

The Effect of Audit Renewal Strategy and Best Audit Practice on Audit Performance: An Empirical Investigation of Certified Public Accountants (CPAs) in Thailand

ผลกระทบของกลยุทธ์การปรับเปลี่ยนการสอบบัญชีและการปฏิบัติงานสอบบัญชีที่เป็นเลิศต่อผลการปฏิบัติงานสอบบัญชี: ตรวจสอบเชิงประจักษ์ ผู้สอบบัญชีรับอนุญาตในประเทศไทย

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Abstract

The purpose of this study is to examine the effect of audit renewal strategy and best audit practice on audit performance via the moderating influences which include transformational climate and audit experience usefulness. Audit renewal strategy is recognized as the auditor's capability of transforms; method, concept, process, and learning to improve a competitive advantage permanently and promote audit performance. It is the key procedure of substantial transformation with respect to the main organizational characteristic of sustaining a firm's a long-term prospects and survivability. Likewise, audit renewal strategy has a positive impact on audit performance based on dynamic capabilities theory. Data were collected from 391 CPAs in Thailand by questionnaire mail survey. The statistic used to analyze is the ordinary least square regression. The results of OLS regression indicates that audit renewal strategy positively affects best audit practice and audit performance. Besides, the findings also indicate that transformational climate positively moderates the relationships between audit renewal strategy and best audit practice. The best audit practice significantly influences audit performance. Especially, the result shows that audit tenure has a negative influence on audit performance. It can be interpreted that the audit tenure in the context of Thailand reduces audit performance because new auditor may be lack experience and knowledge of the client's firm compared with the old auditor. Finally, theoretical and managerial contributions, conclusion, and suggestions for future research are discussed as well.

Keywords: Audit Renewal Strategy, Best Audit Practice, Audit Performance, Transformational Climate, Audit Experience Usefulness

บทคัดย่อ

วัตถุประสงค์หลักของการศึกษานี้ คือ เพื่อตรวจสอบผลกระทบของกลยุทธ์การปรับเปลี่ยนการสอบบัญชีและการปฏิบัติงานสอบบัญชีที่เป็นเลิศที่มีต่อผลการปฏิบัติงานสอบบัญชีผ่านผลกระทบจากตัวแปรแทรกกลางซึ่งประกอบด้วยบรรยากาศการปรับเปลี่ยนและการใช้ประโยชน์จากประสบการณ์การสอบบัญชี เนื่องจากเป็นที่รู้กันดีว่ากลยุทธ์การปรับเปลี่ยนการสอบบัญชีเป็นความสามารถของผู้สอบบัญชีในการปรับเปลี่ยนวิธีการแนวคิด กระบวนการและการเรียนรู้เพื่อสร้างความได้เปรียบในการแข่งขันอย่างถาวรและส่งเสริมการปฏิบัติงานตรวจสอบบัญชี เป็นกระบวนการหลