either absorbing existing knowledge external to the firm or by developing new knowledge in order to increase maximization of the firm's value (Nickerson and Zenger, 2009). Similarly, Ali and Owais (2013) state that internal audit knowledge is an important resource that helps the internal auditor to maximize and add value for the firm. Moreover, in an audit context, Wangcharoendate & Ussahawanitchakit (2010) apply theory to describe the skills and knowledge in best audit practices in order to gain a competitive advantage, as well as audit effectiveness. Therefore, the firm that has different knowledge and capability will have different performance. As described earlier, knowledge and resources are considered a necessary ingredient for the survival of the company (Kaplan et al., 2001). Knowledge or capability refers to a firm's capacity to efficiently convert its inputs, which lead to valuable outputs (Nickerson and Zenger, 2004). The acquisition and use of most products, and the firm's specific knowledge from learning and experience, are made available to a greater extent, than in the case of technical knowledge acquired (Rahmeyer, 2006).

This research adopts the knowledge-based view of the firm, which explains that the firm's future growth depends on the productive integration of knowledge resources and derivative decision-making capabilities (Ding, Akoorie, & Pavlovich, 2009). A firm's competitive advantage comes from a combination of different knowledge resources at the firm level rather than the individual level through business activities (Spender, 1996). Especially, knowledge is complex, tacit, and heterogeneous, which is harder to imitate than raw materials, and provides the driving force for the alliances' competitiveness and performance (Barnery, 1991). Therefore, organizations are needed to integrate specialized knowledge for creating an advantage, and developing relevant organizational abilities (Knight and Cavusgil, 2004). Also, Ireland, Hitt, and Vaidyanath (2002) point out that the classification of "knowledge" refers to those skills, capabilities, and processes which could be critical to enhancing organizational competitiveness. Moreover, the International Standards for the Professional Practice of Internal Auditing (2008) define "intelligence" as knowledge, skills, and competencies needed to effectively carry out their professional responsibilities. In this research, internal audit intelligence focuses on the important knowledge and skills of the internal audit department to carry out internal audit work.

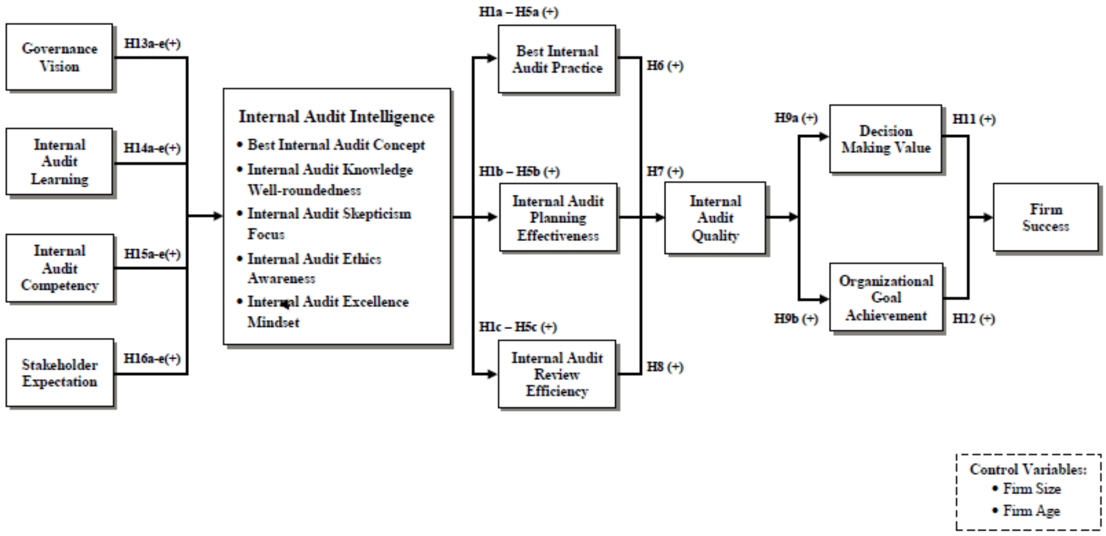
Institutional theory

The institutional theory is a widely accepted theory which is a concept of the organization's ability to analyze organizational behavior. This theory focuses on explaining the behavior of the organization for social recognition (Meyer and Rowan, 1977; Tolbert and Zucker, 1983; Zucker, 1987). Furthermore, the key components to determinate their behaviors are institutional members and the surrounding environment, which cause pressure on themselves such as by governmental regulations, professional associations, social networks, and economic change (Arena & Azzone, 2007; DiMaggio and Powell, 1983; Meyer and Rowan, 1977). As a result, the organizations must transition and adapt themselves by implementing similar methods from the other companies, such as a similar environment in their industry, in order to gain acceptance, competitiveness, survival, and goal achievement (Al-Twaijry, Brierly & Gwilliam, 2003; Sealing, Dirsmith & Fogarty, 1996; Zhou & Li, 2007). Based on the institutional theory, the process of isomorphism is divided three ways: coercive isomorphism, mimetic isomorphism, and normative isomorphism (Al-Twaijry, Brierly & Gwilliam, 2003).

In the context of the internal audit departments within organizations, coercive isomorphism consists of those pressures exerted to establish internal audit departments. Coercion takes place through mechanisms of authority, legitimating the power to compel organizations to establish internal audit departments which not only review the efficiency and effectiveness of the organizational activities, but also affect organizational performance (Al-Twaijry, Brierly & Gwilliam, 2003). Mimetic isomorphism is a process of internal change by the organization. Mimetic isomorphism occurs when organizations find that the internal audit function contributes to an improvement in organizational control and operational performance leading to it being adopted (DiMaggio & Powell, 1983) under uncertainty in emulating practices of other organizations (Mihret, James & Mula, 2010). Consequently, numbers increasing of organizations establish the internal audit departments over time.

To verify the relationship between internal audit intelligence and firm success, internal audit intelligence is an independent variable of the study which includes best internal audit concept, internal audit knowledge well-roundedness, internal audit skepticism focus, internal audit ethics awareness, and internal audit excellence mindset. Also, firm success is a dependent variable of the study. In addition, best internal audit practice, internal audit planning effectiveness and internal audit review efficiency are mediating variables. Furthermore, there are four antecedents of internal audit intelligence, including governance vision, internal audit learning, internal audit competency, and stakeholder expectation. Thus, the conceptual, linkage, and research models present the associations between internal audit intelligence and firm success as shown in Figure 1.

Figure 1
RELATIONSHIP MODEL OF INTERNAL AUDIT INTELLIGENCE AND FIRM SUCCESS



Internal Audit Intelligence

The importance of internal audit intelligence increases for the audit professional. Internal audit intelligence represents knowledge which allows expert auditors to perform auditing tasks faster, with greater consistency, and to achieve a higher quality of decision-making. Previous studies show that auditors who are intelligent in the audit task will take advantage of identifying problems, assessing risk, evaluating evidence, and performing skeptical judgment (Nelson, 2009). Internal auditing is a challenging task, particularly when faced with a critical issue involving an auditors' professional judgment to solve their clients' problems. Clients request professional service with a high quality of staff intelligence. Tan & Libby (1997) found that while tacit managerial knowledge is important for superior performance at the audit manager level, technical skills are important for superior performance at the staff level. The problem-solving abilities distinguish superior performance at the senior rank. These findings suggest that while personality/social attributes such as tacit managerial knowledge are more important for superior performance at higher professional ranks, judgment/technical skills are more important for superior performance at the lower professional ranks. The quality of financial statement audits is dependent on the job performance of auditors. Our understanding of the determinants of auditor job performance has evolved from concentration on the quality of judgments made, based on technical knowledge and ability in overall job performance, including tacit knowledge of a broad set of performance attributes, and the ability to objectively evaluate subordinates. However, relatively little is known about what distinguishes auditors whose overall job performance is relatively superior (McKnight & Wright, 2011). Auditors must perform in accordance with a professional standard such as the accounting standard on the auditing standard. Auditors should plan and control an audit task to sufficiently compile information and evidence in audit practice.

The early literature on intelligence in auditing focused on technical knowledge (Weber, 1980) and problem-solving ability (Bonner & Lewis, 1990). Koletar (2006) predicates that intelligence and internal audit functions are similar to each other, and ask essentially the same question, although for different reasons: "There is something going on out there that I should be concerned about", which Ashton (1991), and Bonner & Lewis (1990) found that industry expertise was positively correlated with an auditor's ability to identify problems within financial statements. Likewise, audit intelligence is defined as the ability to apply specific skill to perform complex audit tasks and more provide superior quality service than competitors (Bedard, 1991; Bedard & Chi, 1993). Abbott and Parker (2000) identify industrial specialization as an auditor who acquires specific skill, experience and knowledge of client industry, and utilizes such skill to complete the audit task and provides higher quality of audit service to their clients. Moreover, auditors with high experience will gain more effective risk assessment (Bedard & Wright 1994; Yang, Moyes, Din, & Omar, 2010).

In this research, internal audit intelligence is defined as the expertise of auditors, including specific skills and experience, to perform more complex audit tasks and provide more superior quality service than other auditors (Nelson, 2009).

Best Internal Audit Concept

Best internal audit concept is the first dimension of internal audit intelligence. Due to the dynamic changes in the environment, companies are trying to create an internal audit system of management to achieve a sustainable competitive advantage (Bielinska-Dusza, 2011). Internal audit practice is an audit procedure performed by a firm's own personnel to check for completeness and accuracy (Sueyoshi et al., 2009). Internal auditing is executed in various environments and within organizations which offer in objectives, laws, and customers (Rameesh, 2003). These differences may affect the practice of internal auditing in each environment. According to Abdolmohammadi & Tucker (2002), the degree of economic development of a country will have an impact on the internal audit practice in that country.

Internal audit is a value-added activity; it is important for the internal audit to comply with the Standards for the Professional Practice of Internal Auditing (Al-Twaijry et al., 2003; Lee and Ismail, 2010), which is the best practice. The best concept for the techniques, methods, processes, and procedures combined into practice, improve business results for the organization (O'Dell & Grayson, 1997). In addition, the successful best practice of the internal audit includes project management techniques to ensure that plans are achieved and alter management techniques facilitate change (Rameesh, 2003). Hence, best practice enhances change management techniques and processes successfully, including increase of basic internal audit strategies. This research defines best internal audit concept as the ability to apply knowledge and skills of techniques, processes, methods, and procedures to keenly assess the likelihood of risky events and to identify ways of reducing the likelihood of occurring events, to achieve the audit goals effectively.

The existing literature on internal audit practice concept has differing evidence as follows: internal audit concept is not only related to risk management and value-added auditing, but also finds that the use of processes, procedures, techniques, and tools in the internal audit practice towards best practice to achieve an outcome (Allegrini & D'Onza, 2003; Gilson, 2004; Roth. 2003; Sarens & Abdolmohammadi, 2011). Moreover, the reliability and accuracy of financial reporting is a result of good accounting concepts in accordance with Generally Accepted Accounting Principles (GAAP). The accounting concept helps accounting control and audit, and systematic practice consistent with accounting standards to be transparent and easily checked (Byington & Chrisensen, 2005). In addition, Havelka & Merhout (2013) stated that operational skill affects operations and also improves the operation and performance of an organization to achieve its goals and objectives (Berber et al., 2012). Hence, best internal audit practice affects good internal audit control that leads to financial reporting reliability, value-added, reduced risk, and increased operational efficiency. The results also show that the firms may have good accounting concept; but if they lack knowledge and understanding of practice, leads to outcomes with errors and that are unreliable (Ninlaphay et al., 2012).Therefore, the related hypothesis is postulated as follows:

Hypothesis 1: The higher the best internal audit concept is, the more likely that internal auditors will gain greater (a) internal audit planning effectiveness, (b) best internal audit practices, and (c) internal audit review efficiency

Internal Audit Well-roundedness

Internal audit knowledge refers to the administration of business practices to create the highest level of efficiency possible within an organization. Internal audit knowledge is concerned with converting materials and labor into goods and services to maximize the profits of the organization. Moreover, well-roundedness involves a variety of aspects such as knowledge, skills, expertise, and other competencies related to internal audit knowledge. In this research, internal audit knowledge well-roundedness is defined as the ability to manage the operations of the organization relating to corporate governance, designing, and redesigning the business operation associated with converting the resources into products and services as efficiently as possible to maximize the profits of an organization.

For the organization to be successful, the organization should be successful in operational management, finance, and marketing divisions (Heizer & Render, 2008). Most especially, operational management is the activities that are performed to produce goods or services by changing inputs into outputs (Ghrairi, 2011). Internal audit knowledge is more focused on enhancing firm effectiveness and efficiency through process improvement, planning, and control (Mentzer, Stank & Esper, 2008). Thus, attainments in internal audit knowledge are important for correct decision-making on certain matters such as quality management, service and product design, process and capacity design, location, layout design, human resources and job design, supply chain management, material requirements planning, short-term and project scheduling, and maintenance. Hence, internal audit knowledge well-roundedness affects valuable, unique decision-making because of its recognize by all parties involved, and it also affects firm success.

Hypothesis 2: The higher the internal audit knowledge well-roundedness is, the more likely that internal auditors will gain greater (a) internal audit planning effectiveness, (b) best internal audit practices, and(c) internal audit review efficiency.

Internal Audit Skepticism Focus

Internal audit skepticism focus is the main construct in this research. Although professional skepticism is an important concept that is mentioned frequently in both audit standards and internal audit practice (Hurtt, 2010; Nelson, 2009), there are some issues to be discussed. Firstly, what is skepticism? In general, skepticism refers to any questioning attitude or doubt regarding knowledge, facts, or opinions (Ditto & Lopez, 1992). From the viewpoint of auditing professions, skepticism can be considered in two positions, a neutral view and a presumptive doubt view (Nelson, 2009). From the neutral view, auditors should perform audit tasks with effort and without bias (Hurtt, 2010). Hence, under the neutral view, an auditor must perform with an unbiased judgment and be alert to fraud or error indicators. In contrast, the presumptive doubt view requires auditors to work hard on evidence-gathering and pay effortful attention to evidence which indicate any misstatements (Nelson, 2009). This view requires auditors to accumulate substantial evidence to reduce risk at an acceptable level. However, most audit standards and internal audit practices utilize the neutral view as a fundamental concept, so this research implements the neutral view of professional skepticism.

The definition of professional skepticism has been discussed from the earliest auditing standards until nowadays. For example, the International Auditing Standards 200 (IAS 200) requires auditors to diligently perform audit tasks without bias or assumption of managements' dishonesty (IAASB, 2011). Furthermore, auditors must utilize and maintain an appropriate level of professional skepticism in audit strategy formulation (IAS 300), gathering and evaluating evidence (IAS 500), and reporting (IAS 700). These similar requirements appear in a statement of auditing standards in the United States of America. Although the concept of skepticism is generally accepted in a practical matter, academic literature inconsistently defines skepticism. For example, Shaub & Lawrence (1996) identify skepticism as trust between auditors and clients, while Carpenter, Durtschi & Gaynor (2002; 2011) consider skepticism as the ability to detect fraud. In addition, Bamber, Ramsay & Tubbs (1997) indicate that skepticism is the auditors' reaction to new information or evidence obtained.

However, some research shows a congruence of definitions between academic and practical standards. Many researchers identify the definitions of professional skepticism from both viewpoints; for example, Nelson (2009) chooses the presumptive doubt view and defines professional skepticism as the auditors' care judgment and decisions based on information obtained from the clients. In contrast, Hurtt (2010) employs the neutral view and indicates that professional skepticism is multidimensional traits that reflect deferring judgment until sufficient evidence is obtained, and considering evidence providers and ability to effectively react on information obtained. According to Mccoy et al., (2011), professional skepticism can be applied to an internal audit department as an evaluation process that involves in-depth analysis of audit, effective reaction to suspicious problems, and validation of information obtained.Hence, the hypothesis is posited as follows:

Hypothesis 3: The higher the internal audit skepticism focus is, the more likely that internal auditors will gain greater (a) internal audit planning effectiveness, (b) best internal audit practices, and (c) internal audit review efficiency.

Internal Audit Ethics Awareness

The objective of the review is to ensure that the audits are in accordance with generally-accepted auditing standards, and company policies and procedures of which the effect of review is the feedback, and the effects on preparer behavior after the reviews have not received much attention (Miller, Fedor & Ramsay, 2006). The review process is shifting from a sequential to more real-time process (Wilk, 2002). An important function of the review process is to ensure the quality and work under pressure of time which may result in the reduced performance of the auditor (Agoglia, Kida, & Hanno, 2003). A review can be done by reading the workpaper and notes for following up and improve in the general review. Knowledge is the key factor in the spreadsheet. The review process will reduce the variance of the decision. The judgment will come from the review of the audit (Ramsay, 1994).

Audit reviewers play a critical role to improve the quality of the audit by ensuring that the conclusions reach prevention (Tan & Shankar, 2010). The audit review process helps public accounting firms control quality, and it also provides information for performance appraisal and timely feedback. Reviewers must objectively assess their subordinates' work for the review process to achieve objectives (Tan & Jamal, 2001). Reviewers often work with a regular group of preparers with which reviewers become familiar and with the subordinates whose performance they must assess. This familiarity with subordinates can improve the efficiency and effectiveness of the review process (Tan & Jamal, 2001).

Auditing standards require that auditors assess all relevant evidence in an unbiased and objective method (Guiral, Ruiz, & Rodgers, 2011) and require auditors to consider the reliability of the evidence they use in making judgments (Reimers & Fennema, 1999). The audit review process is an integral part of the quality control approach in audit practice and standards (Favere-Marchesi, 2006). Audit practice tends to become more interactive, including face-to-face discussions between the preparers and the reviewers (Wilk, 2002). The review process is a control mechanism implemented by CPA firms to enhance the quality of the workpaper documentation, conclusions made (Tan & Trotman, 2003), and proper rendering of the audit judgments (Tan and Shankar, 2010). The review is a part of the quality control mechanism in the implementation and auditing standards (Agoglia, Hatfield & Brazel, 2009; Favere-Marchesi, 2006; Ismail and Trotman, 1999), and as a part of quality control procedures of the financial statement audits. This documentation is prepared by the auditors and reviewed by supervisors (Miller, Fedor & Ramsay. 2006).

Internal audit ethics awareness is an important source of accountability for field auditors, and the anticipation of review increases the audit effort and improves audit performance (Payne, Ramsay & Bamber, 2010). Internal audit ethics awareness is a primary means of audit quality control and auditor training (Payne, Ramsay & Bamber, 2010). In addition, the conduct of the audit, and external quality reviews are important tools to enhance audit quality (Favere-Marchesi, 2000).

In this research, internal audit ethics awareness refers to the audits that perform tasks in accordance with generally accepted auditing standards, firm policies, and procedures, including the anticipation of review. It increases audit effort, and improves audit performance (Miller, Fedor & Ramsay, 2006; Payne, Ramsay & Bamber, 2010). Internal audit ethics awareness plays an important role in audit work. Therefore, audit review awareness has an effect on audit value increase, audit report quality and financial information usefulness. It can have consequences on audit survival because auditors wish to survive the professional auditing.As mentioned above, and based on these rationales, the following hypothesis is postulated:

Hypothesis 4: The higher the internal audit ethics awareness is, the more likely that internal auditors will gain greater (a) internal audit planning effectiveness, (b) best internal audit practics,and (c) internal audit review efficiency.

Internal Audit Excellence Mindset

Currently, the business environment has changed. To survive more challenging competition, firms need to adapt to harmonize with a competitive and changing environment, and focus on survival in the long-term (Wheelen & Hunger, 2008). In the rapid changes, flexibility has become more important, because it is an ability of a form to adjust and try to find a new opportunity to timely respond to an environment (Birkinshow, 2000). According to the above reasoning, the hypothesis is formulated as below:

Hypothesis 5: The higher the internal audit excellence mindset is, the more likely that internal auditors will gain greater(a) internal audit planning effectiveness, (b) best internal audit practices,and (c) internal audit review efficiency.

The consequences of audit excellence orientation

Internal Audit Planning Effectiveness

In general, audit planning is internal audit activities about to determine audit strategy. The audit planning is updated to reflect changes in the organization’s business, operations, systems, controls, and objectives. The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity consistent with the organization's goals (Institute of Internal Auditors (IIA), 2009). The internal audit planning effectiveness should also consider those activities most affected by recent or expected changes. As a result, the planning should be flexible in order to make the change during the year as a result of strategic change management expectations of achieving firm objectives (Ljubisavljevic & Jovanovic, 2011). Planning is valuable when the information outcome is reliable and decision making relevant. Consistent with Davidson and Gist (1996), internal audit effectiveness and efficiency depends on the planning strategy process. Moreover, the audit planning process should include the assessment of audit risk (IIA, 1978; Sueyoshi et al., 2009). Especially, in the implementation of the internal audit of a firm with high growth and the expansion of existing businesses, an organization needs internal audit planning, as it helps an organization achieve its goals (American Institute of Certified Public Accountants (AICPA), 2002; IIA, 2003). The ability to combine knowledge, skill, and experience with the internal audit function, and translate them into an action plan, is more likely to improve the management of risk and added value, and improve the operation of businesses (Sampattikorn et al., 2012). Consequently, audit planning has become the main activity which auditors have implemented in order to achieve audit report efficiency, gain audit performance, and enhance audit success (Ussahawanitchakit, 2012).

The audit working papers provide the documentary evidence of audit planning in the form of an audit plan, determines the objectives and scope of the audit, and the techniques and resources to be used by the auditor (Rameesh, 2003). Hence, integrative internal audit planning refers to the ability to apply knowledge of the entity's business to formulate internal audit strategy and link a set of guidelines to goals, objectives, and resources to ensure that the goals of the organization are covered. However, Goodwin (2004) stated that the differences of each country are likely to impact aspects of the audit, including the assessment of client risks and subsequent audit planning decisions. Similarly, Martinis et al., (2011) found that the differences of a country and client type affect audit planning. Therefore, internal audit planning should be a holistic view of objectives and goals in order to reduce risk. The internal audit department must develop an audit plan that ensures a maximum coverage of the areas to be audited (Hemaida, 1997). Internal audit planning that is incomplete leads to a loss of internal audit activities to bear the risk of an organization (Popescu & Omran, 2011). In addition, planning skills can help an internal audit provide highly useful input to the enterprise risk management process (Schneider, Sheikh & Simione, 2012). On the other hand, the lack of knowledge, skill, and experience that is necessary for audit planning of internal auditors may be to ignore some critical activities as the material weakness (Backer, 2010; Ge&McVay, 2005). As a result, the usefulness of financial information for making decisions is decreased, which does not enhance organizational value (Sori, 2009). In summary, internal audit planning effectiveness is a potential possibility that affects the provide of greater firm success. However, based on the majority of prior literature, the related hypothesis is postulated as follows:

Hypothesis 6: The higher the internal audit planning effectiveness is, the more likely that internal auditors will gain greater internal audit quality.

Best Internal Audit Practice

Due to the dynamic changes in the environment, companies are trying to create an internal audit system of management to achieve a sustainable competitive advantage (Bielinska-Dusza, 2011). Internal audit practice is an audit procedure performed by a firm's own personnel to check for completeness and accuracy (Suevoshi et al., 2009). Internal auditing is executed in various environments and within organizations which offer in objectives, laws, and customers (Rameesh, 2003). These differences may affect the practice of internal auditing in each environment. According to Abdolmohammadi & Tucker (2002), the degree of economic development of a country will have an impact on the internal audit practice in that country.

Internal audit is a value-added activity; it is important for the internal audit to comply with the Standards for the Professional Practice of Internal Auditing (Al-Twaijry et al., 2003; Lee & Ismail, 2010), which is the best practice. Best practice refers to the techniques, methods, processes, and procedures combined into practice, and improve business results for the organization (O'Dell & Grayson, 1997). In addition, the successful best practice of the internal audit includes project management techniques to ensure that plans are achieved and Alter management techniques facilitate change (Rameesh, 2003). Hence, best practice e enhances change management techniques and processes successfully, including an increase in the basic internal audit strategies. This research defines best internal audit practice as the ability to apply knowledge and skills of techniques, processes, methods, and procedures to keenly assess the likelihood of risky events, and to identify ways of reducing the likelihood of occurring events to effectively achieve the audit goals.

The existing literature on internal audit practice provides differing evidence as follows: internal audit practice does not only relate to risk management and value- added auditing, but also finds that the use of processes, procedures, techniques, and tools in the internal audit practice towards best practice achieves an outcome (Allegrini & D'Onza, 2003; Gilson, 2004; Roth, 2003; Sarens & Abdolmohammadi, 2011). Moreover, the reliability and accuracy of financial reporting is a result of good accounting practices in accordance with Generally Accepted Accounting Principles (GAAP). The best accounting practices help in accounting control and audit. Systematic practice is consistent with accounting standards to be transparent and easily checked (Byington & Chrisensen, 2005). In addition, Havelka and Merhout (2013) stated that operational skill affects operations and also improves the operation and performance ofan organization to achieve its goals and objectives (Berber et al., 2012). Hence, best internal audit practice affects good internal audit control that leads to financial reporting reliability, value-added, reduced risk, and increased operational efficiency. The results also show that the firms may have good accounting practices, but lack of knowledge and understanding of a practice its lead to outcomes that have errors and are unreliable (Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Thus, the hypothesis is proposed as follows:

Hypothesis 7: The higher the best internal audit practice is, the more likely that internal auditors will gain greater internal audit quality.

Internal Audit Review Efficiency

In prior research, investors' perceptions of the credibility ofinternal statements having been audited can enhance the audit information value (Ball et al., 2012); which make an auditor's performance reliable and creditable, leading to usefulness for the financial users' decision-making and stakeholders' trust. The audited value asserted by the auditors ensures material misstatement detection in audit procedures (Messier et al., 2005; Keune & Johnstone, 2012).Similarly, tax professionals believe that their professional responsibilities change over time and they should be responsible for the fraud detection during planning, to consider potential client business risk (DeZoort et al., 2012).Moreover, financial reports have been audited by independent auditors to demonstrate increased disclosures reliability of the firm committed to employ greater auditor financial statement truthfulness. Avoiding litigation and constrain that impair their reputation should be included Audit failure, and all audit procedures involved are collectively put into the auditsystem in order to attain the audit goals;

such as in financial reliability, development quality, informationtechnology security, and environmental protection activity (Gullkvist & Jokipii, 2013; Havelka & Merhout, 2013).

In this research, audit information value refers to the result of good reporting with accuracy and reliability, following the objectives of the financial report and perceived usefulness of information by inside and outside users (Dando & Swift, 2003; Al-Ajmi, 2009; Robertson & Houston, 2010). Based on prior literature, the auditor can provide confidence in the financial statements being prepared in accordance with accounting standards and legislation associated with reliable accuracy. It also ensures the validity of financial statements under the revenue code (Norman et al., 2008). The audit report is confirmed by an auditor's independent objective opinions on the financial statement for being truthful and complete, equally useful for a user's decision making (Gomez-Guillamon, 2003). Because confidence in audit reports can better reflect the accuracy and reliability of the financial position and operational performance, (including the audit report objectivity, transparency, and creditability), following accounting standards and auditing standards benefit the users (Dando & Swift, 2003; Robertson & Houston, 2010). Regulators have initiated many policies, and are determined to reduce information asymmetry and agency problems. The auditor judges the accounting appropriateness from various economic activities using unbiased and prudent judgments to meet the level of trust in the financial statement. This helps improve the role of audit opinions and helps financial report users to make accurate investment decisions (McMillan, 2004). As aforementioned, the auditor is associated with audit survival which indicates the existence in the accounting profession, both in the present and in the future, retaining existing clients who have been entrusted to among audit expression of survival for continuous professional development in the long-term (Uachanachit et al., 2012). It is measured by audit efficiency, audit effectiveness, audit performance, audit reputation, audit credibility, and audit image. Hence, this research proposes the following hypothesis:

Hypothesis 8: The higher the internal audit review efficiency is, the more likely that internal auditors will gain greater internal audit quality.

Internal Audit Quality

Internal audit is the activities of assurance and consultation, independence and non-bias to enhance the value of firms and achieve set goals. Moreover, it also is the evaluation tool to improve the effectiveness of risk management, control, and governance processes (Mihret & Yismaw, 2007). Internal audit function is likely to affect the management and evaluation of an external auditor of the effectiveness of internal control. The lower internal audit function quality can be a material weakness in internal control, of which the existence of internal control effectiveness is to verify that firms have an incentive to obtain quality internal audits (Fadzil et al., 2005; Gramling & Vandervelde, 2006).

To assess internal audit quality, firms can be evaluated from the source to supply the internal auditors as in-house or an outsource (Hermanson, 2005). At the same time, it can be considered from the elements of internal audit quality such as objectivity, competence, work performance, and overall quality (Gramling & Vandervelde, 2006). Furthermore, internal audit quality can be assessed by the chief of the internal audit department (audit committee or management), the orientation of an internal audit group (financial oversight or business oversight), staff (generally staff with certified internal auditors or general staff with a few certified internal auditors), department funding (high or adequate), and the compensation of internal auditors (where internal auditors share in performance-based budgets) (Kaplan & Schultz, 2007). The research of Mihret & Yismaw (2007) discusses internal audit quality as one element of internal audit effectiveness, which internal audit effectiveness should support to attain the goals and be a driving force to improve firms. Internal audit quality can be measured by staff expertise, scope of service, effective audit planning, fieldwork and controlling, and effective communication. Next, the external auditing standard is defined by the internal audit as competency and objectivity of the internal auditors and measures of internal audit quality by individual characteristics; namely, professional experience, professional certification, training, the chief audit executive, financial work of internal audit functions, and internal audit size (Prawitt et al., 2009). Gramling & Hermanson (2009) discuss the three components of internal audit quality; that is, the first element as the inputs to the internal audit activities that include the right people focused on skill and personal qualities, and tools focused on appropriate technology and decision aids; the second element as the way internal auditors conduct internal audit activities focused on the right procedure and the techniques that lead to the effectiveness and efficiency of the process; and the third element as the reliability and usefulness of internal audit reports, opinion, and recommendations. From the above reviewed literature, internal audit quality refers to the operational efficiency of internal audits by achieving the objective and goals of internal audits, to add value, and reform an organization's operations (Savcuk, 2007).

In addition to the need for a firm's internal control system effectiveness, stakeholders also expect a firm's internal audit quality to reduce errors and risks arising from a business operation. Internal audit quality is demonstrated by the ability of the internal audit function to provide beneficial findings and recommendations to add firm value and obtain reputation and reliability for stakeholders (Mihret & Yismaw, 2007). Based on the literature reviewed above, internal audit quality has a potential possibility to affect goal achievement and stakeholder credibility performance. Hence, the hypotheses are proposed as follows:

Hypothesis 9a: The higher the internal audit quality is, the more likely that internal auditors will gain greater decision-making value.

Hypothesis 9b: The higher the internal audit quality is, the more likely that internal auditors will gain greater organization goal achievement.

Decision-Making Value

Decision means actions that people take to perform some tasks or solve some problems (Solomon and Trotman, 2003). Making a decision implies that there are alternative choices to be considered and to choose the highest probability of effectiveness or success that best fits with one's goals and values. Yeshmin & Hossan (2011) described decision-making as a comprehensive process consisting of identifying the problem and criteria for decision-making, allocating weights to those criteria; moving to developing, analyzing, and selecting an alternative that can solve the problem; and hence, implementing alternatives and evaluating the decision's effectiveness. In this research, decision-making value is defined as the attainment in the selection among business alternatives to have the value and uniqueness that enable firms to achieve their business objectives.

Generally, management accounting practice aims at assisting the making of decisions by management (Chong & Eggleton, 2003) to be applied to improve firm performance (Mia and Clarke, 1999). Furthermore, decision-making effectiveness could enhance the potential of corporate competency (Chenhall, 2003). Prior research indicated that information provided from management accounting practice for decision maker's information requirements, can ensure firm survival and firm sustainability through decision-making efficiency related to business strategy decisions (Chenhall & Morris, 1995; Heidmann, Schaffer & Strahringer, 2008; Mia & Clarke, 1999; Naranjo-Gil & Hartmann, 2006). Hence, the hypothesis is posited as follows:

Hypothesis 10: The higher the decision- making value is, the more likely that internal auditors will gain greater firm success.

Organizational Goal Achievement

In this research, organizational goal achievement refers to the operational outcome or acquired results which enable the firm to achieve the objectives set, by linking the organization's missions, visions, and strategies and procedures with their goals (Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Additionally, the focus on a situation that reflects the intend to acquire, develop and show off competence in a particular context, leads to goal achievement (Nasiriyan et al., 2011). Similarly, Elliot & Harackiewicz (1996) suggested goal achievement framework consisting of three components: mastery goal, performance-approach goals and performance-avoidance goals (Nasiriyan et al., 2011). In addition, Bunnoon & Ussahawanitchakit (2012) claim that goal achievement is a goal or objective that is an intended result in a business system, plan and intends to achieve organizational. At the same time, managing goal achievement increases productivity and achievement drive.

Previous research indicates that organizational goals are the challenges leading to effective strategy implementation (Hunt, 2004). Furthermore, the link between the organization's mission, vision, strategy, and goals can help the firm to achieve organizational goals (Zaccaro & Klimoski, 2001). Beside, Gollwitzer (1993) suggests goal achievements are a result from the development of implementation intentions, by eliminate classic problems associated with the control of a goal-directed action. In the meantime, benefits of organizational goals are guidelines for action, constraints in the organization, sources of legitimacy, a standard of performance and a source of motivation (http://ryerson.ca/~meinhard/841notes/goals.html, 02 May, 2013).

Hypothesis 11: The higher the organization goal achievement is, the more likely that internal auditors will gain greater firm success.

The antecedents of internal audit intelligence

Governance Vision

Governance vision is a system of rules and norms for improving economic efficiency which ultimately relationships between a firm's management and group of stakeholders (Demidenko & McNutt, 2010). The main purposes of governance systems have two parts: to ensure the integrity of the management and to maximize the value created for the shareholders (Lepadatu, 2011). Many studies, including Strenberg's (1998) define governance as a structure and process among the shareholders, top management, and other stakeholders; which is relevant to the roles of process stewardship, strategic leadership, and the objectives of responsibility; and improves performance. Karagiorgos et al., (2010) identified that governance is the total operation and control of an organization, or an overall structure system of principles according to organized, managed and control of organizational operations. In addition, governance is defined by the Organization for Economic Cooperation and Development (OECD, 2004) as a system of business corporation that is directed and controlled at a senior level in order to achieve its objectives, performance, and financial management with accountability, integrity, and openness. Corporate vision is linked closely with the management of the unit and structures that cover the key concepts in the area of social responsibility and ethical business practices. Corporate vision includes various elements such as transparency and compliance with regulations. Therefore, this research defines governance vision as the organizational work policy on transparency, integrity, and fairness that leads to the acceptance and trust of stakeholders.

In prior research, Cheung & Qiang (2002) found that the internal audit function in the organization improved good corporate governance. On the contrary, Paape et al., (2003) investigated the relationship between internal audit and corporate governance, and found that the internal audit work is perceived different from the role of corporate governance. In addition, George et al., (2011) identified that the relationship between governance and internal audit found that role of governance is critical to the results of an efficiency internal audit. Furthermore, the findings showed that the internal audit has a positive significant relationship with good governance in which the internal audit function has important roles in governing the organization such as controlling, evaluating, and monitoring. Therefore, governance vision can enhance and improve the internal audit practice which leads to the acceptance and reliability of the stakeholders. Thus, the hypothesis is proposed as follows:

Hypothesis 12: The higher the governance vision is, the more likely that internal auditors will gain greater (a) best internal audit concept, (b) internal audit knowledge well-roundedness, (c) internal audit skepticism focus, (d) internalaudit ethics awareness, and (e) internal audit excellence mindset.

Internal Audit Learning

Learning and development for acquiring and maintaining the ability to detect a specialist can be included in the following: (a) advanced professional education as an institution or program of professional organizations, (b) training in the workplace and programming experience, (c) off-the-job training, and (d) a continuing professional development program (CPD) and activities. Similarly, the International Standards for the Professional Practice of Internal Auditing (2010) indicated that internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. In addition, the IIA promotes continuing professional education as an important factor for the practice of internal auditing (Abdolmohammadi, 2009). Therefore, learning is important because it is the need for organizations to respond quickly to changes in the external environment and the organization (Coetzer & Perry, 2008; Ellinger et al., 1999). Consequently, effective learning brings about change in practice and improves performance.

From that already mentioned above, the learning characteristics of the internal audit units in these groups of organizations are importantly different. According to the institutional theory, there are main external forces to influence individuals as well as organizations: consulting or professional bodies (normative isomorphism); and the analysis of internal audit departments based on the assumption of isomorphic behavior of organizations facing similar conditions (Arena & Azzone, 2007). Internal audit learning is associated with professionalism when members are dedicated to their own professional practice. According to the Institute of Internal Auditors, it supports the internal audit activities for the global profession of internal auditing, such as providing comprehensive professional educational, developmental opportunities, standards, other professional practice guidance, and certification programs (Arena et al., 2006).

Moreover, Juma (2006) focused on the development of knowledge in the profession of internal auditing in the context of professional practice, and to determine the role of the corporate auditors. This research shows that, in the past, internal auditors needed to examine all business risks and transactions. Currently, the internal audit profession is a structure integrated of knowledge, which will make it to have the full capabilities of the profession. In addition, Steyn & Plant (2009) concluded that knowledge about the needs of education and training for internal auditors can help them to understand the expected requirements of the experience and specifications that they must face in the path to becoming a competent internal auditor.

From the aforementioned, education and training are the major components of internal audit learning that lead to the increased ability to practice accurate and timely internal audits. Additionally, many younger auditors may believe that skills acquired through education programs result in an increase of skills, knowledge, and abilities (Seol et al., 2011). Hence, in this research, internal audit learning refers to the development of skills, knowledge, and understanding of internal auditing by training regularly, and to improve performance to ensure that a practice is accurate and timely. Therefore, the hypothesis is proposed as follows:

Hypothesis 13: The higher the internal audit learning is, the more likely that internal auditors will gain greater (a) best internal audit concept , (b) internal audit knowledge well-roundedness, (c) internal audit skepticism focus, (d) internal audit ethics awareness, and (e) internal audit excellence mindset.

Internal Audit competency

Competency is defined as a behavior or set of behaviors that demonstrate their learning in the workplace, and can be used to define a strategy for the development of individual and team responsibilities, and decision-making, which is the general level of capability of the audit as a whole (Havelka & Merhout, 2013; Lee-Hsieh et al., 2003).

Competencies are the foundation required for the provision of quality service (Palsson et al., 2007). Harrington (2004) argues that internal auditors should have a comprehensive set of skills and abilities that will help them to respond to change and complexity in the operation. A set of skills related to the collection, storage, and processing of knowledge to applications in the future will be a competitive advantage to the organization (Hyland & Beckett, 2002). Therefore, skills are necessary for internal auditors to fulfill their responsibilities (Cooper et al., 1994). Similarly, the competency framework for internal audit emphasizes that the necessary skills are needed to be used by all internal auditors to ensure a high level of efficiency and effectiveness (Seol et al., 2011). In addition, IIA (2010) indicated that the competencies include skill, problem identification, and solution; as well as the implementation of the rules, regulations, and professional standards. Hence, in this research, internal audit competency refers to the ability of the existing internal audit operations to improve the corresponding solution on the basis of knowledge, skills, and abilities with regulations and professional standards. Thus, the hypothesis is proposed as follows:

Hypothesis 14: The higher the internal audit competency is, the more likely that internal auditors will gain greater (a) best internal audit concept, (b) internal audit knowledge well-roundedness, (c) internal audit skepticism focus, (d) internal audit ethics awareness, and (e) internal audit excellence mindset.

Stakeholder Expectation

Freeman (1984) defined stakeholders as any group or individual who can affect or is affected by the achievement of an organization’s objectives. There are two groups of stakeholders that influence organizations: internal and external stakeholders, such as shareholders, employees, competitors, suppliers, consumers, and government agencies. Similarly, Jurgens et al., (2010) defined the stakeholder as an individual or group who influences organizational objectives.

Stakeholder theory involves recognizing and identifying the relationship between a company’s behavior and the impact on its stakeholders (Solomon and Lewis, 2002). The importance of the forces in the accounting profession increases the demand for timely disclosure of firm information (Lee and Hutchison, 2005).

In the prior research of Gelb and Strawser (2001) management responds to the public force of stakeholder management by undertaking socially responsible activities that provide extensive information disclosure. Furthermore, stakeholder management increases transparent financial reporting (Mattingly et al., 2009). Similarly, Huang & Kung (2010) investigate stakeholder expectations associated with corporate environmental disclosure. The results show that the level of environmental disclosure is significantly affected by stakeholder groups' demands.

From the literature review, this research defines stakeholder expectation as society's expectation of the professional accountant who is concerned with integrity, accountability, and a moral responsibility to act in the public interest (Uachanachit & Ussahawanitchakit, 2012). Therefore, the stakeholder expectation can enhance and improve internal audit practice. Thus, hypothesis is proposed as follows:

Hypothesis 15: The higher the stakeholder expectation is, the more likely that internal auditors will gain greater (a) best internal audit concept, (b) internal audit knowledge well-roundedness, (c) internal audit skepticism focus, (d) internal audit ethics awareness, and (e) internal audit excellence mindset.

RESEARCH METHODS

Sample Selection and Data Collection Procedure

The sample of this research was obtained from the Thai-listed firms in the Stock Exchange of Thailand on its website (www.set.or.th). Based on this database, there are 602 Thai-listed firms. The data was recorded in 2014 (accessed March 15, 2014). The companies are trading in the Market for Alternative Investment (MAI) which totals 84 firms, and operate with in different regulations and legal environments. As a result, these MAI firms are not included in this study. Accordingly, an appropriate sample size is 226 firms under the 95% confidentiality rule (Krejcie & Morgan, 1970). Based on prior business research, a 20% response rate for a mail survey, without an appropriate follow-up procedure, is deemed sufficient (Aaker et al., 2001). Therefore, 1,130 firms are an appropriate sample for a distributed mail survey. However, in this research, with a population of 518 firms, the population and sample was the same group. Therefore, 518 Thai-listed firms are selected as the sample for data collection.

In this research, 226 required respondents are considered as a 20% response rate, thus the sample size for the mail survey should be equal to 1,130.Nevertheless, the number of the internal audit population was only 518.Thus, it was necessary to determine the 518 population as the sample size for the mail survey in this research.

The key informant is the chief internal auditor, the internal audit director, or the internal audit manager of each firm. They are chosen because this research investigates the relationships between internal audit intelligence and firm success, in which the internal auditor department defines the scope of the audit work that is practical; thus, they have the knowledge and experience to give actual information have a true understanding of its practices, and can also give more relevant information or comments (Abdolmohammadi & Boss, 2010; Fowler, 2002). Deducting the undeliverables from the original 515 mailed, returned responses were only 126 usable. The effective response rate was approximately 24.47%. According to Aaker, Kumar & Day (2001), the response rate for a mail survey with an appropriate follow-up procedure, if greater than 20%, is considered acceptable.

To test for potential non-response bias and to detect and consider possible problems with non-response errors, the assessment and investigation of a non-response bias was centered on two different procedures: (1) a comparison of sample statistics and known values of the population, such as gender, level of education, and experience in the audit flied, and (2) a comparison of the first and second wave data as recommended by Armstrong and Overton (1977). The results revealed that neither procedure showed significant differences.

Variables and Measurement

This research employs a questionnaire as the instrument for collecting the data. The questionnaire design was developed from a wide review of the literature, and was reviewed by academics who later improved and then chose the best possible scale of measures. This instrument was improved upon by the pre-test done with two expert academics who tested for content validity. The instrument was improved before distributing the samples. All variables were obtained from the survey, and all the items of the questions use a five-point Likert scale. The key informants were self-reported in all the constructs. The following measures were constructed for the study of the dependent, independent, antecedent, consequence, and control variables.

Dependent Variable

Firm Success

Firm success is measured using four items relating to the operational outcome by linking it to the mission, vision, and strategies, including the credibility of the stakeholder. This construct is developed as a new scale based on its definition. (Bleumink et al., 1985; Nerlinger, 1998; Storey, 1994; Wever, 1984; Woud, 1997).

Independent Variables

Best internal audit concept refers to changes in the environment.the companies are trying to create an internalaudit system of management to achieve a sustainable competitive advantage. Internal audit practice is an audit procedure performed by a firm's own personnel to check for completenessand accuracy. Internal auditing is executed in various environments and within organizations which offer objectives, laws, and customers. (Ninlaphay, Ussahawanitchakit & Boonlua, 2012).

Internal audit knowledge well-roundedness refers to the ability to manage the operations of the organization relating to corporate governance, designing, and redesigning the business operation associated with converting the resources into products and services as efficiently as possible to maximize the profits of an organization (Heizer& Render, 2008). The administrations of business practice create the highest level of efficiency possible within an organization. Internal audit knowledge well-roundedness is concerned with converting materials and labor intogoods and services to maximize the profits of the organization.

Internal audit ethics awareness refers to the objective of the review that is to ensure that the audits are in accordance with generally-accepted auditing standards and company policies and procedures which the effect of review, as the feedback and effects on preparer behavior after the reviews have not received much attention. (Miller, Fedor, & Ramsay, 2006; Payne, Ramsay, & Bamber, 2010). The review process is shifting from a sequential to a more real-time process. An important function of the review process is to ensure the quality and work under pressure of time which may result in the reduced performance of the auditor.

Internal audit excellence mindset refers to the business environment that has changed. To survive with more challenging competition, firms need to adapt to harmonize to a competitive and changing environment and focus on survival in the long-term. In rapid changes, flexibility has become more important, because it is an ability of a form to adjust and try to find a new opportunity to timely respond to the environment (Wheelen & Hunger, 2008).

Mediating Variables

Best internal audit practice is defined as the techniques, methods, processes, and procedures combined into practice and that improve business results for the organization.In addition, the successful best practice of the internal audit includes project management techniques to ensure that plans are achieved and alter management techniques facilitate change. Hence, best practice enhances change management techniques and processes successfully including an increase in basic internal audit strategies. This research defines the best internal audit practice as the ability to apply knowledge and skills of techniques, processes, methods, and procedures, to keenly assess the likelihood of risky events, and to identify ways of reducing the likelihood of occurring events to achieve the audit goals effectively (Suevoshi et al., 2009).

Internal audit planning effectiveness refers to the activities most affected by recent or expected changes. (Popescu & Omran, 2011). As a result, the planning should be flexible in order to make the change during the year as a result of strategic change management expectations of achieving firm objectives. Planning is valuable when the information outcome is reliable and decision-making relevant. Consistent with internal audit effectiveness, efficiency depends on the planning strategy process. Moreover, the audit planning process should include the assessment of audit risk. Especially, in the implementation of the internal audit of a firm with high growth and the expansion of existing businesses, an organization needs internal audit planning as it helps it to achieve the goals of the American Institute of Certified Public Accountants. The ability to combine knowledge, skill, and experience to the internal audit function and translate them into an action plan is more likely to improve the management of risk, added value, and improve the operation of businesses. Consequently, audit planning has become the main activity which auditors have implemented in order to achieve audit report efficiency, gain audit performance, and enhance audit success.

Internal audit review efficiency is defined as the capability to continuously brainstorm, appraise, and reconsider the internal audit work and conclusions to ensure that the internal audit task complies with professional standards, assurance, auditing guidelines, and firm policies and procedures. (Carpenter, 2007; Gissel, 2010; Harding &Trotman, 2011; Hurtt, Eining & Plumlee, 2011; Payne, Ramsay & Bamber, 2010). It also includes an emphasis on appraise brainstorming with a questioning mind, and openness until sufficient evidenceis collected. Based on considerable literature, reviewers or partners can communicate and share information among audit members which can affect audit tasks. The shared information includes internal control weakness and the likelihood of management fraud and risk assessment. However, as discussed earlier, implementing only an audit review may not be sufficient to achieve high audit quality. Internal audit functions should implement the concept of professional skepticism into their review process.

Internal audit quality is defined as the internal audit that is the activities of assurance and consultation, independence and non-bias to enhance the value of firms and achieve set goals. Moreover, it also is the evaluation tool to improve the effectiveness of risk management, control, and governance processes. Internal audit function is likely to affect the management and evaluation of an external auditor as to the effectiveness of internal control. The lower internal audit function quality can be a material weakness in internal control, of which the existence of internal control effectiveness is to verify that firms have an incentive to obtain quality internal audits. At the same time, it can be considered from the elements of internal audit quality such as objectivity, competence, work performance, and overall quality (Mihret & Yismaw, 2007).

Decision-making value is defined as the attainment in the selection among business alternatives to have the value and uniqueness that enable firms to achieve their business objectives. To Solomon and Trotman, (2003), decision means actions that people take to perform some tasks or solve some problems. Making a decision implies that there are alternative choices to be considered, and one chooses the highest probability of effectiveness or success that best fits with one's goals and values. Decision-making as a comprehensive process consisting of identifying the problem and criteria for decision-making, allocating weights to those criteria; moving to developing, analyzing, and selecting an alternative that can solve the problem; and, hence, implementing alternatives and evaluating the decision's effectiveness

Organizational goal achievement is defined as the operational outcome or acquired results which enable the firm to achieve the objectives set by linking both the organization's missions, visions, strategies, and procedures with their goals (Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Additionally, the focus on a situation that reflects the intend to acquire, develop and show off competence in a particular context, leads to goal achievement. Similarly, suggested goal achievement framework consists of three components: mastery goal, performance-approach goals, and performance-avoidance goals. In addition, claim goal achievement is a goal or objective that is an intended result of a business system plan and it intends to achieve the organizational goal.

Antecedent Variables

For this research, governance vision, internal audit learning, internal audit competency, and stakeholder expectation are antecedents of internal audit intelligence.

Governance vision refers to the organization's work policy on transparency, integrity, and fairness that leads to the acceptance and trust of stakeholders. This research develops four items as a new scale, adapted with some modifications from prior research. It is measured by the perceptions of the compliance with regulations, and the awareness of their duties and responsibility to society (Ninlaphay, Ussahawanitchakit & Boonlua, 2012).

Internal audit learning is defined as the development of skills, knowledge, and understanding of internal auditing by training to improve performance regularly to ensure thatpractice is accurate and timely (Arena et al., 2006). This research is developed as a new scale with four items, including education and training in internal audit, accounting and auditing programs, and communication or interaction with the external environments.

Internal audit competency refers to the ability of the existing internal audit operations to improve the corresponding solution on the basis of knowledge, skills and abilities, with regulations and professional standards. It contains a four-item scale developed as a new scale and adapted with some modifications from prior research. It is measured by the firm's perception of the ability to work under the existence of knowledge, skills, and ability of each internal auditor (Havelka & Merhout, 2013; Lee-Hsieh et al., 2003).

Stakeholder expectation is defined as society's expectation of the professional accountant who is concerned with integrity, accountability, and a moral responsibility to act in the public interest. Stakeholder means any group or individual who can affect or is affected by the achievement of an organization's objectives. There are two groups of stakeholders that influence organizations: internal and external stakeholders, such as shareholders, employees, competitors, suppliers, consumers, and government agencies (Freeman 1984).

Control Variables

Two control variables are included to account for firm characteristics that may influence the hypothesized relationship which are firm size and firm age. The control variable will help reduce spurious relationships (Shianet al., 2010). The related literature is detailed as follows:

Firm Size: In previous research, the impact of firm size is also an important factor that affects the internal audit function (Carey et al., 2000; Chow, 1982; Goodwin-Stewart and Kent, 2006; Hajiha & Akhlaghi, 2011; Hajiha & Rafiee, 2011; Saren, 2007; Wallace & Kreutzfeldt, 1991). Because of the size of an organization, it determines the extent and frequency of internal audit activities (Carey et al., 2006). Especially, a large and complex organization is difficult to manage in its systems and control (Fisher, 1995). In this research, firm size is chosen as a control variable, which is defined as the total assets of the firm invested. It is a dummy variable in which 0 is a firm with total assets lower than 10,000,000,000 baht, and 1 is a firm that has total assets equal to or more than 10,000,000,000 baht.

Firm Age: In this research, firm age has an impact on internal audit activities (Doyle, Ge, & McVay, 2007). Firm age refers to the period of time the firm has been in business (Biddle, Hilary, and Verdi, 2009). The empirical evidence suggests that there is a clear relationship between firm age and growth (Capelleras & Rabetino, 2008). The questions in the questionnaire for the requirement of the number of operational years is divided into dummy variables in which 0 means that the firm has been in business less than or equal to 15 years, and 1 means the firm has been in business more than 15 years.

Reliability and Validity

Factor analysis was firstly used to examine the underlying relationships of a large number of items and to determine whether they can be reduced to a smaller set of factors. The factor analyses conducted were done separately on each set of items representing a particular scale due to limited observations. With respect to confirmatory factor analysis, this analysis has a high potential to inflate the component loadings. Thus, as a higher rule-of-thumb, a cut-off value of 0.40 was adopted (Nunnally & Bernstein, 1994). All factor loadings are greater than the 0.40 cut-off and are statistically significant. The reliability of the measurements was secondly evaluated by Cronbach’s alpha coefficients. In the scale’s reliability, Cronbach’s alpha coefficients are greater than 0.70 (Nunnally & Bernstein, 1994). The scales of all measures appear to produce internally consistent results; thus, these measures are deemed appropriate for further analysis because they express an accepted validity and reliability in this study. Table 1 presents the results for both factor loadings and Cronbach’s alpha coefficients for multiple-item scales used in this study.

Table 1
RESULTS OF MEASURE VALIDATION

Variables	Factor Loadings	Cronbach's Alpha
Firm success	0.845-0.950	0.914
Best internal audit concept	0.795-0.844	0.840
Internal audit knowledge well-roundedness	0.787-0.860	0.829
Internal audit skepticism focus	0.778-0.904	0.862
Internal audit ethics awareness	0.773-0.900	0.867
Internal audit excellence mindset	0.847-0.897	0.866
Best internal audit practice	0.788-0.865	0.843
Internal audit planning effectiveness	0.806-0.889	0.878
Internal audit review efficiency	0.802-0.928	0.894

Statistic Techniques

The ordinary least squares (OLS) regression analysis is used to investigate the hypothesized relationships of internal audit intelligence and firm success. Because the dependent variable, independent variables, and control variables in this study were neither nominal data nor categorical data, OLS is an appropriate method for examining the hypothesized relationships (Hair et al., 2010). With the need to understand the relationships in this study, the research models of the aforementioned relationships are as follows.

Equation 1: $BIP= \alpha_{01} + \beta_1 BIC + \beta_2 IKW + \beta_3 ISF + \beta_4 IEA + \beta_5 IEM + \beta_6 FS + \beta_7 FA + \varepsilon_{01}$

Equation 2: $IPE= \alpha_{02} + \beta_8 BIC + \beta_9 IKW + \beta_{10} ISF + \beta_{11} IEA + \beta_{12} IEM + \beta_{13} FS + \beta_{14} FA + \varepsilon_{02}$

Equation 3: $IRE= \alpha_{03} + \beta_{15} BIC + \beta_{16} IKW + \beta_{17} ISF + \beta_{18} IEA + \beta_{19} IEM + \beta_{20} FS + \beta_{21} FA + \varepsilon_{03}$

Equation 4: $IAQ= \alpha_{04} + \beta_{22} BIP + \beta_{23} IPE + \beta_{24} IRE + \beta_{25} FS + \beta_{26} FA + \varepsilon_{04}$

Equation 5: $DMV= \alpha_{05} + \beta_{27} IAQ + \beta_{28} FS + \beta_{29} FA + \varepsilon_{05}$

Equation 6: $OGA= \alpha_{06} + \beta_{30} IAQ + \beta_{31} FS + \beta_{32} FA + \varepsilon_{06}$

Equation 7: $FSU= \alpha_{07} + \beta_{33} DMV + \beta_{34} OGA + \beta_{35} FS + \beta_{36} FA + \varepsilon_{07}$

Equation 8: $BIC= \alpha_{08} + \beta_{37} GV + \beta_{38} IAL + \beta_{39} IAC + \beta_{40} SE + \beta_{41} FS + \beta_{42} FA + \varepsilon_{08}$

Equation 9: $IKW= \alpha_{09} + \beta_{43} GV + \beta_{44} IAL + \beta_{45} IAC + \beta_{46} SE + \beta_{47} FS + \beta_{48} FA + \varepsilon_{09}$

Equation 10: $ISF = \alpha_{10} + \beta_{49}GV + \beta_{50}IAL + \beta_{51}IAC + \beta_{52}SE + \beta_{53}FS + \beta_{54}FA + \varepsilon_{10}$

Equation 11: $IEA = \alpha_{11} + \beta_{55}GV + \beta_{56}IAL + \beta_{57}IAC + \beta_{58}SE + \beta_{59}FS + \beta_{60}FA + \varepsilon_{11}$

Equation 12: $IEM = \alpha_{12} + \beta_{61}GV + \beta_{62}IAL + \beta_{63}IAC + \beta_{64}SE + \beta_{65}FS + \beta_{66}FA + \varepsilon_{12}$

RESULTS AND DISCUSSION

In Table 2, the descriptive statistics and correlation matrix for all variables are presented. With respect to potential problems relating to multicollinearity, variance inflation factors (VIF) were used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. The VIFs range from 1.062 to 5.817, which is well below the cut-off value of as 10 recommended by Neter, Wasserman & Kutner (1985), means that the independent variables are not correlated with each other. Therefore, there are no substantial multicollinearity problems encountered in this study.

Table 3 represents the results of OLS regression of the relationships among internal audit intelligence, best internal audit practice, internal audit planning effectiveness, internal review efficiency, internal audit quality, decision-making value, organizational goal achievement and firm success. Here, the first set of hypotheses (H1a-d to H7), are the results shown in Eq.1-7. Firstly, the evidence in Table 3 relates to best internal audit concept (Hypotheses 1a-d). The findings show that the best internal audit concept has no significant positive influence on best internal audit practice (H1a: $\beta_1 = 0.059$, p $p>0.10$), internal audit planning effectiveness (H1b: $\beta_8 = -0.106$, $p>0.10$), internal audit review efficiency (H1c: $\beta_{15} = -0.036$ $p>0.10$, and firm success (H1d: $\beta_{22} = 0.109$, $p>0.10$). ***Thus, Hypotheses 1a – 1d are not supported***. This finding supports that the firms may have a good internal control assessment; but if the internal auditors do not have enough business knowledge to make the incorrect analysis, that reduces the quality of the audit work (Baker, 2010). Similarly, Ionescu (2011) suggested that an internal auditor who did not understand the operation consistently, has ability to assess the internal controls that are different, which makes them more vulnerable. Moreover, the possible reason for this is that the internal controls do not align with the reasonable assurance that the needs and priorities of all of its key stakeholders leading to a reduction in adding value to the organization and its stakeholders (Hass et al., 2006)**.**

Table 2
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX

Variables	BIC	IKW	ISF	IEA	IEM	BIP	IPE	IRE	IAQ	DMV	OGA	FSU	GV	IAL	IAC	SE	IAE	FA	FS
Mean	4.329	4.123	4.053	4.273	4.164	4.109	4.035	4.170	4.111	4.160	4.136	3.944	4.337	4.168	4.109	4.087	4.430	N/A	N/A
S.D.	0.500	0.532	0.560	0.517	0.581	0.526	0.550	0.557	0.551	0.517	0.639	0.664	0.544	0.559	0.520	0.597	0.549	N/A	N/A
BIC	1.00																		
IKW	.631**	1.00																	
ISF	.574**	.775**	1.00																
IEA	.649**	.685**	.717**	1.00															
IEM	.628**	.698**	.743**	.814**	1.00														
BIP	.518**	.623**	.592**	.611**	.694**	1.00													
IPE	.418**	.629**	.547**	.535**	.575**	.672**	1.00												
IRE	.498**	.614**	.542**	.660**	.673**	.778**	.757**	1.00											
IAQ	.542**	.619**	.535**	.608**	.668**	.709**	.671**	.800**	1.00										
DMV	.520**	.621**	.566**	.656**	.657**	.752**	.700**	.853**	.822**	1.00									
OGA	.549**	.582**	.572**	.536**	.576**	.511**	.444**	.502**	.558**	.604**	1.00								
FSU	.477**	.516**	.519**	.410**	.548**	.457**	.456**	.488**	.539**	.535**	.853**	1.00							
GV	.655**	.577**	.573**	.709**	.736**	.505**	.473**	.600**	.613**	.648**	.604**	.491**	1.00						
IAL	.636**	.585**	.503**	.644**	.628**	.501**	.598**	.560**	.536**	.537**	.467**	.428**	.681**	1.00					
IAC	.499**	.580**	.515**	.649**	.688**	.623**	.644**	.717**	.656**	.706**	.450**	.444**	.651**	.726**	1.00				
SE	.507**	.636**	.578**	.667**	.694**	.650**	.641**	.785**	.664**	.765**	.491**	.495**	.640**	.713**	.876**	1.00			
IAE	.616**	.468**	.560**	.588**	.638**	.594**	.434**	.613**	.522**	.610**	.571**	.568**	.625**	.546**	.604**	.660**	1.00		
FA	.204**	.011**	.042**	.072**	.039**	-.049*	-.062	.006**	.049**	-.057**	.079	.161	-.009	.104	.018	.049	-.015	1.00	
FS	.392**	.290**	.307**	.197*	.202*	.240**	.296**	.236**	.273**	.305**	.364**	.306**	.162	.217*	.141	.095	.149	.035	1.00

* $p<0.05$, ** $p<0.01$

Table 3
RESULTS OF OLS REGRESSION ANALYSIS[a]

Independent Variables	Dependent Variables[a]			
	BIP	IPE	IRE	FSU
	Model 1	Model 2	Model 3	Model 4
	H1a-H5a	H1b-H5b	H1c-H5c	H1d-H5d
Best Internal Audit Concept (BIC)	0.059 (0.096)	-0.106 (0.104)	-0.036 (0.097)	0.107 (0.108)
Internal Audit Knowledge Well-roundedness (IKW)	0.218** (0.110)	0.429*** (0.118)	0.281** (0.110)	0.180 (0.123)
Internal Audit Skepticism Focus (ISF)	0.005 (0.115)	-0.028 (0.123)	-0.161 (0.115)	0.145 (0.129)
Internal Audit Ethics Awareness (IEA)	0.042 (0.119)	0.096 (0.127)	0.297** (0.119)	-0.286** (0.133)
Internal Audit Excellence Mindset (IEM)	0.459*** (0.121)	0.256** (0.130)	0.361*** (0.122)	0.449*** (0.136)
Firm Size (FS)	0.108 (0.140)	0.306** (0.151)	0.175 (0.141)	0.257 (0.157)
Firm Age (FA)	-0.379 (0.284)	-0.290 (0.306)	-0.096 (0.286)	0.565* (0.319)
Adjusted R^2	0.503	0.426	0.498	0.373
Maximum VIF	3.680	3.680	3.680	3.680

* $p< 0.10$, ** $p< 0.05$, *** $p< 0.01$, [a] Bata coefficients with standard errors in parenthesis

The second hypothesis is to investigate the relationship between audit independence awareness, which is the second dimension of internal audit intelligence, and its consequences (Hypotheses 2a-d). According to Table 8, the results of the regression analysis show that the relationships among the second dimension of internal audit intelligence, three consequences of internal audit intelligence, and firm success indicate that internal audit knowledge well-roundedness has a significant positive effect on best internal audit practice (β_2 = 0.218, $p<$ 0.05), internal audit planning effectiveness (β_9= 0.429, $p<$ 0.01), and internal audit review efficiency (β_{16} = 0.281, $p<$ 0.05). The possible reason for this is that the lack of knowledge, skills, and experience that is necessary for audit planning of the internal auditors may be ignored by some critical activities such as the material weaknesses (Backer, 2010; Ge&McVay, 2005). As a result, the usefulness of financial reporting for making decisions decreases (Sori, 2009). Furthermore, errors in the audit planning stages are factors that cause inefficiency in confidence to the customers as to the quality of service that are meeting continuously (Karapetrovic & Willborn, 2000). Moreover, a lack of resources and insufficient information for planning leads to decreased effectiveness of an audit plan. This is because cooperation and teamwork requires more resources such as funding, information, time, and people in each section to provide a comprehensive plan to make the operation more efficient (Swafford, 2009). ***Thus, Hypotheses 2a, 2b, and 2c are supported***.

Thirdly, the regression analysis shows that the relationships among the third dimension of internal audit intelligence, three consequences of internal audit intelligence, and firm success indicate that internal audit skepticism focus has no significant effect on best internal audit practice (β_3 = 0.005, p> 0.10), internal audit planning effectiveness (β_{10} = -0.028, p> 0.10), internal audit review efficiency (β_{17} = -0.161, p> 0.10), and firm success (β_{24} = 0.145, p> 0.10). It may be implied that operational skills affect the operation and also improve the operation and performance of an organization to achieve an organization's goals and objectives (Havelka and Merhout, 2013). Furthermore, good internal audit practice results in the effectiveness of risk management and driving superior operations (Dembowski, 2013; Patilis, 2008). It shows that internal auditors must have sufficient knowledge and skill, processes, methods, and procedures to keenly assess the likelihood of risky events in order to achieve the audit goals effectively. ***Thus, Hypotheses 3a, 3b, 3c, and 3d are not supported.***

Interestingly, internal audit ethics awareness is the fourth dimension of internal audit intelligence, which focuses on the guidelines for monitoring, verifying, and re-checking the activities of the internal audit. However, the results of the regression analysis show that internal audit ethics awareness has no significant effect on best internal audit practice (β_4 = 0.042, p> 0.10) and internal audit planning effectiveness (β_{11} = 0.096, p> 0.10); but, it has a significant positive effect on internal audit review efficiency (β_{18} = 0.297, p< 0.05). On the other hand, internal audit ethics awareness has a negative effect on firm success (β_{25} = -0.286, p< 0.05). This result is consistent with the research of Fargher et al., (2005) who stated that the reviewer has experienced different operational results in the perceive scope of review, goals of the organization, and the time to use in comment different. Houston and Stefaniak (2013) stated that the less-experienced reviewer focuses on improving the quality of internal audit in the present and future rather than the more-experienced reviewer. From the result, work experience and the period of time registered it in the Stock Exchange of Thailand of more than 15 years (which shows more experience), makes possible that internal audit review did not result in an effective internal audit. Furthermore, prior research found that workload pressure influences the review method and leads to poor performance (Agoglia et al., 2010). Another reason may be because time the pressure of internal audit is required to work with a limited budget and time. Thus, time pressure may lead to a review of the work or operation that is less than normal, especially in Thailand, which internal audit is responsible and responsive to the expectations of stakeholders and the requirements of the SET (McCoy et al., 2011). In addition, an insufficient and ineffective review of the internal audit results in insufficient information for risk management (Palfi & Muresan, 2009). Moreover, correct and complete action review is not enough, as the results impair financial reporting quality and cannot add value to the organization (Nelson & Tan, 2005; Russell, 2004). Therefore, the results of this research conclude that dynamic internal audit review cannot result in the outcomes of the internal audit which may be caused by experience, pressure of workload or both. ***Therefore, Hypothesis 4c is supported, but Hypotheses 4a, 4b, and 4d are not supported.***

Finally, in light of audit skepticism mindset (Hypotheses 5a – 5d), the results of the regression analysis show that the relationships among the fifth dimension of internal audit intelligence, three consequencesof internal audit intelligence, and firm success indicate that internal audit excellence mindset has a significant positive influence on best internal audit practice (β_5 = 0.459, p< 0.01), internal audit planning effectiveness (β_{12} = 0.256, p< 0.05), internal audit review efficiency (β_{19} = 0.361, p< 0.01), and firm success (β_{26} = 0.449, p< 0.01). According to prior studies, these results suggest that the help of internal audit excellence mindset ensures best internal audit practice and internal audit planning effectiveness (Aikins, 2011; Holt, 2009; Holt & DeZoort, 2008). In particular, timely reporting reduces the uncertainty related to investment decisions and asymmetric dissemination of financial information among stakeholders as the cause of financial reporting reliability (Ika & Ghazali, 2012). Moreover, timely internal audit reporting leads to an appropriate solution to meet the situation in effectively evaluating the continuous operations of organizations (Kametovide, 2009). Furthermore, a well-timed internal audit report is the best opportunity that management uses to make decisions in a timely manner, resulting in increased value to the organization (Sparks, 2011). ***Thus, Hypotheses 5a, 5b, 5c, and 5d are strongly supported.***

The results in Table 10 demonstrate that best internal audit practice has a significant positive effect on internal audit quality (β_{29} = 0.197, p< 0.05). This result is consistent with the research of Ninlaphay (2012) and Gates (2009) who suggested that financial reliability can improve the effectiveness of management decisions; but to achieve business goals, could be the result of other factors such as the ability of the management team, collaboration and enthusiasm of the employees in the organization, and other environmental factors that affect the organization. ***Thus, Hypothesis 6 is supported.***

In addition, the results find that internal audit planning effectiveness does not have a significant positive effect on internal audit quality (β_{30} = 0.107, p> 0.10). Prior research stated that operational system efficiency has no positive effect on its consequences. It may imply that the efficiency of all systems in the firm bring success to the firm. Although the system is effective, the lack of continuous and accurate follow-through will not maximize the benefits in an organization (Ninlaphay et al., 2012). Moreover, the opinions of the informants stated that the internal audit is a service that provides confidence to the executive to achieve the audit objectives set by the needfor cooperation from all parties, including the realization of the role of the internal audit about continuous operational process improvement to achieve sustainable development. As a result, the achievement of firms' goal may depend on employees' cooperation and participation. ***Thus, Hypothesis 7 is not supported.***

Moreover, the results show that internal audit review efficiency has a significant positive effect on internal audit quality (β_{31} = 0.551, p< 0.01). These results support that the internal audit is the activities of assurance and consultation, which are independent and non-bias audit reviews to enhance the value of the firms and to achieve set goals (Mihret & Yismaw, 2007). This is consistent with the research of Barac et al. (2009) who found that the internal audit functions were perceived of as the increased value of the organization about the recommendations of the internal audits for implementation and risk assessment. Furthermore, Roth (2003) suggests that the critical component to the added value of a firm is extensive staff expertise in a challenging work environment organizational alignment or reinvention and improved performance; and an array of audit services, which are the characteristics of added value to an organization. In addition, the consistency of the vision, mission and strategy of a firm, at both the policy level and operational level, including resistance within, also influences the ability to achieve the organizations' goals (Lines, 2004). ***Thus, Hypothesis 8 is supported.***

According to Table 12, the results of the regression analysis demonstrate that internal audit quality has a strong significant positive effect on decision- making value (β_{34} = 0.802, p< 0.01), organizational goal achievement (β_{37} = 0.493, p< 0.01), and firm success (β_{40} = 0.487, p< 0.01). This is consistent with evidence of the current recognition for the role of internal audit in risk management when it appropriately recognizes the role, led to achieve the operational goals of the organization (Zwaan et al., 2011). The risk management of the organization provides a framework for management to effectively deal with uncertainty associated risk, and opportunity; and thereby enhances its capacity in achieving firm goals

(Tamosiuniene & Savuck, 2007). Moreover, Karagiorgos (2010) found that the internal audit affected efficient risk management; and consequently, the business success and quality of the work. Likewise, a strong system of internal audit is good for an organization in risk management through early detection and prevention of errors and fraud which help to achieve performance and profitability, and prevents the loss of revenues (Vijayakumar & Nagaraja, 2012). ***Thus, Hypotheses 9a, 9b, and 10 are supported.***

The results of the regression analysis in Table 14 demonstrate that decision-making value has no significant effect on firm success (β_{43} = 0.050, $p>$ 0.10). In contrast, organizational goal achievement has a strong, significant, positive effect on firm success (β_{44} = 0.819, $p<$ 0.01). This is consistent with the current evidence of the recognition for the role of internal audit in risk management when it appropriately recognizes its role, leading to achieving the operational goals of the organization (Zwaan et al., 2011). Risk management of the organization provides a framework for management to effectively deal with the uncertainty and associated risk, and opportunity; thereby, enhancing the capacity for achieving firm goals (Tamosiuniene & Savuck, 2007). Moreover, Karagiorgos et al., (2010) found that the internal audit affected efficient risk management; and consequently, the business success and quality of the work. ***Thus, Hypothesis 11 is not supported, but Hypothesis 12 is supported.***

Table 4
RESULTS OF OLS REGRESSION ANALYSIS[a]

Independent Variables	Dependent Variables[a]				
	BIC	IKW	ISF	IEA	IEM
	Model 10 H13a-H16a	Model 11 H13b-H16b	Model 12 H13c-H16c	Model 13 H13d-H16d	Model 14 H13e-H16e
Governance Vision (GV)	0.436*** (0.085)	0.217** (0.094)	0.330*** (0.098)	0.418*** (0.085)	0.459*** (0.080)
Internal Audit Learning (IAL)	0.276*** (0.097)	0.132 (0.107)	-0.007 (0.111)	0.112 (0.096)	0.004 (0.091)
Internal Audit Competency (IAC)	-0.101 (0.129)	-0.097 (0.143)	-0.144 (0.149)	0.053 (0.128)	0.146 (0.121)
Stakeholder Expectation (SE)	0.086 (0.127)	0.470*** (0.140)	0.476*** (0.146)	0.264** (0.126)	0.260** (0.119)
Firm Size (FS)	0.520*** (0.120)	0.390*** (0.133)	0.457*** (0.139)	0.141 (0.120)	0.161 (0.113)
Firm Age (FA)	0.730*** (0.259)	-0.125 (0.285)	0.073 (0.298)	0.206 (0.257)	0.108 (0.243)
Adjusted R^2	0.571	0.477	0.430	0.576	0.620
Maximum VIF	4.855	4.855	4.855	4.855	4.855

* $p<$ 0.10, ** $p<$ 0.05, *** $p<$ 0.01, [a] Bata coefficients with standard errors in parenthesis

The results of the regression analysis in Table 16 demonstrate that governance vision has a strong significant positive effect on best internal audit concept (β_{47} = 0.436, $p<$ 0.01), internal audit skepticism focus (β_{59} = 0.330, $p<$ 0.01), internal audit ethics awareness (β_{65} = 0.418, $p<$ 0.01), and internal audit excellence mindset (β_{71} = 0.459, $p<$ 0.01). Additionally, governance vision has a significant positive effect on internal audit knowledge well-roundedness (β_{53} = 0.217, p< 0.05). ***Thus, Hypotheses 13a – 13e are supported.***

In recent years, business organizations have faced the challenge of increasing environmental degradation environmental issues are the key pressure for the corporation's effort to develop a business strategy that could assure sustainable development (Halme & Huse, 1997). Also, external influences make an effort to establish a corporate governance system as it underpins a capitalist system (McCarthy and Puffer, 2002).

For this research, corporate governance vision refers to the organization's policy aimed at a transparent template through operational systems that focus on firms' rights and responsibility, transparency and integrity of their stakeholders, both internal and external. Halme & Huse (1997) presented definitions of corporate governance as a process by which corporations are made responsive to the rights and wishes of stakeholders, and proposed four mechanisms that influence corporate actions: ownership, board of directors, public pressure and regulation. Tiparos & Ussahawanitchakit (2005) surveyed Thai-*Listed Companies* in Thailand, and concluded clearly that the component of corporate governance consists of honesty, transparency, accountability, responsibility, independence, fairness, and social responsibility. In addition, corporate governance is the exercise of power over, and responsibility for, corporate entities (McCarthy & Puffer, 2002).

Corporate governance is the tool for controlling corporate behavior that can generate firms' rights by concentrating on responsibility of their stakeholders such as transparency, integrity, ethics, and justice, including accountability of information disclosure (Phachsriphum & Ussahawanitchakit, 2009). Four governance element which Standard & Poors developed as a framework for the evaluation of corporate governance are: 1) ownership structure and influence, 2) financial stakeholders rights and relations, 3) financial transparency and disclosure, and 4) board structure and processes. Interestingly, Aaboen et al. (2006) who studied small high-tech firms, found that corporate governance systems are a key factor to improve profitability and to perform better through managers' experience and availability of business, including better knowledge of management. Moreover, Eng & Mak (2003) found that firm characteristics and organizational structure affect the different degrees of corporate governance leading to implementation performance.

Thus, corporate governance has been more important than in the past as a key element of broadening company rules, which can help companies control the relationships of internal and external stakeholders.

Moreover, (β_{54} = 0.132, p> 0.10), internal audit skepticism focus (β_{60} = -0.007, p> 0.10), internal audit ethics awareness (β_{66} = 0.112, p> 0.10), and internal audit excellence mindset (β_{72} = 0.004, p> 0.10). ***Therefore, Hypothesis 14a is supported, but Hypotheses 14b – 14e are not supported.***

The rapidly changing business environment causes changes in operating procedures. For more challenging competitiveness, firms need to gain an advantage over the competitors in order to survive and grow (Danneels, 2002). Firms find it necessary to seek new procedures to develop operations including continuously learning about the competitive environment in order to build up competitive opportunity (Sumitsakun & Ussahawanitchaki, 2009). Competitive learning is a type of continuous learning and adaptation process across the enterprises that focuses on customers, competition and competitor, both new and old, include market requirements as a dynamic (Tontiset & Ussahawanitchaki, 2009). Dynamic learning or the dynamic capability concept is critical for businesses needing to operate effectively in a rapidly changing environment and in mechanisms of dynamic learning that brings advantage over competitors (Chen, Lee and Lay, 2009). Thus, if an organization promotes and supports the dynamic learning process, it will enable organizations to be a winner so as to create a sustainable competitive advantage. Without this process, a firm will lose this advantage (Danneels, 2002; Liebowitz, 2006; Revilla, Manzoor & Liu, 2008).

Importantly, stakeholder expectation has a strong significant positive influence on internal audit knowledge well-roundedness (β_{56} = 0.470, p< 0.01), internal skepticism focus (β_{62} = 0.476, p< 0.01), internal audit ethics awareness (β_{68} = 0.264, p< 0.05), and internal audit excellence mindset (β_{74} = 0.260, p< 0.05); but has no significant effect on best internal audit concept (β_{50} = 0.086, p> 0.10). ***Thus, Hypothesis 16a is not supported, but Hypotheses 16b – 16e are supported.***

Stakeholders-well- known around the world are indicated as organizational success, because stakeholders drive the CSR; their exerted continuous pressure on companies calls for attention to respond to the stakeholders' expectations. Also, Heslin & Ochoa (2008) proposed that CSR practices can solidify a positive relationship between an organization and its stakeholders. The business that shows ethics and responsibility to the stakeholder (besides its owners; investors and shareholders) is included in the well being of society linked to the sustainable development movement (Henderson, 2007).

Accordingly, in the stakeholder framework, Freeman (1984) identified relevant stakeholders as anyone or group who impacts the firm. Likewise, for the stakeholder approach, Sriramesh et al., (2007: 6) stated that the stakeholder is "a set of interrelated, explicit or implicit connections between individuals and or groups of individuals" that could affect the success of the organization’s objectives. Jurgens & others (2010) defined the stakeholder as an individual or group who influences organizational objectives. The stakeholder can be separated into two groups: 1) primary stakeholder (those who are directly related to the organization's operation, e.g., employees customers, and suppliers), and 2) secondary stakeholders (those who are external observers, e.g., the media and NGOs). From the literature review, this research defines stakeholder expectation as the values, attitudes, needs or desires of any individual or group of firms who potentially respond to problems that capture socially-conscious, consumer-orientated and environmental considerations (Jurgens et. al., 2010). Increasing numbers of acclaimed stakeholders are a cornerstone of accountability mechanisms that include corporate, social, environmental, economic and ethical governance (Unerman& Bennett, 2004).

CONTRIBUTIONS AND DIRECTIONS FOR FUTURE RESEARCH

Theoretical Contributions and Future Directions for Research

This research is intended to provide a clearer understanding of the relationships among internal audit intelligence, its antecedents, and consequentsthat influence these relationships, by providing unique theoretical contributions expanding on previous knowledge and literature of the aforementioned constructs. Furthermore, there are two main theories used to describe the relationships among the variables in this research. Firstly, the results of this research help to confirm the usefulness the knowledge-based viewwhich, suggests that internal auditors have the competitive advantage for resources in terms of unique knowledge and capabilities (including the audit method, audit resource, audit scope); so, they create superior performance that leads to survive in the audit professional. Secondly, the results of this research confirmsinstitutional theory that of the appropriateness of internal audit intelligence depends on the ability to adapt to the changing external circumstances or internal factors. Thus, internal audit intelligence is affected by contingency factors, and it brings internal audit intelligence. Consequently, an interesting point of future research should focus on the effects of the dimension of internal audit intelligence, firm success, and the other independent variables. Further research should attempt to posit moderator variables or examine the effects of moderators in the different constructs for the analysis. To verify and increase the benefits, advantages, and contributions of the study, future research should concentrate on appropriate mediators that also fit all of firm success. Moreover, it likewise needs to collect data from a larger population or comparative population in order to increase the reliability of the results, as well as another sample population, such as certified public accountants (CPAs), governmental auditors (GAs)'or others in Thailand.

Managerial Contributions

This study definitely helps auditors identify and justify key components of internal audit intelligencethat may be more critical in a rigorous auditing profession in order to achieve survival, and to succeed in the present and future auditing professions. Auditors need to clearly understand these variations and potentially implement them to gain advantages by putting more emphasis on them. In addition, the results may provide a useful guideline for the internal auditors about how to establish successby encourage internal audit intelligence. Moreover, auditors will manage limited resources to optimize and validate the key elements that may be seriously more important in the competitive market.Interestingly, internal audit helps lead to important audit performance which reveals internal audit knowledge well-roundedness, internal ethics awareness and internal audit excellence mindset thatare used for gaining firm success. Besides, auditors should provide other resources to support these increased variations in order to achieve their effectiveness and create new opportunities in the auditing professions and environments, ultimately leading to increased firm success.

CONCLUSION

Auditors have become important professionals for direct and indirect promotion of economic growth in countries. Thus, a study of their duties, practices, and activities are definitely essential. This research investigates the influences of internal audit intelligence on the firm success of internal auditors in Thailand. The instrument for data collection is a questionnaire that was mailed to 518 internal auditors in Thailand as the sample of the research. The results of OLS regression analysis show that audit professionalism focus, audit independence awareness, audit expertise orientation, and audit skepticism mindset have a significant positive influence on internal audit knowledge well-roundedness, internal audit ethics awareness, internal audit excellence mindset, and firm success; while audit creativity development has a significant positive effect on firm success. Furthermore, internal audit quality has a strongly significant positive effect on decision-making value, organizational goal achievement and firm success. Likewise, organizational goal achievement has a strongly significant positive influence on firm success. For the influences of the antecedents, the findings reveal that governance vision has a strong significant, positive effect on internal audit intelligence.

Accordingly, the need for further research is apparent to search for mediating and moderating variables, and include them in the aforementioned conceptual model. Future research is also needed to collect data from different groups of sample populations or a comparative population, such as certified public accountants (CPAs), and governmental auditors (GAs) in Thailand, in order to verify the generalizability of the study and increase its reliability.

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MODERN AUDIT METHOD ORIENTATION AND AUDIT PERFORMANCE: AN EMPIRICAL INVESTIGATION OF CERTIFIED PUBLIC ACCOUNTANTS (CPAs) IN THAILAND

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ABSTRACT

Modern audit method orientation is essential for the adjustment of audit practice that is consistent with competitive circumstances. Previous research demonstrates that audit practice lacks the adjustment of audit appropriate for each type of industries under changing circumstances. The dimensions of modern audit method orientation includes (1) computerized audit practice (2) audit-client exchange (3) enterprise risk synthesis (4) professional skepticism application, and (5) audit flexibility focus. These dimensions reflect the capability of CPAs to be consistent with circumstances and circumstances. They also enhance audit quality as well as effective audit performance. Future research suggests that there should be a research study that examines the relationship among antecedents, moderators, and control variables to be consistent with modern audit method orientation and audit performance for the completeness of the model which derives from a literature review. This conceptual paper is developed from propositions for future research together with the development of questionnaire and the data collection from other groups of samples. Those samples should include auditors who work under the continuous changing environments. Additionally, theories are required for an explanation of the relationship among antecedents, consequents, moderators, and control variables of modern audit method orientation. Therefore, this conceptual paper is aimed at discussing the relationship between modern audit method orientation and audit performance.

INTRODUCTION

The financial reporting standards put an emphasis on the economic situation that leads to differences in terms of decision-making of stakeholders both at the present time an in the future. The financial report reflects the financial position as well as the financial performance which is the result of changes in equity. This is important for stakeholders to make a decision on in terms of economic decision-making (Garcia-Benau, & Zorio, 2004). The audit practice is important for the economic system and the capital market. This is because the certified public accountant needs to provide reliable and reasonable opinions as to whether the financial statements contain any information contrasting to material facts and whether they are free from material misstatement. Therefore, audit performance is defined as audit practice which is based on auditing standards. This also includes the report of fraud as well as error to bring about satisfaction and reliability of customers. In addition, good audit performance includes saving time and maximizing the utilization of resources. As a result, the audit report functions as the alarm for a more consideration about the correctness of financial report. The correct audit report must be accepted by stakeholders for making a decision (Hilton & Southgate, 2007; Whittemore, 2007).

Most of the prior research demonstrated that an audit method was selected for audit work to obtain evidence about the relationship between risks and fraud detecting methods Wright & Bedard, (2000) but it did not mean to emphasize audit method orientation for audit efficacy. According to Mock & Wright (1999), it was found that there is a relationship between risks and past audit methods. It was found that after audit work most of the auditors lack improvement and adjustment of audit methods which are up to date and consistent with contexts or changing circumstances. This finding goes along the same line with Mock & Wright, (1993) who found that CPAs need to adjust their audit methods to be consistent with each type of industries and nature of test. Therefore, this research examines modern audit methods that are consistent with continuous changing circumstances which increases audit quality as well as audit performance effectiveness.

This paper consists of four major parts. First, the paper discusses modern audit method orientation. Second, it presents the development of the propositions and the conceptual framework of this paper. Third, the paper provides a discussion about the contribution of this study and recommendations for further study. Finally, the paper presents a conclusion of this study.

MODERN AUDIT METHOD ORIENTATION

Modern audit method orientation is the designing to create value and develop strategic audit process for audit efficiency. Modern audit method serves as a tool to respond to risk (Castanheire, Rodrigues, & Craig, 2010). In addition, Bedard et al.,(2005) points out that the type of audit test selected is a collection of audit evidence. It is important to note that CPAs do not emphasize efficiency of audit practice by setting the characteristics, period and scope of the audit method (Wright & Bedard, 2000). It is also found that CPAs do not pay attention to adjusting the audit method when a risk is changing (Mock & Wright, 1999). This also includes a lack of the development of the audit work of previous task.

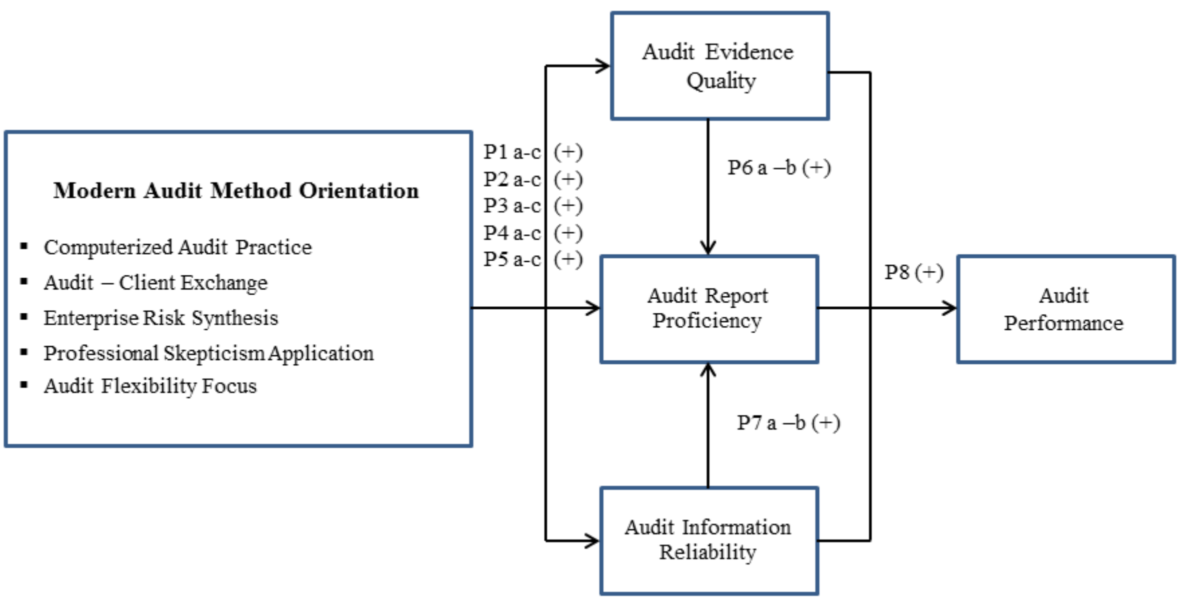
Previous research demonstrated that appropriate modern audit method helps to increase efficacy in the audit (Dittenhofer, 2001). The modern audit method is found to have a positive relationship with audit efficacy and goal achievement (Bota-Avram, Popa & Stefanescu, 2010). It is important to note that modern audit methods enhance CPAs to detect the weaknesses of internal control in the organization. CPAs needs to come up with modern audit methods due to the complicated economic growth. This brings about efficient audit method that reaches the objectives of audit practice (Bota-Avram, Popa and Stefanescu, 2010). Therefore, CPAs need to develop, adjust, and review methods to be consistent with changing circumstances by looking for new audit methods as well as strategies to increase audit efficacy.

In this paper, modern audit method orientation refers to developing modern audit practice that is consistent with the changing circumstances to increase value (Bota-Avram, Popa & Stefanescu, 2010).

CONCEPTUAL FRAMEWORK OF MODERN AUDIT METHOD ORIENTATION AND AUDIT PERFORMANCE

This conceptual paper investigates the relationships among modern audit method orientation, audit report proficiency, audit evidence quality, audit information reliability and audit performance. Thus, the conceptual framework, association, and conceptual models present the relationships among modern audit method orientation and audit performance based on the preceding discussion of the literature, as shown by the proposed conceptual framework in Figure 1.

Figure 1
A CONCEPTUAL FRAMEWORK OF MODERN AUDIT METHOD ORIENTATION AND AUDIT PERFORMANCE



PROPOSITIONS DEVELOPMENT

Computerized audit practice

The role and responsibility of CPAs is to work according to professional standards and legal requirements to present an audit opinion to the audited financial report. These requirements assist CPAs in adjusting and developing the audit method to be up to date. Better changes and audit efficacy are obtained through such actions. Furthermore, the potential of the audit performance is also increased. Good CPAs should try to improve themselves by applying modern audit methods or techniques to be consistent with continuous changing circumstances. This supports audit risk assessment and helps to seek evidence that is correct, complete and timely. It also leads to the use of discretion to adjust audit performance that leads to achievement

(Joshi, Kathuri & Porth, 2003). Good audit practice leads to increased value of audit practice (Hui & Fatt, 2007). This goes along the same line with Pennekamp & Vlasveld, (2006) who note that computerized audit practice functions as an adaptation and selection of audit method. It also serves as an expansion of audit activities scope. This also includes the utilization of new technology, concepts and the new operating methods to support audit work.

In the literature review above, computerized audit practice is defined as using audit methods that are consistent with the complicated and changing circumstances. This also includes an awareness of adjustment, development, application in innovation, and searching new techniques for support of audit work in order to design an audit practice that is appropriate with a situation (Schulz & Booth, 1995; Pennekamp & Vlasveld, 2006). Thus, the proposition is as follows:

P1a-c Computerized audit practice would be positively related to (1) audit report proficiency, (b) audit evidence quality and (c) audit information reliability.

Audit-Client Exchange

In the International Auditing Standards 210 (ISA 210), Agreement to the Terms of Audit Engagement provides an understanding about audit agreement created through the relationship between CPAs and client, and a confirmation about agreement in audit framework. However, the relationship between CPAs and client has an effect on audit performance (Geiger & Raghunadan, 2002). The duration of the relationship between CPAs and client affects audit performance. The duration of the relationship will be determined on the date that CPAs and client begins to cooperate for solving problems or having discussion about related issues. Previous research demonstrated that CPAs in the past ignored the relationship between them and client and they showed no responsibility in maintaining the good relationship. The good relationship helps CPAs in seeking information and evidence appropriate for client so as to detect a presentation of financial reports that are contrast to the material facts. The quality of communication assists clients except in audit work and increases the reliability of the audit report. Therefore, such a relationship has an influence on audit quality (Ferris & Others, 2007).

In this paper, auditor–client exchange is defined as modern communication between CPAs and client that enhances a decrease in audit risk and misunderstanding about agreements. It also enhances timely information and evidence collection as well as maintaining a good relationship. Thus, the proposition is as follows:

P2a-c Audit-client exchange would be positively related to (a) audit report proficiency, (b) audit evidence quality and (c) audit information reliability.

Enterprise Risk Synthesis

As stated in the International Auditing Standards 315 (ISA 315), the CPAs need to build their understanding about the firm, environment, and internal control system to determine and assess risks both of the financial statements level and assertion level by designing appropriate audit methods and using them to respond to risk. Arens & Elder, (2005) point out that audit risk according to substantive procedures is that the CPAs cannot find the information that is contrast with the material facts. In addition, risk of material misstatementis is defined as inherent risk and control risk. Mentions that the risk which occurs from showing incorrect opinions in financial statements is the risk that CPAs has to use discretion to show that it is a significant risk. Furthermore, the CPAs need to determine effective characteristics, the length and scope of the audit method to decrease audit risk to the level of an acceptable audit. Shick & Lawrence, 1993) indicates that audit risk affects audit report proficiency. In addition, AICPA ,(1983) points out that size, complexity and understanding about the firm that is audited affect enterprise risk synthesis. It leads to the designing of an audit method that is comprehensive in firm performance for assigning and assessing risks of the data that is contrast with the material facts whether it occurs from fraud or error (Arens, Elder, & Beaslsy, 2005).

In this paper, enterprise risk synthesis is defined as the assigning and assessing risk from a continuous changing circumstance of the firm. These are conducted by designing audit practice that appropriately responds to risk and timeliness in order to develop audit method and correct report of audit's opinion (Arens, Elder, & Beaslsy, 2005). The proposition is as follows:

P3a-c Enterprise risk synthesis would be positively related to (a) audit report proficiency, (b) audit evidence quality and (c) audit information reliability.

Professional Skepticism Application

In the International Auditing standards 200 (ISA 200), the overall objective of the CPAs and audit practice based on the generally accepted audit standards (GAAS) notes that the CPAs need to utilize their judgments in professional skepticism to consider the reliability of financial statements that are contrast to significant material facts. In ISA section 240, the responsibility of the CPAs involves considering the fraud in the financial statements. They need to consider the correctness of the evidence obtained so as to be accepted by their director. In the International Auditing standards 300 (ISA 300), it indicates that audit planning of financial statements may present information that is contrasting with material facts. Such information may be the result from fraud, evidence collection and assessment of appropriate evidence (ISA 500), and reporting (ISA 700). Based on such process, the CPAs need to use discretion in observing and detecting linkage problems that bring about a contrary of significant material facts of financial statements. This also brings about audit report efficacy. Previous research pertaining to professional skepticism application emphasizes the ability of the CPAs in observing and being a suspect when receiving evidence or information (Nelson, 2009) Professional skepticism application has to deal with the application of the information gathered and being able to do in-depth analysis to lead to the elevation of audit quality (Hurtt & others, 2013; Kent, Munro, Gambling, 2006; McMillan & White, 1993; Nelson & Tan, 2005; Quadackers, Groot, & Wright, 2009). This indicates that the CPAs need to be quick in responding to audit risk so as to prevent errors from happening to client's financial statements (McMillian & White, 1993). Moreover, the CPAs need to improve the reliability of new evidence and emphasizes a framework specification (Bamber, Ramsay & Tubbbs, 2007).

In this paper, professional skepticism application is defined as the attitude towards the questioning and being suspect. It means the ability to diagnose and classify events in-depth which may influence a presentation of the information which is contrasts with the significant material facts, and the appropriate situational response in order to decrease error and enhance audit quality (Meier & Fuglister, 1992). The proposition is as follows:

P4a-c Professional skepticism application would be positively related to (a) audit report proficiency, (b) audit evidence quality and (c) audit information reliability.

Audit Flexibility Focus

At present, business grows rapidly. Technology has an influence on audit practice. The audit has to encounter the expectations of stakeholders and ensure the reliability of the information (Gonzalex, Sharma & Galletta, 2012; Masli & others, 2010). The generalized audit software: GAS Kim, Mannino, & Nieschwietz, (2009) and the Audit Command Language (ACL) serve as the audit software that enhances the development of the efficacy of audit activity. The real-time information of business transaction calls for a variety of modern audit tools because audit work functions as a guarantee for stakeholder's decision. Because of this, audit flexibility focus serves needs of audit practice which is aimed at developing cost efficacy and the audit report quality (Curtis & payne, 2008). In addition, audit flexibility focus helps to generate acceptance from clients and analysts (Bell & Carcello, 2000; o' Donnell & Schultz, 2003; Dowling & Leech, 2007). Previous research points out that technology concerning audit is not enough for audit whereas increasing effectiveness of audit relies on audit flexibility focus of technology utilization (Gonzalez, Sharma, & Galletta, 2012; Masli & other, 2010). Most research put a major emphasis on exploring new audit technique model to be used as an audit tool (Robson & others, 2007).

In this paper, audit flexibility focus is defined as giving the importance to adaptation about audit methods that reflect audit tools and various techniques appropriate for audit work. Therefore, it is also consistent with the changing and timely business transactions to develop activity efficacy (Robson & others, 2007).

P5a-c *Audit flexibility focus would be positively related to (a) audit report proficiency, (b) audit evidence quality and (c) audit information reliability.*

Audit Evidence Quality

Audit evidence deals specifically with data or facts obtained by CPAs to be consistent with the generally accepted audit standards (GAAS) for a summary of the audit. Such evidence obtained through the audit work is reasonable and appropriate to form audit opinions IFAC, (2009). In ISA 500, audit evidence is information that CPAs uses for the summary of audit opinions of CPAs. Audit evidence also means the information concerning financial record information to prepare financial statements and other information. In ISA 200, the auditors need to be confident as well as reasonable that the evidence gathered is appropriate and enough. The CPAs need to decrease the risk of audit opinion for the financial statement to support CPAs exception at the acceptable level. Therefore, sufficient and appropriate audit evidence obtained from effective audit standard guarantees the effective accounting system and the effective control system (Chang et al., 2008; Cowton, 2009; Kent, Munro & Gambling, 2006). According to Chang et al., 2008; Cowton, (2009) for contradictory and incomplete evidence, the CPAs need to expand additional audit practice for accurate evidence (Cowton, 2009).

In this paper, audit evidence quality refers to adequacy and appropriateness used a criteria to be consistent with comments according to the generally accepted standards (Change et al., 2008; Cowton, 2009; IFAC, 2009; Kent, Munro & Gambling, 2006; Leventis, Weetman & Caramanis, 2005; Sinchuen & Ussahawanitchakit, 2009) . The proposition is as follows:

P6a-b *Audit evidence quality would be positively related to (a) audit report proficiency and (b) audit performance.*

Audit Information Reliability

Audit information reliability refers to the audit work of CPAs and the defend of benefit of stakeholders. This includes the guarantee of the financial statement that is presented without contrasting information with material facts. The financial statement is reliable and free from auditing bias to support an audit report FASB, (1980) In addition, the audit work of CPAs supports the reliability of the financial report and accounting framework used to prepare the financial statements (DeZoort & others, 2008). The reliability stresses the importance of basic qualitative characteristics of financial information regarding relevance and faithful representation, especially the conceptual framework that supports relevance and expectation assessment of the users with facts about the compensation (Watts & Zimmerman, 1986). This includes the information that the stakeholders found in accordance with ongoing audit practice as well as comments after an auditor's acknowledging the engagement's inherent limitations (Gist & other, 2004; DeZoort & others, 2008). This leads to the consideration to discrete the decision-making through audit report proficiency and audit performance (DeZoort & others, 2008).

In this paper, audit information reliability is defined as an emphasis placed on the going concern of audit practice in accordance with useful comments for users (Watts & Zimmerman, 1986). The proposition is as follows:

P7a-b Audit information reliability would be positively related to (a) audit report proficiency and (b) audit performance.

Audit Report Proficiency

When the audit evidence pertaining to the amount of money is adequately and appropriately obtained, the CPAs need to create an audit report to communicate the result of audit work (Lin & other, 2003). This is conducted in the form of expression an auditor's correct opinion according to significant material facts of the financial statements (Bhattacharijee, Moreno & Yardlley, 2005; Chanruang & Ussahawanitchakit, 2011; Davidson & Neu, 1993). Therefore, the value of the report indicates business transactions and business events in the reliable financial statement for stakeholders (Leventis, Weetman & Caramanis, 2005). This leads to audit report proficiency as well as effective audit report (Lin & other, 2003; Habib & Bhuiyan, 2010). In addition, the audit report serves as an output that can be noticed by stakeholders as generally accepted standards of the effective audit performance (Habib & Bhuiyan, 2010). This is consistent with Habib & Bhuiyan, (2010) who pointed out that correct audit opinions as well as reliable audit reports enhanced audit performance. Audit report proficiency is defined as the presentation of timely and appropriate audit report in accordance with events so as to create reliability of users (Baotham & Ussahawanitchaket, 2009; Lim-u-sanno & Ussahawanitchakit, 2009; Sudsoboon & Ussahawanitchakit, 2009). The proposition is as follows:

P8 Audit report proficiency would be positively related to audit performance.

Audit performance

For professional audit, CPAs have their own methods to bring about audit performance which can measure audit quality. Audit performance can be measured from the dimensions of the audit practice standards and the expected quality of audit performance (Lin & Hwang, 2010).

This includes audit practice which can be considered for the appropriateness and adequacy for stakeholders (AICPA,1983). To reach the objectives of audit performance, there is more than one objective that reflects the audit practice with effectiveness and efficiency resulting from mechanism and internal audit (Bamber & Bylinski, 1982; Solomon,1987). This involves the results that reflect the quality of audit evidence for presenting audit opinions which bring about efficacy based on the generally accepted audit standards. (AICPA, 1983; Bamber & Ramsay, 2000;Bonner & Lewis, 1990; Libby & Luft, 1993). Audit efficacy is defined as the ability to shorten time and allocate resources to maximize benefits (Blokdijk, 2004). Therefore, audit performance is determined as audit practice that reflects the quality control mechanism of audit practice by considering the adequacy of audit evidence that is consistent with the presentation of audit opinions about the contrasting information found from audit practice in an audit report (Blokdijk 2004; Lin & Hwang, 2010; AICPA, 1983; Bamber & Ramsay, 2000; Bonner & Lewis, 1990; Libby & Luft, 1993).

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

This paper presents a new conceptual framework for the adjustment of modern audit method orientation to develop the propositions as a hypothesis. In addition, the paper provides the relationship between modern audit method orientation and audit performance. However, the concept about audit method serves as a tool that CPAs use for their audit work and audit designing so as to increase audit performance that meets professional standards. Knowledge as well as understanding about modern audit method orientation will enhance the competitive advantages and working efficiency of CAs.

Suggestions for Future Research

This conceptual framework is designed to present modern audit method orientation as an independent variable and its consequences. For future research, an emphasis should be put on the effecting dimension on modern audit method orientation, audit performance, and other independent variables so as to investigate the relationships. This will increase advantages and contributions. In addition, future research should be conducted as an empirical investigation by using questionnaires to collect data from other groups of samples. Moreover, future research can be conducted in the form of comparative study so as to yield reliability. Samples may include tax auditors (TAs), governmental auditors (GAs), and internal auditors (IAs) or elsewhere in Thailand. This is important to note because these groups of samples have to develop their potential about audit work so as to compete and survive according to professional standards (Uachanachit, Ussahawanitchakit & Protoom, 2010). Therefore, theories to explain situations as well as the relationship should be explored to support concepts and ideas in this paper.

CONCLUSION

At present, CPAs need to adjust their audit methods so as to be consistent with continuous changing circumstances. They try to utilize audit instruments to match with situations in order to reach audit objectives. Previous studies demonstrated that the capability of the CPAs in utilizing resources or knowledge of audit method serves as a tool for a specification of audit practice guideline. It also helps to increase audit quality, to generate a competitive advantage, and to enhance audit efficacy. This conceptual paper increases an understanding about the relationship between modern audit method orientation and audit performance. This paper contains five dimensions of modern audit method orientation from reviewing prior research including (1) computerized audit practice (2) audit-client exchange (3) enterprise risk synthesis (4) professional skepticism application, and (5) audit flexibility focus. These are what CPAs put to their audit practice which bring about audit outcome namely audit report proficiency, audit evidence quality and audit information reliability and audit performance.

To make this paper more complete, the researcher should investigate the variables pertaining to modern audit method orientation and audit performance such as antecedents, moderators, and control variables. In this paper, a hypothesis is developed based on the utilization of questionnaires as a mean of data collection procedure. Subjective measurement is conducted with all concepts using keywords according to a measuring definition. This research recommends that an appropriate sample group should be tax auditors (TAs), governmental auditors (GAs), and internal auditors (IAs) or elsewhere in Thailand because they mainly look for audit methods that are suitable for each type of industries; they also handle pressure from intensive competition. To conclude, this paper provides theories for an understanding of phenomena so as to generate a better understanding about the relationship of this conceptual framework.

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STRATEGIC ACCOUNTING PRACTICE PROCESS ORIENTATION AND ACCOUNTING SUCCESS: A CONCEPTUAL FRAMEWORK

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ABSTRACT

Strategic accounting practice process orientation is defined as a procedure determined systematically to present to both outsiders and insiders to perceive the financial statement of the business and performance before making a correct decision. Thus, this research aims to investigate the relationships among five dimensions of strategic accounting practice process orientation, which includes accounting function excellence, accounting information quality, accounting practice effectiveness, financial report quality, information value and accounting success. This research reviews literature on the capability of the firms pertaining to accounting practice process under competitiveness as well as pressure. These dimensions are business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern and accounting regulation integration focus. The resource-based view of the firms is implemented to explain accounting practice in terms of strategic accounting practice process orientation that is treated as firm-specific resource (Barney, 1991). Specific resources are the key for the firms to achieve competitive advantage and sustainability (Eisenhardt & Martin, 2000). The conclusion is drawn from the literature with states that strategic accounting practice process orientation plays a key role in accounting outcomes. Future research is needed to collect data from highly complicated groups of samples under pressure for more benefits of the relationship as above. This research suggests future research to study how antecedents and moderators affect the strategic accounting practice process orientation: future research is needed to explore the best strategic accounting practice process orientation.

Keywords: *strategic accounting practice process orientation, business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern, accounting regulation integration focus, accounting function excellence, accounting information quality, accounting practice effectiveness, financial report quality, information value and accounting success.*

INTRODUCTION

Nowadays, firms must face the complex and radical changed of the world due to increased economic freedom zones with quality, flexibility and timeliness. Moreover, Thailand adopts a new accounting conceptual framework and adapt many new accounting standards that follow to International Financial Reporting Standards (IFRS) for convergence by International Accounting Standard Board (IASB) that affects accounting practice process and quality of financial report. With this reason, most firms are concerned with information advantage to bring about efficiency of decision-making specially accounting information quality. Thus, the firms should adapt accounting practice process to be consistent with harmonized standards and convergence leading to information value or comparability for several users. Prior research noted that accounting practice process is the procedure to collect, analyze, record, classify, summary and report to users. Moreover, accounting practice process presents accounting information to organization for management (Hanpuwadal & Ussahawanitchakit, 2010). The quality of financial report is based on accounting practice process of the firms.

Strategic accounting practice process orientation is the capability of the firms about assigning procedures in accounting practice for bookkeeping that serves as a guideline, procedures, and steps that systematic follow the policy, troubleshooting and goals of the firms which bring about financial report quality and economic decision-making. Moreover, the firms need to have a potential in developing systematic specific accounting system. Hanpuwadal & Ussahawanitchakit (2010) found that accounting practice is a tool for resource administrated efficiently, and support appropriate decision making. Aforementioned, accounting practice process creates present financial information that is useful for both external and internal stakeholder. They use economic decision-making to estimate the firm's financial status and firm performance. Thus, this research provides the conceptual model of strategic accounting practice process orientation and accounting success including business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern and accounting regulation integration focus. These will have an effect on accounting function excellence, accounting information quality, accounting practice effectiveness, financial report quality, information value and accounting success.

The remainder of this research is organized as follows. The first section discusses the relationship between the strategic accounting practice process orientation and accounting success. The second section provides a proposition development. The third section is a contribution to future research direction and a suggestion for future research. Finally, the research provides the conclusion of the conceptual framework.

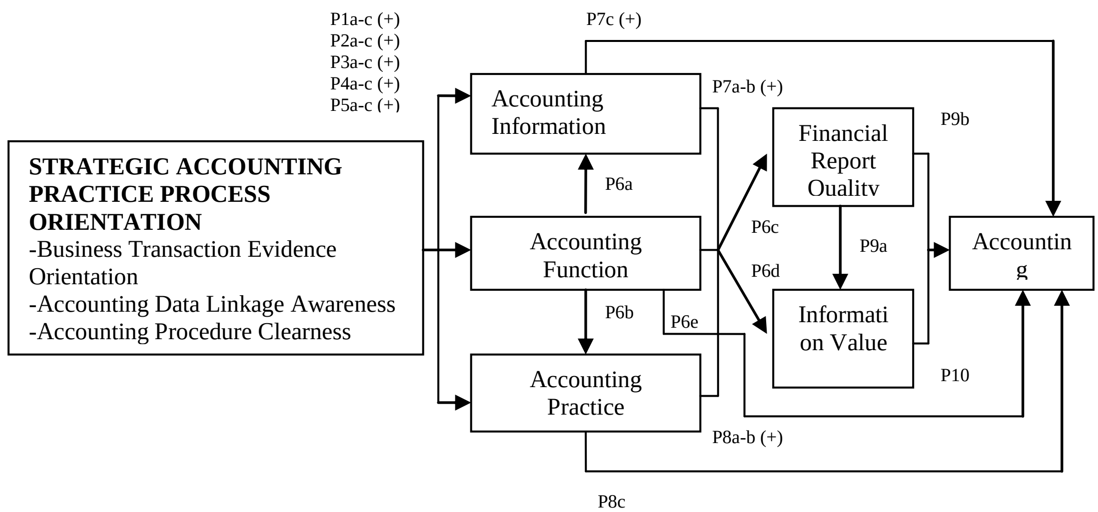
STRATEGIC ACCOUNTING PRACTICE PROCESS ORIENTATION

Strategic accounting practice process orientation (SAPPO) is reviewed from the literature. The term "strategic orientation" derives from the literature on strategy which is defined as the capabilities of the firms (Das & Teng, 2000). Hanpuwadal & Ussahawanitchakit (2010) noted that accounting practice is accounting process to collect, transform process, report, and disseminate report to users. Accounting practice process is the accounting method to collect, record, classify, summarize and disseminate reports to users. Thus, this research defines strategic accounting practice process orientation as the capability of the firms about setting guidelines, procedures, and steps in accounting practice for bookkeeping of the firms. The firms need to prepare bookkeeping to follow the policy, troubleshooting and goals of the firms.

CONCEPTUAL FRAMEWORK AND PROPOSITIONS DEVELOPMENT

This research investigates the relationships among five dimensions of strategic accounting practice process orientation, accounting function excellence, accounting information quality, accounting practice effectiveness, financial report quality, information value and accounting success. Thus, the conceptual framework, linkage, and conceptual models present the relationships between strategic accounting practice process orientation and accounting success based on the preceding discussion of the literature, as presented by the proposed conceptual framework in Figure 1.

FIGURE 1
A CONCEPTUAL FRAMEWORK OF STRATEGIC ACCOUNTING PRACTICE PROCESS ORIENTATION AND ACCOUNTIGN SUCCESS



Business Transaction Evidence Orientation

The purpose for accounting practice process is to create financial statement to provide reliability and accuracy of a financial report. The accuracy and reliability of financial report is a result of good method collection business transaction in accordance with Generally Accepted Accounting Principles (GAAP). Hence, business transaction is an accounting term to explain the original records that substantiate the business document into the book of original entry. Business transaction offers the documentary evidence of an accounting event or a business deal. Saving and storing all the financial data needed by the public sector on a daily basis, accurately, and reliably; processing and analyzing these data, thereby presenting the management information and financial information to administrators in decision-making status is vital (Kara & Kilic, 2011). In addition, the linkage of business transaction to collect and analyze according to business event is complete and accurate; these are important factors that result in accuracy. Furthermore, the analysis of business transaction is accurate, reasonable, and consistent with the events that appear. These can take completeness of accounting information and offer enough accounting information that leads to decision-making in the future (Wagner, Moll & Newell, 2011).

From the discussion above, business transaction evidence orientation is defined as the correct process in collecting complete business data according to the generally accepted accounting principles (GAAP) and accounting standard. It can be assured to stakeholder that the business documents, accounting information, and accounting practice of the firm reflect economic and legal reality. In addition, the procedure of collecting business transaction that is accurate, complete and in-depth for a quality brings about information quality. Thus, in this paper, one may assume that business transaction evidence orientation has the potential possibility to positively affect accounting function excellence, accounting information quality. The firms needs to pay attention to accounting practice effectiveness. Taking all the aforementioned into account, this research formulates the following propositions:

P1a-c *Business transaction evidence orientation would be positively related to (a) accounting function excellence, (b) accounting information quality, and (c) accounting practice effectiveness.*

Accounting Data Linkage Awareness

Accounting data is business transaction that is done through procedure of recording data. It is important to collect and record business document required by accounting practice process. The procedure of classifying accounting data is a part of accounting practice process following AICPA (1999) which noted that accounting is the recording, classifying and summarizing, in significant manner and in terms of money, transactions and events which are, in part, at least of financial character and interpreting the result thereof. The prior research noted that the data linkage for recording of business transactions is a procedure of accounting practice process on ledgers, papers, spread sheets between other that has been interpreted and presented on financial transaction and report on user. Thus, accounting data linkage is the process of accounting practice process that classifies grouping and records into ledger. To create the ability of firms, it is important to focus on the development of business transaction properly and accurately (Yeboah et al., 2014). Moreover, Assenso-Okofo, Ali & Ahmed (2011) indicated that the linkage of business transaction into record completely and accurately is an important factor that results in accuracy and leads to accounting information quality. Abdel-Kader & Luther (2008) noted that the firm systematically collects business transaction, records accounting data and can recalls checking as user needs. Accounting practice process brings about quality which leads to timeless financial report.

In the above literature review, accounting data linkage awareness refers to the firm's awareness about linkage analysis of accounting information that includes the related business transaction and the correct record of a financial statement. Accounting data linkage awareness can be used as the management of the complete and accurate accounting practice process. The accounting data linkage to record in ledger is a procedure of accounting practice process. Accounting practice can present adequate financial information; it will benefit greater to effective strategic planning leading to enhance performance (Hanpuwadal &Ussahawanitchakit, 2010). Thus, this research expects that accounting data linkage awareness is a distinctive dimension of SAPPO and seems to be highly important to uncover the strategic accounting practice process orientation, contributing to strategic information accounting superiority. The accounting function excellence, accounting information quality and accounting practice effectiveness would be of interest and useful to accounting success. Taking all the aforementioned into account, this research formulates the following propositions.

P2a-c *Accounting data linkage awareness would be positively related to (a) accounting function excellence, (b) accounting information quality, and (c) accounting practice effectiveness.*

Accounting Procedure Clearness Emphasis

AICPA (1999) defined accounting as the recording, classifying and summarizing a financial report. Thus, accounting procedure is accounting process of collecting, recording, analyzing, and summarizing into financial statement. Transparency is the complete, correct, and timely information. Transparency of information permits shareholders, analysts, and other financial statement users to have a greater understanding of a company's operations and activities (Gramling, 2007). The transparent process must be readily understood rights and obligations must be easy to assess for each party. (Mard, 2011). This research uses clearness instead of transparency. The prior research such as Street & Meister (2004) noted that procedure clearness is the process that operates with openness and accountability as well as having an operating system and supporting business documents that can be verified. Therefore, the accounting procedure clearness brings information quality (Klotz et al., 2008); the results of accounting procedure clearness are to reduce fraud, detect risk, and gain more accounting practice effectiveness.

From the discussion above, accounting procedure clearness emphasis refers to the ability of the firms in setting accounting process to operate in accordance with organization policy and accounting system. Thus, it must be in accordance with Generally Accepted Accounting Principles (GAAP) for its transparency and verification. There are firms facing the complexity and irregularity of the accounting practice process. Hence, the firms attempt to create accounting practice process clearness that is one way to make a firm successful. Hence, this research's relationships are propositioned as shown below.

P3a-c *Accounting procedure clearness emphasis would be positively related to (a) accounting function excellence, (b) accounting information quality, and (c) accounting practice effectiveness.*

Accounting Policy Value Concern

Accounting policy is defined as the firms which set rules and methods of accounting practices to prepare and offer financial report and accounting information and is not controlled and limited by manager and stakeholders. Those selected accounting policy must be in accordance with Generally Accepted Accounting Principles (GAAP) and APB Opinion 22 Disclosure of Acceding Policies (April, 1972). In this research, value is direct use value relationship and its use of resources is in accordance with the commercial. Thus, accounting policy value concern refers to the ability of the firm to determine accounting policy for planning of accounting practice and accounting evaluation into effectiveness.

Fekete et al., (2010) indicated that accounting policy affects to accounting information and financial report because accounting policy would be capable to provide accounting information about financial position and firm performance. Most of the accounting policies are related to cost, revenue, and expenses recognition. Thus, selecting accounting policy is an important role for financial statement because each accounting policy will be different to reflect financial report. The accounting policy increases transparency financial report (Hunton, Libby, & Mazza, 2006). Hence, firms that deal with accounting policy tend to increase information transparency and valuable information. Thus, this paper's relationships are proposed as shown below.

P4a-c *Accounting policy value concern would be positively related to (a) accounting function excellence, (b) accounting information quality, and (c) accounting practice effectiveness.*

Accounting Regulation Integration Focus

Accounting regulation is law, accounting standards and financial reporting standards that all business must behave for guideline in accounting practice process. Integration is the harmony among planning, process, and information system. It involves allocating resource, practice, results and analysis for supporting goal achievement of the firm. In this research accounting regulation integration focus refers to the ability of the firm for bringing harmony into law, accounting standards and financial reporting standards to joint management for creating reliability of a financial statement.

The prior research noted that there are varied regulations of accounting practice process as corporate governance, international accounting standard, Sarbanes-Oxley Act, Generally Accepted Accounting Principles (GAAP) and regulation of the firms listed in stock exchange and international standards organization (ISO). Huifa et al., (2010) found that the majority of accounting quality indicators improved after IFRS adoption in the European Union. That is, there is less of managing earning towards a target, a lower magnitude of absolute discretionary accruals, and higher accruals quality.

Thus, the listed firm needs harmony and compliance about varied accounting regulations, implements accounting practice process to achieve their legal responsibilities and responds to their management as success (Caplan, Janvrin & Kurtenbach, 2007). Hence, accounting regulation integration is a good tool; it can link firm building strategic accounting practice process orientation with accounting regulation integration. From the discussion above, this research proposes the following propositions:

P5a-c *Accounting regulation integration focus would be positively related to (a) accounting function excellence, (b) accounting information quality, and (c) accounting practice effectiveness.*

Accounting Function Excellence

Collin et al., (2009) noted that accounting has two functions that are processing of accounting/financial reporting and communicating the accounting/financial reporting into decision-makers. Both of the functions have a wealth of impact with stakeholders of the organization. Moreover, the definition of excellence is the outcome of the best function in accounting. The excellence accounting is processing of accounting/financial reporting and communicating the accounting/financial reporting into decision-makers. Best accounting includes four steps: collect, transform process, report, and disseminate report to stakeholder. Thus, the role of bookkeepers needs to be changed to support competition and sustainable growth of the firm by changing into accounting function excellence. In this research, accounting function excellence is defined as the firm that has complete accounting practice process according to Generally Accepted Accounting Principles (GAAP), regulations, adhering ethical accounting and consists economic event.

Several research studies noted the accounting function serves as the ultimate responsibility for accounting and finance by covering important duties to follow financial accounting that is related to management information system. Accounting function is reporting about financial report and bookkeeping in accordance with generally accepted accounting principles (GAAP) fund management, taxation, management accounting and internal control (Kohlbeck & Warfied, 2010; Ampofo & Sellani (2005). It can operate accounting in a timely manner based on the existing limited resources leading to present financial information report quality, maximize benefit and support strategy planning (Bushman & Smith, 2001). Thus, the firms attempt to meet accounting function excellence through sustainable and competitive advantage of the firms. Thus, propositions are proposed as follows:

P6a-e *Accounting function excellence would be positively related to (a) accounting information quality, (b) accounting practice effectiveness (c) financial report quality, (d) information value, and (e) accounting success.*

Accounting Information Quality

Accounting is service activity which primarily offers financial information on economic identity that is determined to be a useful decision making about economic and making resolved selects between courses of action (Riahi-Belkaoui, 2004). Remarkably, the literature on quality of information found that more or less rely on the information which is accurate, reliable, relevant, timely, complete, understandable, accessible, and consistent with data in compatibility (Ballou & Pazer, 1985; Wang & Stro, 1996; Gardyn, 1997; Micknik & Chen Lo, 2009). Moreover, the meaning data and facts are information quality (Pearson, McCahon & Hightower, 1995), which Chaney, Faccio & Pasley (2011) indicated that information quality supported firm's success to pass the assessment and a decision making of administration. Therefore, in this research, accounting information quality refers to the present accounting information that is correct, complete, fair, relevant, and disclosed all information; it has no bias and reflects economic realities.

In addition, prior research suggested that characteristics of accounting information on firms are accurate, reliable, relevant, timely, complete, understandable, accessible and consistent with data in compatibility (Ballou & Pazer, 1985; Wang & Stro, 1996; Gardyn, 1997; Michnik & Chen Lo, 2009). The decisions resulting from administration will be more or less accurate depending on important factor as the quality of data; it should correspond with Delone & Mclean (1992) who indicated that the data has an effect on organization's operation as the results of the decision have value for data. It can reduce cost and increase useful accounting information. Thus, accounting information quality has an effect on decision making, the information value, operation advantage, and accounting success. Thus, this paper's relationships are proposed as shown below:

P7a-c *Accounting information quality would be positively related to (a) financial report quality, (b) information value, and (c) accounting success*

Accounting Practice Effectiveness

Accounting practice is the process of accounting in collecting information to report and present to stakeholders (Hakan & Lind, 2004). Thus, in this research, accounting practice effectiveness refers to the outcome of accounting practice that is followed by setting of extent, objective and goal achievement completely. These can verify source of accounting information clearly and systematically which reflect business event of the firm (Hakan & Lind, 2004; Askary, 2006).

Street, Nichols & Gray (2000) suggest that adapting accounting practice from IFRS support stakeholder to clearness for financial decision-making can predict the future of the firm. Besides, it provides a signal that is better for financial information quality and transparency which corresponds with Tarca (2004). Moreover, the results of accounting practice effectiveness in the firm are accepted by stakeholders depending on performance that will be a financial report quality, information value and accounting success. Based on these rationales, the following propositions are postulated:

P8a-c *Accounting practice effectiveness would be positively related to (a) financial report quality, (b) information value and (c) accounting success.*

Financial Report Quality

The financial report has two main objectives. First, it analyzes business transaction of external users. Second, it predicts financial position of external users (Burlacu, 2009). Moreover, internal users make decisions of operation management by using a financial report. (Akarak & Ussahawanitchakit, 2010) defines financial report quality as reliability, relevance, comparability and understandability and they are the characteristics of the information's financial efficiency. Hoque (2011) found that the qualitative characteristics of information consisted of accuracy, relevance and timeliness. Thus, in this research, financial report quality refers to the present financial report that includes transparency, and clearness of accounting objective of financial report to be consistent with Generally Accepted Accounting Principles (GAAP) that present timeliness, creditability and benefit of users.

Based on the literature review, Akarak & Ussahawanitchakit (2010) noted that the financial reporting quality is a key for parties that reflect the actual business performance. All parties expect the financial report to be accurate; it should involve business which increases reliance to decision making. Moreover, Beatty, Liao, & Weber (2009) suggest that financial report quality affects decision-making of the purchase or leases of assets which corresponds with Al-Ajmi (2009) who indicated that perceiving of investors about the investment decision depends on financial statements. In addition, the reflection of the firm value and firm success is the efficiency of the financial report (Francis & Schipper, 1999). Thus, this research expects that financial report quality is positively associated with the information value and accounting success. Thus, the propositions are proposed as follows:

P9a-b *Financial report quality would be positively related to (a) information value, and (b) accounting success.*

Information Value

The information value is a major success of the accounting (Zhao et al., 2008) that reflect syllabus of information and lead to implemented for decision-making effectiveness. There are implements to analyze the attribute of information value that is accuracy, relevance, accessibility, usability, timeless, availability, usability and context (Galzer, 1993). In addition, information value is both transparent (the context of the information) and implicit (information itself); the attributes and information quality can be considered as implicit (Zhao et al., 2008). Thus, in this research, information value is defined as information that can empowered completeness among competitors. Thus, information value supports and predicts business events in the future.

Hirs & Hopkins, (1998) indicate that the information value is processing of valuable data based on decision-making within organization. Moreover, Williams, Eaton & Breininger (2011) noted that information value as a basis concept is used to support decision-making when facing with uncertainty. Accordingly, Christensen (2010) indicated that information value of the accounting practice is a key that investors use to make a decision about investment. Based on the literature reviewed above, information value has the likely possibility to affect accounting success. Hence, the propositions are proposed as follows:

P10 Information value would be positively related to accounting success.

Accounting Success

Accounting success is the last dependent variable in this research. AICPA (1999) defined accounting as the art of collecting, recording, classifying and summarizing. Prior research noted that accounting has two functions: processing of accounting and communicating the accounting report into decision-makers (Collin et al., 2009). In addition, Riahi-Belkaoui, (2004) indicated that accounting is service activity which presents accounting information to stakeholder useful decision-making of economic. Thus, in this research, accounting success refers to outcome of accounting practice process that are collecting, recording, classifying business transaction, and summarizing into financial report that is rightful in accordance with GAAP and accounting information sharing to stakeholder supported by information reliability use to decision-making quality. Shaerbaek & Tryggestad (2009) found that financial report is important; it can be used to obtain resource management and exchange report information accounting. Thus, the firms must be aware of accurate accounting practice process with GAAP for creating information reliability in a financial statement.

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Theoretical Contributions

Chandler & Daems (1979) found that accounting practice explains business events and assessment performance of the firm in the past, present and future. This research aims to study the strategic accounting practice process orientation that has effect on accounting success and provides contributions to extend the accounting practice process literature. Firstly, this research explains the purpose of accounting practice process orientation to get a better understanding of relationship among strategic accounting practice process orientation and accounting success in order to accounting practice process development. Secondly, it generates the new five dimensions of strategic accounting practice process orientation to superior accounting practice process effectiveness in each accounting process. To create advantage for the firm in accounting practice process, this research originates dimensions including business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern and accounting regulation integration focus. In addition, it advanced the literature by categorizing consequences of strategic accounting practice process orientation.

Managerial Contributions and Future Research

This research employs accounting practice process effectiveness as a strategy to bring survival to business firms in complex environments. Strategic accounting practice process orientation includes business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern and accounting regulation integration focus. The implications of this research contribute to accountants, chief financial officers (CFO), and practitioners who support the five dimensions of strategic accounting practice process orientation. Moreover, the relationship between strategic accounting practice process orientation and accounting success should be the point of concern. The propositions have to be empirically tested. Thus, this research introduces potential populations for the future research that are the firms. In addition, future research should examine antecedents, moderators, and control variables of strategic accounting practice process orientation and accounting success relationships.

Contributions

This research provides the relationships between strategic accounting practice process orientation and accounting success. In addition, this research focuses on five dimensions of strategic accounting practice process orientation, namely, business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern and accounting regulation integration focus. Moreover, this research also presents its consequence that will affect the accounting success. However, the relationship among each dimension of strategic accounting practice process orientation and consequents are all positively related based on the literature review. Empirical research on the capability of the firm needs to be further investigated.

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STRATEGIC INTERNAL AUDIT EXCELLENCE AND ORGANIZATIONAL SURVIVAL: A CONCEPTUAL MODEL

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ABSTRACT

Strategic internal audit excellence plays a critical role in improving competitive advantage and performance of the organization. Most previous research emphasizes strategic internal audit as a tool for operational management, but it overlooks the ability of internal audit practices to implement using operational control. The dimensions of strategic internal audit excellence include internal audit professionalism orientation, internal audit innovation capability, internal audit learning focus, internal audit integration concerns, and internal audit participation awareness. These dimensions enable best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, decision-making success, and survival. Moreover, future research suggests finding antecedents, moderators, and control variables that can relate to strategic internal audit excellence and organizational outcomes for a model fit by the literature review. This conceptual paper develops a proposition for a hypothesis by developing its concept as a subjective questionnaire instrument. A mail survey questionnaire can use a keyword in the definition as an individual measurement for collecting data from the sample. The sample should have the highest flexibility in the financial business and have extremely competitive pressure. Furthermore, the relationship between antecedents, consequents, moderators, and control variables of strategic internal audit excellence needs a theory to explain the phenomenon in the future research. Thus, this conceptual paper will discuss the relationships between strategic internal audit excellence and organizational outcomes.

INTRODUCTION

Since the global accounting scandals surrounding Enron and WorldCom were caused by inadequate monitoring and timeliness concerning fraud detection, it was a signal for the failure of corporate governance The reason for the collapse was the behavior of infidelity (Messier et al., 2010). Thus, the Sarbanes-Oxley Act, 2002, was enacted to protect stakeholders. Also, the failure of auditing led to fraud (Pagano & Immordino, 2012). Because the auditors lacked proper audit practice, it resulted in unfavorable financial information and supported fraudulent financial reporting (Becker, Haugen, & Matton, 2005). On the other hand, internal audit is an activity that adds value. Strategic internal audit efficiency is a core topic of corporate governance (Haat, Rahman, & Mahenthiran, 2008). Thus, strategy is a new practical subject for the twenty-first century (Capurro, 2005). Strategy is the procedure, step, decision or plans designed to favourably impact the key factors for the intended outcomes of an organization, such as accurate and timely disclosure about fair financial reporting information to shareholders, analysts, and other users; and for understanding the operations and activity of the firm (Gramling & Hemanson, 2007). Additionally, it is a revelation of processes, procedures and assumptions of financial reporting

(Lamberton, 2005). Also, it causes reduced inequality of information between management and stakeholders. Additionally, it is a chance for investment of the firm (Bushman & Smith, 2003). It increases the liquidity of high-quality assets, and information quality for the stock of the firm (Burkhard & Strausz, 2009). Thus, when auditors have a strategic internal audit, it leads to positive and practical information.

Prior studies have found internal auditing function to be a tool of a firm's managers for operational control by having a focus on internal auditing function and practice in a developed country. Also, organizations are interested in internal audit, both the concepts and operations, which internal audit is an activity that adds value. The internal auditors operate based on the standards of professional practice of internal audit for the success of the operation of an organization, for efficiency, and for effectiveness (Al-Twaijry et al., 2003). Previous research focused on internal audit excellence, and the effects of the operational internal audit. In past literature, the study shows that few studies on the internal audit focus on the impact of strategic excellence on survival in the operation of the organization. Especially, there is slight knowledge about the ability of firms to implement the internal audit function for control in a developing country. This is consistent with Kangariouei, Motavasse & Mohammadzadeh (2013) who suggest that SIAE aims to identify the ability of the power of the internal audit function in operational control where one knows a few things about it. The gaps are the motivation of this paper in finding the concept of SIAE. In this paper, strategic internal audit excellence (SIAE) refers to the ability of an organization to integrate practices in performing internal audits which can perform better than the standard (Barac, Plant & Motubatse, 2009; Fadzil, Haron & Jantan, 2005; Kanellou & Spathis, 2011; Pinto et al., 2013). According to a literature review of previous empirical research, the conceptual development of dimensions about each article helped the researcher to conclude the dimensions for strategic internal audit excellence.The five dimensions of SIAE are addressed as the following: internal audit professionalism orientation, internal audit innovation capability, internal audit learning focus, internal audit integration concerns, and internal audit participation awareness.

Furthermore, crucial strategic internal audit excellence is a valuable resource of capability and knowledge of the firm, where the capacity of the organization is the key factor in goal achievement and business operation success. SIAE depends on the resource and competency of each firm because each firm has different resources, knowledge, and ability of company personnel. If the firm can apply internal audit functions, it will help them achieve their performance and control. Then, for building excellent resource management and performance of the business, they need to developing ability in using the ways and means of the internal audit function for setting up and control operational activities. Thus, in this paper, one objective of the study is to identify the causes and effects of SIAE on firm survival, best internal audit practice, internal audit efficiency, and internal audit effectiveness. The factors will have an impact on decision-making success, financial reporting quality, better performance of the firm and organizational survival.

The remainder of this conceptual paper is arranged as follows. The first section discusses the SIAE supporting perspectives on the link to organizational outcomes. The second one provides proposition development and the conceptual framework. The next section offers a contribution and future research directions. Finally, this paper provides the conclusion for the conceptual framework.

STRATEGIC INTERNAL AUDIT EXCELLENCE

SIAE is the quality control mechanism procedure of the audit practice to ensure that adequate checks and integration are involved, as well as the reliability of the audit evidence, internal control assessment, risk factors, and audit work that ensures compliance with internal auditing standards

(Limmroth, 2012; Tan & Jamal, 2001). Operational excellence has internal factors involved, including the different cultures, visions, economic situations, expectations, and a client's preferences on standard outcome successes in the auditing (Boonmunewai & Ussahawanitchakit, 2010). The internal audit function in the organization improves good corporate governance (Zaman & Sarens, 2013). Also, internal audit innovation is important to audit success in the internal audit process (Sampattikorn, Ussahawanitchakit & Boonlua, 2009). Financial reporting quality should retain some flexibility to enable the internal audit to respond to new issues as they arise. The strategic plan is translated into internal audit strategic plans to help guide the development of the internal audit function and the strategic planning processes needed for entrepreneurs and their interests, because it can be useful for firm growth (Sarens & Abdolmohammadi, 2011).

In summary, this research defines SIAE as the integration of many aspects, including the ability to use specialized knowledge, skills, and experiences to succeed effectively in the internal audit practice, and internal audit functions (Savcuk, 2007). Also, there is belief that SIAE provides the following: best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, and decision-making success (Sawyer, 1995). To gain an understanding of SIAE, it is reviewed in the literature. Many researchers define the strategic internal audit. These definitions are integrative internal audit practices for utilizing determinant performance evaluation and control criteria to enhance the performance of an organization. In this paper, the term “strategy” refers to the ability of the firm to use internal auditing function, utilizing firm resources and operations for achieving the goals. SIAE is an independent variable that is interesting for the investigation of this paper, because it refers to the ability of firms to implement capability and functional internal auditing used for the operational setting and control of enterprises that conform to policy and promote goals achievement of the business. The details of standard definitions are concluded, based on prior research. A summary of the definitions of the strategic internal audit is presented in Table 1.

Table 1
THE SUMMARY OF DEFINITIONS OF STRATEGIC INTERNAL AUDIT

AUTHORS	DEFINITIONS OF STRATEGIC INTERNAL AUDIT
Laurentiu, Dragne & Tilea (2014)	Modern internal audit practices deal with the procedures utilized by the representatives of the organizational information to provide oversight of control, monitoring and risk processes administered by management.
Institute of Internal Auditors (IIA) (2012)	Governance processes deal with the procedures utilized by the representative of the organization’s stakeholders to provide oversight of risk and control processes administrated by management.
Endaya & Hanefah (2013)	Strategic internal audit is influenced directly by internal auditors’ characteristic and internal audit function performance, inclusive of organization members’ assist as a moderating variable in these relationships that could insight for future research.
Kanellou & Spathis (2011)	As a method of independent and objective validation, increases the value, improves the operation and performance.
Barac, Plant & Motubatse (2009)	Ability of an organization, that is independent, objective assurance and consulting activity designed to add value and improve an organization’s operations.

The characteristics of SIAE are practices as a capability for using functions of the internal audit for monitoring operational performance. It occurs from a broader body of operations, such as an ability and in-depth understanding of internal auditing procedures and duties of the firm. Also, internal auditing capability is used as a tool to gather and give feedback for data, to evaluate operational performance, and to set the way and goal for work (Alic & Rusjan, 2010). The characteristics of internal control is the internal auditing tools for monitoring the plan and goal of the firm is needed. A strategic internal audit can divide the benefit of internal auditing activities for operational control and performance evaluation into two activities: internal audit activity and managerial participation activity (Chenhall & Smith, 2011).

Firstly, for internal audit activity, this business aggregates the benefit of varying internal auditing functions and capability for controlling. For example: 1) internal audit professionalism orientation is the realization of a firm in emphasizing specialization of expertise, self-regulation, integrity, transparency and continuously following the professional news. 2) Internal audit innovation capability is related the ability of creating new or developed internal audit strategies. These are techniques in applying computer assistance that the internal auditor uses in verification activities to achieve the operational goals of the organization. 3) Internal audit learning focus is concerned with the intention of a firm in developing the knowledge and practical experience of the internal auditor through education, training, sharing skills, and seeking for new supplemental knowledge. 4) Lastly, internal audit integration concerns are the firms' intention to link all internal audit procedures, techniques, risk assessments and audit reviews into an audit system to achieve the internal audit goal and business objectives.

Secondly, managerial participation activity is involved in communicating objectives that the firm needs; for example, internal audit participation awareness is oriented toward the organizational vision for emphasizing the extent of creating an operation, to maximize a business's goal achievement and lead to internal audit participation effectiveness. It assists each division to recognize and understand the objectives of the firm's needs. Also, it reflects working and operational control in that each section sets a goal, criteria, and practice by itself. These are tools for enabling the firm to monitor an operation to conform planning and goal achievement-setting (Stergiou, Ashraf & Uddin, 2013; Granlund, 2011; Duh, Xiao & Chow, 2009).

PROPOSITION DEVELOPMENT

Internal Audit Professionalism Orientation

This paper provides the meaning of internal audit professionalism orientation; that is, the ability in giving audit services that require specialized knowledge and expertise, and act with integrity, self-regulation, and high standards of individual behaviors on the career path to conduct quality of work, and conduct accepted feedback from stakeholders and others (such as creditors, investors, and lenders). Internal audit professionalism orientation is the first dimension of SIAE. Internal audit professionalism is very important for the quality of audit work that includes audit competence, skills, and experience for best efficiency and effective abilities, which enables the internal audit practices to accomplish goals (Sampattikorn, Ussahawanitchakit & Boonlua, 2009).

Recent studies show the effects of professionalism on occupational success. However, professionalism has been defined by several sources in many different contexts. In auditing, professionalism is primarily a task-related phenomenon (including expertise, autonomy or independence, commitment to the task, identification with peers, maintaining a standard, and ethics (Sommai, 2009). Others define professionalism as a skill, commitment, competence, and a characteristic of high occupations (Karacaer et al., 2009). Also, professionalism is defined as an effort to serve with full-time work that is associated with auditor skills (Vaitip & Ussahawanitchakit, 2013). Some researchers define professionalism as the dimension of an attitude in which one is committed to one's profession, some components of a task, or skill characteristics (Cohen, Krishinamoorthy & Wright, 2004). Moreover, professionalism deals with a practitioners' ability, experts who solve problems, ethics, adherence to standards, recognition by the community, the quality of work hours, honesty, integrity, team players, striving for excellence, (Van, 2005;

Chenhall & Smith, 2011), autonomy and self-regulation (Martin, Sanders and Sealan, 2014). Additionally, audit professionalism provides professional internal audit services that lead to an audit failure or success (Ridge, 2006). Internal auditors who advance in professionalism in auditing may have a good chance of audit success (Rittenberg & Covaleski, 2001). It includes audit professionalism that is related to job reliability, individual image and a working reputation that affect audit success (Wittayapoom & Ussahawanitchakit, 2009). Hence, the proposition is as follow:

P1: Internal audit professionalism orientation would be positively related to (a) best internal audit practice, (b) internal audit efficiency, (c) internal audit achievement, (d) financial reporting quality and (e) decision-making success.

Internal Audit Innovation Capability

According to the Institute of Internal Auditors, internal audit is the activities that firms implement to add value and improve their operations (IIA, 2013). Also, innovation is defined as the acceptance of ideas, processes, products, or services that are essential in adopting a unit that is perceived of as new (Garcia & Calantones, 2002). Innovation consists of two types: incremental and discoverable. Incremental innovations are the novel, changes and improvement of old things. In contrast, breakthrough innovations are something that are novel or unique (Garcia & Calantone, 2002). Therefore, internal audit innovation capability refers to developed or new internal audit strategies and techniques that the internal auditor uses to conduct internal audit activities. Internal audit innovation capabilities ensure compliance with the objectives and goals set forth, and practice that is on the schedule. Innovation capability has a significant impact on performance. The competence of innovation is about the detection of financial statement errors to build confidence that the financial statements are prepared within the financial reporting framework.

In past literature, internal audit innovation capability was found to use computer-assisted audit techniques for (Dittenhofer, 2001; Thompson, 2001; Anantha, 2003; Braun & Davis, 2003; Warren & Smith, 2006) self of control assessment (Baker & Graham, 1996; Karapetrovic & Willborn, 2001). Also, audit innovation capability provides more information that is efficient. Innovation capabilities in a risk management system focus on the internal auditors' effectiveness to build opportunities and values in the operation of the audit (Sarens & Beelde, 2006). Also, a working paper innovation capability is the primary source of quality control and feedback of determination (Gras-Gil et al., 2012). Internal audit innovation capability feedback is useful for improving the quality of the review (Houston & Stefaniak, 2013). As mentioned above, internal audit innovation capability has the potential possibility to provide the greater best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, and decision-making success. However, different resources have resulted in the perceived scope of innovation capability, and the various organizational goals (Fargher, Mayorga & Trotman, 2005). Therefore, innovation capability is not enough, as the results impair financial reporting quality and cannot add value to the organization. All of these may affect an innovation capability that does not have an impact on the operation of the internal audit. Hence, the proposition is as follow:

P2: Internal audit innovation capability would be positively related to (a) best internal audit practice, (b) internal audit efficiency, (c) internal audit achievement, (d) financial reporting quality and (e) decision-making success.

Internal Audit Learning Focus

The concept of learning awareness is the ability of an organization in having the potential to take appropriate action, whether or not administrative structures and procedures facilitate and encourage learning and using the knowledge gained. Experience creates opportunities to add value to the businesses development and utilization of knowledge in the operations of the organization (Li, Kunnathur & Ragu-Nathan, 2010; Srichanapun & Ussahawanitchakit, 2013). Also, learning focus can explain managerial guidelines, mechanisms, and management structures being implemented to promote learning in a firm (Swee, Elliott & Quon, 2012). Thus, learning is important, because it is needed for firms to respond quickly to changes in their external environment (Coetzer & Perry, 2008; Elbanna, Ali & Dayan, 2011).

Past research found that, in a study of knowledge development in the profession of internal auditing (in the context of professional practice, and the role of the auditor of the firms), internal auditors needed to examine all business risks and transactions. Also, currently, the internal audit profession is an integrated structure of knowledge, which can improve capabilities of the business (Jokipii, 2010). Moreover, Steyn et al., (2009) concluded that knowledge about the needs of education and training for internal auditors can help them understand the expected requirements of the experience and specifications that they must face in becoming a competent internal auditor. Also, the internal auditor may not have the depth of the knowledge, a lack of practice, and feedback that is required in the practice of an audit, which may be caused by a company which is not focused on the importance of more training, and lacks aptness of staff in training. As a result, it cannot develop the proficiency to operate (Carpenter et al., 2007). As aforementioned, education and training are the major components of internal audit learning that lead to the increased ability to practice accurate and timely internal audits. Additionally, many younger auditors may believe that the skills acquired through educational programs result in a rise of competencies, knowledge, and abilities (Seol et al., 2011). Consequently, in this research, the ability of the internal audit function to pursue knowledge and practical experience of internal audit through education, training, monitoring, and intelligence updates are associated with the development of knowledge about later professional inspection, and will realize future benefits. Hence, the proposition is as follow:

P3: Internal audit learning focus would be positively related to (a) best internal audit practice, (b) internal audit efficiency, (c) internal audit achievement, (d) financial reporting quality and (e) decision-making success.

Internal Audit Integration Concerns

Internal auditing integration concerns are the creation of an integrated internal audit system for the evaluation of management system performance, including quality, environment, health and safety, economics, and financial audit subsystems (Karapetrovic & Willborn, 2002). Consequently, it decreases the amount of similar-looking assessments and audits. The efforts to integrate all compliance allow documenting and examining control only once, and use it for many different regulations (Martin, Sanders & Scalan, 2014). Internal auditing integration concerns are likely to produce nothing, but it has many benefits for the firms. Additionally, an organization not only competes in local markets but competes in the global market as well. It needs to comply with many technical standards and requirements, such as corporate governance, international accounting standards, and the International Organization for Standardization (ISO) (Karapetrovic & Willborn, 2002). Significantly, internal auditors have the responsibility for examining the compliance of the firms based on their standards and requirements.

In this paper, internal audit integration concerns refers to the ability about commonly connecting all internal audit procedures with the examination system to achieve the internal audit goal, such as the quality process, financial reliability information technology security, and environmental protection activity. The benefit of internal auditing integration decreases internal audit time, cost, and workload.

Additionally, more integrated compliance and risk information increases the quality of auditing (Martin, Sanders & Scalan, 2014). Internal audit integration concerns lead internal auditors to evaluate the overall parts at the work that they assess. With the combination of financial statements and the audit information, it helps internal auditors to understand the impact and significance of the control of information technology in the financial statement (Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Hence, the proposition is as follow:

P4: Internal audit integration concerns would be positively related to (a) best internal audit practice, (b) internal audit efficiency, (c) internal audit achievement, (d) financial reporting quality and (e) decision-making success.

Internal Audit Participation Awareness

Internal audit participation awareness is the ability about inducing and attracting activities all of stakeholders, managers, or practitioners to give any problems and opinions in the organization's operation. It includes awareness of the cooperation of the businesses. The oldest internal audit reflects the enforcing of regulations of the standards. The internal audit is conducted in different environments and among the goals of each organization (Qian, Burrilt & Monroe, 2011). The different environments may affect internal auditing participation (IIA, 2012) and the changes in the workplace to manage and establish internal audit systems for sustainable competitive advantage (Bielinska-Dusza, 2011). This may affect the participation of internal auditing, which internal audit is an activity that adds value and needs operational standards for the professional practice of the internal audit (Barac, Plant & Motubatse, 2009). According to employee participation, performance is necessary for public sector organizations (Carcello, Hermanson & Rashunandan, 2012; Abdolmohammadi, 2012). Also, employee participation is consistent with dramatic values, including the right of an employee to be involved in decision-making that affects their work environment (Capelleras & Robetino, 2008). The management researcher still debates whether participation improves outcomes, especially performance. The prior research presents that participatory auditing is applied around the world. Therefore, the best practice successfully changes management techniques and processes (Zuriekat, Satameh & Alrawashdeh, 2011). Participation refers to the techniques, methods, processes, and procedures that are combined with practice and improve the organization. In summary, internal audit participation awareness and its consequents predict that these are positively correlated. Hence, the proposition is as follow:

P5: Internal audit participation awareness would be positively related to (a) best internal audit practice, (b) internal audit efficiency, (c) internal audit achievement, (d) financial reporting quality and (e) decision-making success.

Best Internal Audit Practice

Good corporate governance has to be disclosed to ensure to shareholders or stakeholders that the financial reporting has to be credible and accurate. It is a consequence of good audit practices, consistent with the auditing guidelines, and in compliance with accepted accounting standards, leading to transparency and accountability (Chitmun, Ussahawanitchakit & Boonlue, 2012). Also, the best auditing practices have a significant role in business decisions, helping in obtaining loans and correctly improving earnings (Prawitt, Smith & Wood, 2009). In previous research, the best auditing practices include records maintenance, efficient accounting systems, and constant monitoring. Bookkeepers should ensure that financial records are kept safely along with a backup and are readily available (Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Also, businesses focus on learning and understanding of the accounting standards. The application of knowledge and experience to improve and develop auditing practice will work surely guidelines for the best auditing practice contribute to the effectiveness of internal control (Rfaah & Rfaah, 2013; Spicer, 2006).

In this paper, best internal audit practice refers to accounting processes that comply with accounting policies which are consistent with the accounting standards and accepted accounting principles that are transparent and accountable. The best auditing practice suggests that the potential effectiveness of the audit committee results in financial reporting quality, adding financial information, and reducing risk to the organization, while enhancing the quality of the internal audit (Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Best internal auditing practice affects the quality of financial reporting and the reliability of financial information, reduces corporate risk, and assists in the internal audit quality (Lee & Ismail, 2010; Prawitt, Smith & Wood, 2009; Ninlaphay, Ussahawanitchakit & Boonlua, 2012). Thus, this paper predicts that the best internal audit practice may influence internal audit efficiency, financial reporting quality, decision-making success and internal audit achievement. Hence, the proposition is as follow:

P6: Best internal audit practice would be positively related to (a) internal audit efficiency, (b) financial reporting quality, (c) decision-making success and (d) internal audit achievement.

Internal Audit Efficiency

Internal audit efficiency refers to the ability of firms to save the use of resources in operational auditing; are timely, reliable, and performance auditing in accordance with the standards (Pongsatitpat & Ussahawanitchakit, 2012; Savcuk, 2007). Efficiency is the ratio of input per output: such as hours or years spent per audit report. Highly efficient auditors and officers have an “inspiration” to create audit yield with each hour of inspection time invested. The core notion is to make each time investment count in the audit office. Also, efficiency is not the only concept that may be revisited through a realization of its multiple potentialities. General ideas of efficiency may diverge from the particular operational organizations seen here in one’s auditing ability.

Internal audit efficiency refers to the process of planning, organizing, processing and using procedures that exist within the organization, that have been designed by the board of directors and management of the organization. The main purpose is to achieve reasonable confidence about: 1) reliability and integrity of information quality; 2) policy compliance, plans, methods, laws and regulations; 3) to take care, protect, be aware of, and maintain the firm's assets; and 4) having a saving environment that actually achieves the objectives and goals the defined operation. This element of internal control identifies control environment, risk assessment, control activities, information, communication, and monitoring. Ninlaphay, Ussahawanitchakit & Boonlua (2012) define internal audit efficiency as the practice of audit freedom and evaluation of activities within the organization. The objective is to assist practitioners at all levels of the organization to carry out their duties, and encouraging an internal control side process, organizational plan, system, and how the organization is capable under its rights to establish the reliability and integrity of the data quality, policy compliance, plan, method, law, and regulations. Also, care in protecting firm assets, and the efficient use of resources, efficiently lead to achieving the objectives and goals of the operation or the plan (Gatewongsa & Ussahawanitchakit, 2013). Moreover, the internal audit has focused on the efficiency and effectiveness of the process as well (Felix, Gramling & Maletta, 2001). Hence, the proposition is as follow:

> *P7: Internal audit efficiency would be positively related to (a) organizational survival, (b) financial reporting quality and (c) decision-making success.*

Internal Audit Achievement

Audit effectiveness is required from stakeholders (Mihret & Yismaw, 2007; Kangarlauei, Motavassel & Mohammadzadeh, 2013). Especially, investors in securities markets need assurance about audit effectiveness. This demand can improve the financial statement quality for investors. The internal auditor in Thailand considers the Certified Professional Internal Audit of Thailand (CPIAT). Also, in audit professional financial reporting, the determinants of the decision are concerned with information conveyed to stakeholders. Following the failure in auditing, the goal of every organization is to succeed according to its objectives and survive the future. The best way is to use a long-term perspective, social responsibility, and the welfare of all stakeholders. So, companies with ethical responsibility can contribute to their own survival in the long run. The ethical behavior of a corporation will improve its own ability in attracting non-tangible resources, profits, increased performance; and creating a competitive advantage, including the satisfaction of the needs of stakeholders (Cohen & Sayag, 2010; Ahmad, Othman & Jusoff 2009; Unegbu & Kida, 2011; Endaya & Hanefah, 2013).

In this paper, the standards of performance of internal audit are a significant mechanism to help organizations' internal audit and internal auditors to maintain a continuous quality of operations, and build trust and acceptance of the performed audit toward the people involved, both inside and outside the organization. In particular, the acceptance and confidence of the management of the organization takes advantage of the inspection report on the standards of operation that have been established (Sharma, Sharma & Ananthanarayanan, 2011; Sommai, 2009). Meanwhile, the organization needs a quality system of internal audit due to the expectations of stakeholders. There is also an expectation that the company with a quality internal audit can help to reduce errors and risks from business operations. The quality of internal audit demonstrates the ability of the functions of internal audit to provide useful results and instructions to add value to the company and gain reputation for, and the reliability of, the stakeholders (Mihret & Yismaw, 2007). So in this paper, internal audit achievement is the effectiveness of the audit's objective by gathering sufficient and appropriate audit evidence in an audit objective that is successful, regards the risk of reduction, and internal control effectiveness with the internal audit standard.

In summary, internal audit achievement affects greater financial reporting quality, decision-making success, and organizational survival. Hence, the proposition is as follow:

P8: Internal audit achievement would be positively related to (a) organizational survival, (b) financial reporting quality and (c) decision-making success.

Financial Reporting Quality

Financial reporting quality means the ability to successfully communicate with the technique of building quality, satisfaction, and accuracy, by using the least resources (David, 2009; Endaya & Hanefah, 2013). All organizations try to operate their organizations for efficiency to increase competitive advantage. Operational efficiency is the ability of an organization to economize resources and increase quality to achieve objectives and goals. The linguistic context of a rapidly changing business environment makes the challenge even more, concerning the high degree of increasing cost. The changes and intense competition of the world enterprise today, results in organizations' need for strategic operations (Mat & Sabramaniam, 2004). The organizational strategies are necessary to achieve its goals. The strategies for excellence are associated with the plan, which is the method of implementation of the strategy and objectives, the vision of the organization's future direction in the long-term, the mission covering the organization's need to execute the vision, and the objective as the goal for reaction strategies. The internal audit is an instrument or a significant management mechanism in the evaluation of operations and internal controls of the organization. The organizations can bring about the productivity of the internal audit in order to use the administration efficiently, and enhance the value and success of the organization (Nolan & Smith, 2008; Domnisoru & Vinatoru, 2008).

In this paper, the practice of internal audit is for the internal auditor who should have a comprehensive overview of internal audit, and knowledge about the principles of how to check. This includes the need to conduct operations in accordance with generally accepted auditing standards and international principles, operating independently and impartially (Akarak & Ussahawanitchakit, 2010; Chelimo & Kariuki, 2013). They must have knowledge and proficiency in the adoption of the internal audit, know detection techniques necessary for inspection, have knowledge and understanding of management principles, and have the ability to communicate with honesty (Sarens, Debeelde & Everaert, 2009). However, improving efficiency requires different managerial capabilities than for achieving effectiveness; the organization needs to have the ability to develop its strategy for growth. Learning more, constitutes sustainable growth and the impact on retained earnings. Also, neglecting the creation and development of new sources of value within business networks (Ramamoorti, Bailey & Traver, 1999; Mouzas, 2006) makes the organization unsuccessful in financial reporting quality. Therefore, the proposition is as follow:

P9: Financial reporting quality would be positively related to (a) organizational survival and (b) decision-making success.

Decision-Making Success

Decision-making has a crucial role in management, particularly when the operation of the organization is multi-dimensional. This is because the decision will influence the company in its long-term activities (Chong & Eggleton, 2003; Tzu-Chuan et al., 1998). Furthermore, effective decision-making will be used to improve the working efficiency of the organization and help to increase the potential of those organizations (Gatewongsa & Ussahawanitchakit, 2013; Chenhall, 2003). Thus, decision-making refers to the action of some operations or solving problems. Decision-making will include the options to be considered. Such options will be the selection concerning maximum efficiency or best success, and are appropriate to the goals of people and the organization (Yeshmin & Hossan, 2011; Solomon & Trotman, 2003). Therefore, quality data will help the decision-maker to use their appropriate judgment for decision-making. The accurate and reliable data will be more useful for better decision-making. So decision-making refers to the selection of operational guidelines, or assessment and selection in relevant conditions (Huber, 1991; Libby & Frederick, 1990). At present, there are changes in the marketing competition system of global markets. Thus, it is necessary that information must be timely, reliable, and have ease of use, which is the important key and success of decision-making (Hamill & Whitaker, 2005; Chitmun & Ussahawanitchakit, 2012).

Therefore, in this paper, decision-making success is defined as the enterprises that correctly choose an alternative of business operations based on the quality of information that is appropriate, timely, accurate, and reliable; and the information fits with the target in order to achieve the business goals of the organization. Therefore, the proposition is as follow:

P10: Decision-making success would be positively related to organizational survival.

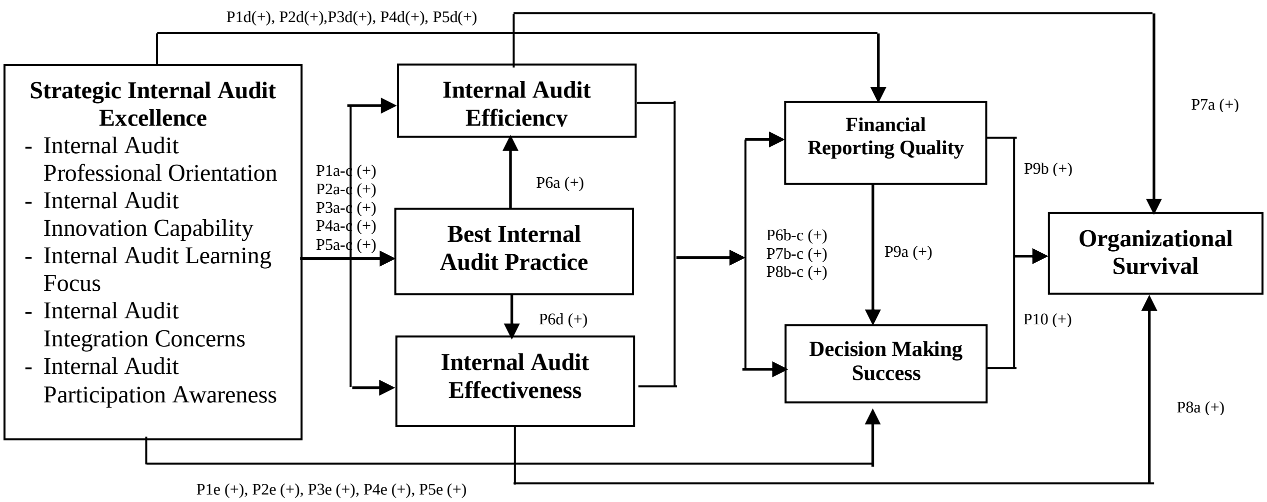
Organizational Survival

Organization survival, in this paper, means the ability of each firm in breaking through the barriers (under an environment that is uncertain), and making changes in competition at the time an organization is stable, which results in achieving the economic growth of the organization in the long-term. In addition, the majority describes survival as approaches or strategies that organizations must use to integrate their organizational capabilities and business innovation, and to ensure corporate survival in long-run operation (Mihret, James & Joseph, 2010). Organizational survival is the ability of a firm in managing an uncertain competitive environment during a period (Persson, 2004). Organizational survival requires maintaining a balance between flexibility and stability, depending upon the external environment (Naidoo, 2010). Furthermore, in the operations of the business, all organizations focus on existence to ensure that implementation continues in the long-term. The organization must adopt a strategy of deployment to ensure that the organization can survive. Organizational survival is a corporate status that has gained satisfying performance in the past, continues to the present, and is expected to extend to be better in the future (Prempree & Ussahawanitchakit, 2012). Therefore, the potential in risk management effectiveness with superior competitors exceeds the expectations of stakeholders and executives who want to have an internal audit report for the major risk in the organization that is managed efficiently, which makes the internal audit assess the risk management process, and evaluates the system of internal control and the governance assessment of the processes (Pothong & Ussahawanitchakit, 2011). This is the complete assessments in all departments within an organization, by the best practices, and it has internal audit reports that are accurate and independent. Thus, all of this is linked to the internal audit department for operations according to the internal audit function responsibly and performance. It must be independent of the real audit information, which benefits the organization, and supports organizations to achieve the goal. This is most crucial to the development of organizations for survival.

CONCEPTUAL FRAMEWORK OF STRATEGIC INTERNAL AUDIT EXCELLENCE AND ORGANIZATIONAL SURVIVAL

This conceptual paper investigates the relationships between strategic internal audit excellence, best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, decision-making success, and organizational survival. Thus, the conceptual framework, linkage, and conceptual models present the relationships between strategic internal audit excellence and organizational survival based on the preceding discussion of the literature, as shown in the proposed conceptual framework of Figure 1.

Figure 1 A Conceptual Framework of Internal Audit Excellence and Organizational Survival



CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

This paper has intended to provide a clearer understanding of the SIAE relationships, best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, decision-making success, and organizational survival. Also, it intends to expand the theoretical contributions of previous knowledge and the literature of SIAE. The theoretical contributions of SIAE include the following. Firstly, this study proposes consequences of SIAE that are best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, decision-making success, and organizational survival for the theoretical framework. Moreover, this paper has managerial implications for practitioners about SIAE. Primarily, the internal audit function has a strategic practice and is likely for audit survival. SIAE helps lead to critical internal audit competencies that reveal the best internal audit practice, internal audit efficiency, internal audit achievement, financial reporting quality, decision-making success, and organizational survival. This paper provides a better understanding of how the internal auditor can encourage SIAE. Moreover, internal audit excellence should provide the appropriate resource to support audit practices that are involved with achieving operational goals.

Suggestions for Future Research

This conceptual framework shows SIAE only as an independent variable and its consequent. Future research should study antecedents, moderators, and control variables of SIAE and organizational outcome relationships. Moreover, future research may attempt to include empirical research by using a mail survey questionnaire as an instrument for collecting data from financial businesses, because this business has extremely competitive pressure and the highest business flexibility. These businesses need continuous adjustment in environmental change and controlling operations by implementing managerial accounting processes, leading the firm to sustainable competitive advantage and goal achievement. Therefore, all concepts in this paper should seek theory to explain the phenomenon of understanding relationships. Also, the internal audit director or internal audit manager informant is a considerable factor influencing the reality of information for the analysis and is entrusted with the actual understanding of their businesses.

CONCLUSION

Currently, the internal audit function must improve and develop performance to generate efficiency, effectiveness, and organizational survival. They seek tools for controlling operations by rules or professional regulations. Additionally, the prior research can be used to explain the relationships among SIAE and its consequences. Moreover, this conceptual paper contributes to an understanding of the relationship between SIAE and organizational outcomes. Additionally, five dimensions of the SIAE are adopted from reviewed prior research: (1) internal audit professionalism, (2) internal audit innovation capability, (3) internal audit learning focus, (4) internal audit integration concerns, and (5) internal audit participation awareness (Barac, Plant & Motubatse, 2009; Fadzil, Haron & Jantan, 2005; Kanellou & Spathis, 2011; Pinto et al., 2014). This is an ability of a firm in implementing internal audit function practice efficiency that it may enhance organizational outcomes. It includes best internal audit practice, internal audit efficiency, internal audit effectiveness, financial reporting quality, decision-making success, and organizational survival.

Furthermore, to complete the concept, the researcher should investigate antecedents, moderators, and control variables that are related to SIAE and organizational outcomes. This conceptual paper can develop hypothesis testing by developing the concept in a questionnaire as an instrument for collecting data in the future. The subjective measurement can be used for all concepts by using a keyword of measurement definition. A suitable sample should be finance businesses because they are the highest risk business with many regulations and extremely competitive pressure. In the future, this conceptual model needs to empirically investigate the evidence for SIAE and organizational survival. In conclusion, this conceptual paper needs theory to explain the phenomenon for understanding all relationships for the conceptual framework fit.

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ANALYZING COST BEHAVIOR OF PHILIPPINE FIRMS

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ABSTRACT

Recent studies find that cost behave asymmetrically with changes in activity levels which challenges the traditional view that cost behaves either symmetrically with volume (variable) or remains the same (fixed). Philippine firms exhibit this cost behavior using discretionary costs such as sales, general and administrative expenses (SGA). However, the question remains whether they exhibit the same behavior for other types of costs such as cost of goods sold, investment costs and total operating costs. This study shows that Philippine firms adjust their cost structures whether it be their cost of goods sold, investment costs or total operating costs with changes in demand conditions using the empirical model of ABJ (2003).

COST STICKINESS: A DECADE HENCE

Arnel Onesimo O. Uy, De La Salle University

ABSTRACT

A decade after Anderson, Banker and Janakiraman's or ABJ (2003) study on cost stickiness, this study reviews and analyzes the growing body of literature regarding this phenomenon. In their seminal work, ABJ (2003) hypothesized that many costs arise and move as a result of deliberate resource commitment decisions by managers considering adjustment costs. Firstly, this study discusses the theoretical framework of sticky costs phenomenon. It proceeds to presents the criticisms and questions raised on the validity of this cost model and how different studies have addressed them. Next, we take stock on the different articles published on cost stickiness and summarizes key issues they addressed, methodology employed, type of analaysis made and results thereof. As a conclusion, we present a list of some possible future research directions on cost stickiness.

SPECIALIZED BEHAVIORAL MENTORING PROCESS DEPLOYABLE IN THE ACCOUNTING SECTOR

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ABSTRACT

Because of the collapse of the U.S. financial structures, accounting and financial managers have experienced much distress resulting from inaccurate reportings. The outcome of senior executives relying on inaccurate results continues to negatively impact employment status and client satisfaction. Research is limited on how mentoring processes may be beneficial to approach financial situations without compromising morals, values, and employment. Because the moral and value systems are a part of the human anatomy, the value system becomes a part of the organizational culture. Thus, mentoring processes should promote inclusion and never exclusion. Findings show that with the assistance of a visionary mentor, the hiring, accounting, and financial managers may obtain the necessary means, knowledge, and understanding that support the organizational vision and purpose and their moral and value systems, reducing stress. When emotions are discussed and incorporated as part of the mentoring process rather during the decision-making process, decisions by senior executives will be based on facts and principles and intuitions, however, insulated by morals and values aimed to protect accounting and financial managers, projects, or processes associated with deployment of strategies for financial services.

INVESTIGATING THE RELATIONSHIP BETWEEN MANAGERIAL ACCOUNTING CONTROL ORIENTATION AND ORGANIZATIONAL OUTCOMES: A CONCEPTUAL FRAMEWORK

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Suparak Janjarasjit, Mahasarakham University

ABSTRACT

Managerial accounting control orientation plays a crucial role in improving competitive advantage and performance of the organization. Most prior research emphasis is on managerial accounting practice for use as a tool for operation management and control, but it is unclear on capability and function of managerial accounting that may link to operational controlling. The dimensions of managerial accounting control orientation include goal achievement setting, target costing utilization, value chain application, cost allocation determination, and budgeting participation implementation. These dimensions will enable the organization to have outstanding operational proficiency, excellent cost management, superior information usefulness, decision-making value, resource management effectiveness, and performance. Moreover, future research suggests find to antecedents, moderators, and control variables that can be related to managerial accounting control orientation and organizational outcomes for a model-fit by the literature review. This conceptual paper can develop a proposition for a hypothesis by developing the concept as a subjective questionnaire instrument. A questionnaire can use keywords in the definition for a subjective measurement in collecting data from the sample. The sample should be highly flexible in the manufacturing business and have extreme competitive pressure. Furthermore, the relationship among antecedents, consequents, moderators, and control variables of managerial accounting control orientation needs a theory to explain the phenomenon in the future research. Thus, this conceptual paper will discuss the relationships between managerial accounting control orientation and organizational outcomes.

INTRODUCTION

Manufacturing firms are confronted with a changing economic environment and competitive pressure. It causes these firms to adapt and find tools for controlling operations in accordance with their goal and objectives. Traditional research studies have been focusing on financial accounting information usage for controlling operational activities, but the information is insufficient (Moilanen, 2008). In addition, Ittner & Larcker (1995) propose that managers apply managerial accounting information in short-term and long-term goals to improve firm's performance. Managerial accounting function usefulness is an important tool for managers who use planning, controlling, and decision-making to enhance firm performance. It ensures that managers apply broad managerial accounting processes to improve the efficiency and effectiveness of the operation (Chenhall & Smith, 2009). This is because managerial accounting information is richer than financial accounting (Wiersma, 2008). At this point, managers should use the skills, capabilities, and knowledge of the managerial accounting process, as well be aware of the changing business environment for managing the challenges of control by using managerial accounting information (Erben, 2002; Hossan, Sarker, & Afroze, 2012).

Prior studies have found managerial accounting practice to be a tool of a firm's managers for operational control, but know little about managerial accounting process capability for operational controls (Duh, Xiao, & Chow, 2009). In addition, it is unclear on capability and function of managerial accounting that may link to operational controlling (Scapens & Bromwich, 2010; Stergion, Ashraf, & Uddin, 2013). Likewise, managerial accounting control orientation depends on the resources and capability of each firm because each firm has different resources, knowledge, and capability. If the firm can apply managerial accounting functions, it will help them achieve their performance and control. Then, for building excellent resource management and performance of the firm, they need to develop the ability to focus on using the ways and means of managerial accounting function for setting up and control of operational activities. Thus, in this paper, one needs to know that managerial accounting control orientation causes firm performance, including outstanding operational proficiency, excellent cost management, and superior information usefulness. These will have an effect on decision-making value and resource management effectiveness, and will drive toward better performance of the firm.

The remainder of this conceptual paper is arranged as follows. The first section discusses the managerial accounting control orientation supporting perspectives in the link to it definition. The second section provides a proposition development and the conceptual framework. The last section is a contribution to future research direction and a suggestion for future research. Finally, the paper provides the conclusion of the conceptual framework.

MANAGERIAL ACCOUNTING CONTROL ORIENTATION

In order to understand managerial accounting control orientation, it is reviewed in the literature. Researchers have defined managerial accounting control. These definitions are integrative managerial accounting processes for utilizing determinant performance evaluation and control criteria in order to enhance the performance of an organization. In this paper, managerial accounting control orientation refers to the ability of firms to implement capability and function of managerial accounting used for operational settings and control of the firms that conform to policy and promote the goals achievement of the firm. The details of the standard definitions are concluded, based on prior research. Below is a summary of the empirical studies of managerial accounting control as presented in Table 1.

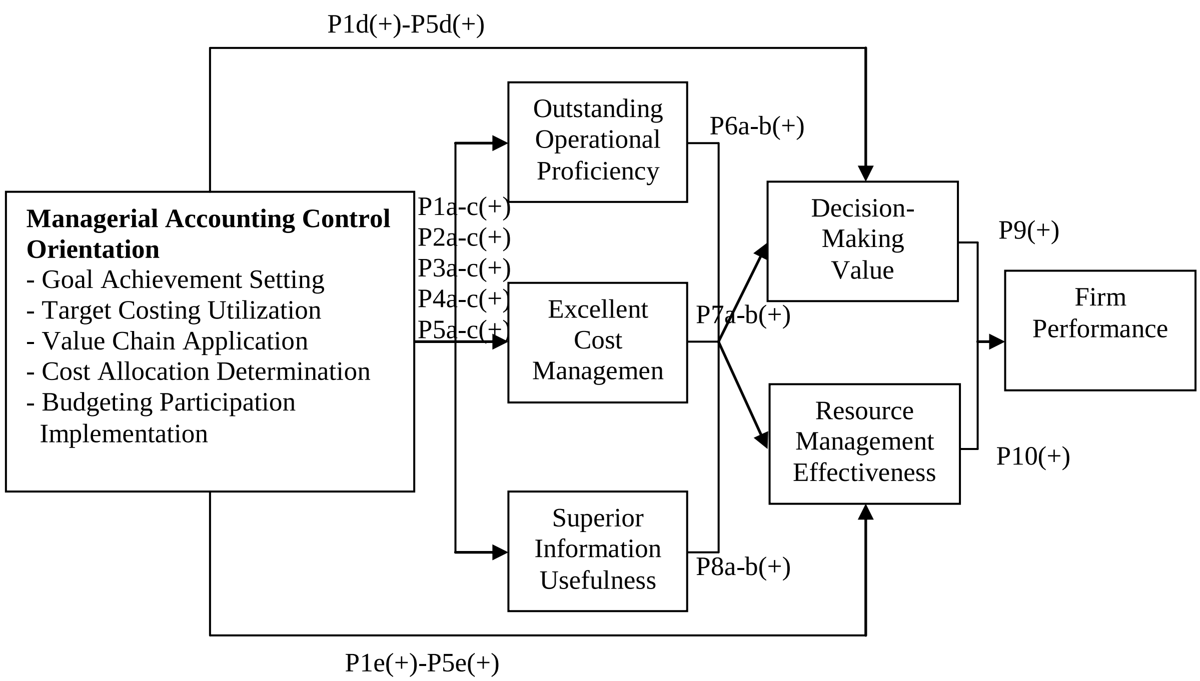
Table 1
THE SUMMARY OF DEFINITIONS OF MANAGERIAL ACCOUNTING CONTROL

AUTHORS	DEFINITIONS OF MANAGERIAL ACCOUNTING CONTROL
Wickramasinghe & Hopper (2005)	Ability to implement managerial accounting processes and function such as budgeting practice to performance assessment and operational control.
Adams & Santos (2006)	The concerning of the ability of trustees to vote the shares they hold in a fiduciary capacity and information as instruments for managerial evaluation and
Euske, Hesford, & Malina (2011)	The systems and processes of managerial accounting use to ensure workers focus their attempts to achieving the firm's strategies by controlling in each operation process. Modified by Anthony & Govindarajan (2001).
Granlund (2011)	Operational control by using managerial accounting techniques in integrated information accounting systems.
Fullerton, Kennedy, & Widener (2013)	Performance evaluation and operational control by utilizing transaction processes that gathers and aggregate data in a meaningful manner of management accounting methods.

CONCEPTUAL FRAMEWORK OF MANAGERIAL ACCOUNTING CONTROL ORIENTATION AND ORGANIZATIONAL OUTCOMES

This conceptual paper investigates the relationships among managerial accounting control orientation, outstanding operational proficiency, excellent cost management, superior information usefulness, decision-making value, resource management effectiveness, and performance. Thus, the conceptual framework, linkage, and conceptual models present the relationships among managerial accounting control orientation and organizational outcomes based on the preceding discussion of the literature, as shown by the proposed conceptual framework in Figure 1.

Figure 1
A CONCEPTUAL FRAMEWORK OF MANAGERIAL ACCOUNTING CONTROL ORIENTATION AND ORGANIZATIONAL OUTCOMES



PROPOSITIONS DEVELOPMENT

Goal Achievement Setting

An approach to work motivation that integrates beneficial influence with performance is goal-setting. Goal-setting is clear and optimal for working in the organization and can result in better job performance. In addition, if the firm has established a goal achieved by combining a firm's self-set goals and workers' self-set goals, it can use these goals to be a standard of performance for its compliance with all standards and managerial work function usages as the ways and means of performance evaluation, and is an assessment indicator setting for the operational control of the firm (Erez & Kanfer, 1983). Based on the literature review are studies of authors such as O'Connell (1980) who show that the usefulness of group goals and personal goals are correlated with higher performance. Furthermore, Ludwig & Goomas (2009) indicate that goal achievement setting can be used as a real-time performance control tool. It can improve performance, including best cost management and effective resource management.

In the above literature review, goal achievement setting is defined as the guidelines and means for goal-setting that is assessable and practicable in order for use of monitoring product activity, costing and actual time used for the manufacturing process. This result can be used for improving an operation's efficiency and effectiveness. In addition, goals achievement-setting is the road to success for the firm, and a powerful process for thinking about turning the vision for the firm's future into reality (Stein, 2012; Smith, 2013). Thus, in this paper, one assumes that goal achievement setting has the potential possibility to positively affect outstanding operational proficiency, excellent cost management, superior information usefulness, decision-making value, and resource management effectiveness. Taking all the above discussion into account, this paper sets fifth the following propositions:

P1a-e: Goal achievement setting would be positively related to (a) outstanding operational proficiency, (b) excellent cost management, (c) superior information usefulness, (d) decision-making value, and (e) resource management effectiveness.

Target Costing Utilization

Target costing emphasizes the consideration of a competitor's cost of the same product line and control of the product price. It compares this result to setting an optimal product price leading to competitive advantage which is from the managerial accounting information and processes of applications. The industries have heterogeneous products, brand, and quality; but these are needed to control prices for maintaining a market position, as well as needing better planning to create suitable profits, leading to firm success and survival by attempting to apply target costing from competitors (Wu et al., 2013). Based on previous research about target costing utilization, target costing is one technique of managerial accounting function that can lead to more information that is useful for a manager's decision-making and target costing, and as costing tools for operational control (Maria, 2012).

In this paper, target costing utilization refers to the costing information use of competitors in the market for the firm's operational costing determinants, and driving performance that is consistent with the above information, leading to more operational efficiency. Prior studies such as Ebuk & Balcioglu (2011) demonstrate that target-costing utilization influences cost estimations, and makes correct choices. In addition, a target costing application may be better at an estimated production cost calculated in agreement with appropriate sale price estimation (Man & Fleser, 2008). Thus, this paper's relationship are propositioned as shown below.

P2a-e: Target costing utilization would be positively related to (a) outstanding operational proficiency, (b) excellent cost management, (c) superior information usefulness, (d) decision-making value, and (e) resource management effectiveness.

Value Chain Application

The firm attempts to seek capability to save cost in all activities by managing the cost linkage between key production activities and production supporting activities. This is value chain in managerial accounting techniques for performance measure indicators to control operations leads to goals achievement of the firm. Most industries give importance to the value chain for cost reduction and improving competitive advantage (Bachev, 2014). The characteristics of value chain application is continuous value chain analysis, a focus upon a set of value activities, production cost integration at all stages, and cutting activities that do not add value for the firm (McLarty, 2005). These can enhance the competitive advantage and performance of the firm. Thus, this paper value chain application refers to a firm's operational utilization, and is related to an involvement with activity-setting, which this activity causes an increase of a firm's value and leads to a firm's goal achievement.

Based on prior research, author such as Grigore (2013) demonstrate that value chain application has effects on cost management and firm growth. Moreover, value chain application relates to operational management of all stages in the value chain containing technology commercialization, commitment, organization, and growth that must take place (Joglekar & Levesque, 2013). Therefore, this value chain application can improve economic, environmental, and social sustainability in producing countries it affects by effective information and communication in all production activities (Wahl & Bull, 2014). Hence, this paper proposes the following below propositions:

P3a-e: Value chain application would be positively related to (a) outstanding operational proficiency, (b) excellent cost management, (c) superior information usefulness, (d) decision-making value, and (e) resource management effectiveness.

Cost Allocation Determination

Cost allocation setting is an ability of the firm to apply managerial accounting competency in terms of cost allocation. It enables the computation of the cost of a product per unit in the production process of industries and appropriately calculates cost per product or service in each department. In addition, accuracy cost allocation can be used as an instrument for a firm's performance monitoring and profitability evaluation. Stable and fair cost allocation is a difficult and hard-to-solve problem to distribute cost shares among departments (Drechsel & Kimms, 2011), but can closely compute actual production costs in each division. Moreover, cost allocation setting plays a crucial role for decision-makers by building and using facilities or resources management (Chen & Chen, 2013). The main issue in cost allocation determination is to allocate the cost that is affected from joint performance (Costa & Jurado, 2013). It can mend cost management, more information offerings, and operational proficiency.

Cost allocation should be interpreted as a fixed cost allocation, whereas the overhead of the repeat-production department should be determined independently of the actual quantity of the units in repeat-production (Toktay & Wei, 2011). Thus, this paper gives a definition of cost allocation determination as the ways and means to cost allocation corresponding with the situation for generating more efficient resources and the costing management of the firm. Cost allocation determination helps to allocate operations and services costs, and enhances the ease of forecasting future operations and services cost. In addition, this cost allocation determination can be used for cost management excellence, information offerings for cost planning, cost forecasting for resource management, building cost efficiency, and a firm's profitability (Gokiene, 2010). Thus, this paper's relationships are proposed as shown below.

P4a-e: Cost allocation determination would be positively related to (a) outstanding operational proficiency, (b) excellent cost management, (c) superior information usefulness, (d) decision-making value, and (e) resource management effectiveness.

Budgeting Participation Implementation

Behavioral management accounting research has been interested in participative budgeting study (Agbejule & Saarikoski, 2006). Managerial accounting process has one function which is good budgeting participation. By this, it offers superior information usefulness, enabling decision-making and best resource management. In addition, the function of the budget uses operational control, cost control, and resources control (Stede, 2000). In this paper, budgeting participation implementation refers to the capability of creating, and operates to maximize a firm's goal achievement, leading to a firm's effectiveness from budgeting participation. Budgeting participation improves job performance and firm performance. It provides insight information about a firm's operational objectives, leading to better decisions for optimal alternatives and control (Young, 1985; Taylor, 2009). Likewise, participative budgeting enables participants to perceive of themselves as the firm's target, and it can enhance commitment toward budget achievement and performance increase (Tiller, 1983; Frucot & Shearon, 1991; Kren, 1992).

Prior research presents that participatory budgeting is applied around the world. These experiences share a common foundation: determination, consideration, cooperative decision-making, administration, controlling, and monitoring (Pinnington, Lerner, & Schugurensky, 2009). In addition, budgeting participation usage can use planning, policy formulation, and decision-making (Sopanah, 2012). Thus, these ideas lead to posit the following propositions:

P5a-e: Budgeting participation implementation would be positively related to (a) outstanding operational proficiency, (b) excellent cost management, (c) superior information usefulness, (d) decision-making value, and (e) resource management effectiveness.

Outstanding Operational Proficiency

Outstanding operational proficiency occurs after controlling the operation by using the ability of the firm to apply managerial accounting information usefulness. If the firm has better operational proficiency, it can be a tool to provide information that enhances profitability forecasts and improves the competitive advantage of the firm (Baik et al., 2013). Those are also consistent with Balachandran & Radhakrishnan (1996) who suggest that better operational proficiency is a useful performance for problem-resolving, decision-making, and resource management by managerial accounting implications. Moreover, operational efficiency can manage complex managerial environments by using the value chain application. It can help administrators understand current economic situations leading the firm to build in product differentiation and product quality by using little resources (Banker, Kauffman, & Morey, 1990).

Previous research indicates the crucial nature of operational proficiency in terms of managerial accounting. One can conclude, in this paper, that outstanding operational proficiency is defined as the firm's ability to use managerial accounting practice information for providing efficient operations, leading to firm performance and continuously adapting to operational changes. These results of ability can generate accurate decision-making and resource management. In addition, it can help organizations increase problem-solving capability, leading to business excellence, including cost reduction, and timely production (Ion, Catalina, & Georgiana, 2013). Based on the above, the following propositions are postulated:

P6a-b: Outstanding operational proficiency would be positively related to (a) decision-making value, and (b) resource management effectiveness.

Excellent Cost Management

The extreme competitive conditions of the manufacturing business cause the firm to give importance to using the managerial accounting function as a tool for cutting costs and cost management, improving firm performance. Excellent cost management also enables firms to reduce errors in cost allocation. It can help the firm allocate raw materials, labor, appropriate time for each production activity, and superior performance (Elliott et al., 2014; Custer, 2014). Excellent cost management generates acceptance by stakeholders and shareholders based on suitable cost-per-unit, leading to higher performance. This is because it has the special characteristics of cost accuracy allocation and appropriate resources, using evaluation in all activities about the manufacturing process, including value creation for the firm (Ceccagnoli & Jiang, 2013; Fayard et al., 2014).

Management accounting function implementation is a tool for operational control, especially target costing utilization related to important techniques in managing the costs of both a product and the overall production process (Zengin & Ada, 2010). This is excellent cost management that is useful for creating value in decision-making, effective resource management for improving performance, and enhancing firm survival (Peng, Li, & Wan, 2012). From the discussion excellent cost management refers to the ability of the firm to perform an assessment from cost accounting and managerial accounting applications for accurate cost allocation (raw material, labor, and actual time used) in each department of the desired firm. It can improve management effectiveness and firm performance. Therefore, this paper's relationships are proposed as shown below:

P7a-b: Excellent cost management would be positively related to (a) decision-making value, and (b) resource management effectiveness.

Superior Information Usefulness

The function of managerial accounting offers information for managers using decision-making and resource allocation management to improve performance and efficiency in expected future performance. The above is consistent with Wiersma (2008); Huang & Zhang (2012), who mention that managerial accounting has both relative and incremental information content, because managerial accounting information includes information estimation of future potential for managers who manage economic uncertain conditions. In addition, decision-making and resource allocation must rely on superior information usefulness by integrated forward-looking and backward-looking performance measures (Eierle & Schultze, 2013). Thus, in this paper, superior information usefulness refers to the capability of the firm that can use the function, approach, and process of managerial accounting to apply to the operational control of the firm, and create value and broad-scope information for a manager's decision-making and operational management.

Furthermore, more information usefulness builds an ability of the firm to identify future performance that is useful and sufficient for decisions and resource management to generate firm survival (Walter, 1994). In addition, Ward (2007) demonstrates that the usefulness of particular accounting information can lead the firm to accurately predict an economic crisis in the future. Based on these literatures, the propositions are formulated as follows:

P8a-b: Superior information usefulness would be positively related to (a) decision-making value, and (b) resource management effectiveness.

Decision-Making Value

Managerial accounting helps management decisions for a best alternative selection which enhances all stakeholder satisfaction (Socea, 2012). Managerial accounting information builds understanding of the economic reality for a manager who appropriately adapts to policy change (Florin, 2014). Managers may perceive accurately goals, objectives, and policies of the firm when they have more information for managerial decisions (Wang & Tan, 2013). In this paper, for more understanding of the importance and characteristics of decision-making value, it refers to the firm’s decision processes to choose projects or activities from various protuberant alternatives than a competitor, based on managerial accounting function usage. The best performance assessment and operational effectiveness provides managerial accounting information usefulness to appropriate decision-making that leads the firm to achieve better firm performance (Fotache et al., 2011). Decision-making value is associated with accounting information and accounting processes utilization (Doinea et al., 2011). Furthermore, the quality of decision-making is influenced by the success of problem-solving, goals, and alternatives in all activities of the firm. It also enhances understanding of managing the paradoxes of economic environmental complexities (Phillips & Page, 2011; Smith, 2014). It can be concluded that the firm with higher decision-making value has potential for higher performance. Therefore, the proposition is proposed as follows:

P9: Decision-making value would be positively related to firm performance.

Resource Management Effectiveness

The ability of resource management occurs from efficient management and problem-solving in operational activities. This uses and shares minimum resources which are used in manufacturing activities. However, a worthy resource used in an operational process leads to the performance of the firm. Resource utilization is the goal and objective of an economic effort that uses resource reduction to maximize output and firm growth (Paton, 1963). This paper gives a definition of resource management effectiveness as referring to the firm that can analyze the resource requirements and allocate accurate resources for each department, including worthwhile used material. It is a factor driving better performance for the firm. Extreme competition makes the firm focus on resource management and planning by creating an ability to evaluate the use of the available resources, including accurate resource allocation and decreasing resources used for firm survival and superior performance (Mihai, Alexandra, & Danut, 2014). This is consistent with Rivenbark, Roenigk, & Noto (2013) who mention firms that more readily make resource allocation decisions enhance higher performance with efficient measures. Hence, this paper proposes the following proposition as below.

P10: Resource management effectiveness would be positively related to firm performance.

Firm Performance

Most businesses adopt a balance scorecard for performance measurements that aggregate financial performance, customer perspective, internal business processes, and learning and growth which is best measured relative to competition (Wu, Straub, & Liang, 2015). This performance is the environmental fit of the firm’s operation and ability to implement existing resources and knowledge for performance evaluation. Researchers find it to be a subjective measure because some stories are not measured by objective data in lesser circumstances. They should survey key informant perceptions for a subjective measure (Ayers, 2015). Thus, judgmental or subjective measurement of firm performance is this concept for reflecting the capability of a firm measurement; it refers to the increasing output of the firm's operations and goal achievements (Mehmood, Qadeer, & Ahmad, 2014).

CONTRIBUTIONS AND FUTURE RESEARCH DIRECTIONS

Contributions

This paper provides a new conceptual framework of managerial accounting control orientation for developing propositions to hypothesize. In addition, this paper's focus provides a clearer understanding of the relationship between managerial accounting control orientation and organizational outcomes. However, the power of managerial accounting processes is the one of the choice operational control instruments of organizational outcomes. A deeper understanding of managerial accounting control orientation of accounting executives may improve competitive advantage and performance of the firm.

Suggestions for Future Research

This conceptual framework is shown only in managerial accounting control orientation as an independent variable and its consequence. Future research should seek antecedents, moderators, and control variables of managerial accounting control orientation and organizational outcomes relationships. Moreover, future research may attempt to use empirical research by employing a questionnaire as an instrument for collecting data from the manufacturing business, because this business has extreme competitive pressure and the highest business flexibility (Savaneviciene, 2006). These businesses needs continuously adjust in environmental change and operation control operation by implementing managerial accounting processes, leading the firm to sustainable competitive advantage and goal achievement. Therefore, all concepts in this paper should seek theory to explain the phenomenon for understanding the relationships.

CONCLUSION

Currently, manufacturing firms are attempting to adjust in environmental change and competitive force. They seek tools for controlling operations in accordance with their needs and settings to achieve their goal-setting. Prior research indicates that the ability of a firm to implement existing resources or knowledge of managerial accounting processes is used as a tool for controlling and can enhance the firm in order to generate competitive advantage and better performance. Moreover, this conceptual paper contributes to an understanding of the relationship between managerial accounting control orientation and organizational outcomes. Additionally, the study adopts five dimensions of managerial accounting control orientation from the reviewed prior research: (1) goal achievement setting, (2) target costing utilization, (3) value chain application, (4) cost allocation determination, and (5) budgeting participation implementation (Duh, Xiao, & Chow, 2009; Granland, 2011; Ciuhureanu, 2012; Stergiou, Ashraf, & Uddin, 2013). This is the ability of a firm to implement managerial accounting processes for controlling in that it may be enhancing organizational outcomes which includes outstanding operational proficiency, excellent cost management, superior information usefulness, decision-making value, resource management effectiveness, and firm performance.

Moreover, in order to complete the concept, an interested researcher should find antecedents, moderators, and control variables that can relate to managerial accounting control orientation and organizational outcomes. This conceptual paper can develop hypotheses for testing by developing their concepts into a questionnaire as an instrument for collecting data in the future. These can use a subjective measurement for all concepts by using keywords in the definition of the measurement. A suitable sample should be manufacturing businesses because they have the highest flexibility and extreme competitive pressure (Savaneviciene, 2006). In conclusion, this conceptual paper needs theory to explain the phenomenon for understanding all relationships for the conceptual framework fit.

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AN OVERVIEW OF THE CHINESE BANKING SYSTEM ITS HISTORY, CHALLENGES AND RISKS

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ABSTRACT

This paper is an overview of the history, evolution and current challenges of the Chinese Banking Industry. Early conclusions are that the industry segment has been rapidly restructuring and changing since 1979 when Deng Xiaoping implemented major market reforms and that these changes have accelerated with the Country's entrance into World Trade Organization (WTO) in 2001. Evolving from a single government-controlled institution that acted both as a central and commercial bank, to multiple organizations dominated by market fundamentals and increasing competition, these changes have created several challenges for Chinese financial institutions. The preliminary conclusion is that the role Chinese banks will play in future economic development will be dictated by how well the banks are able to adapt to the new market risk and competition created by market reforms.

COUNTRY AND FIRM LEVEL EFFECTS ON OWNERSHIP AND PERFORMANCE: A HIERARCHICAL LINEAR MODELING ANALYSIS

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ABSTRACT

This exploratory study attempts to disentangle firm and country level effects on firm performance and firm ownership using hierarchical linear modeling. I argue that distinguishing country and firm level effects is complex in that firm level characteristics and strategic decision making are not independent of the national context, but are embedded in both the national context and firm level stakeholder pressures. The results suggest greater country level effects for ownership than for performance. This pattern of results is consistent with stronger national level influences on ownership structure than on performance outcomes. This finding may reflect trends toward homogeneity due to the globalization of financial markets. Although I found little evidence that the identity of the largest equity owner influenced performance outcomes, several ownership classes were significant for the equation predicting the size of the largest shareholding.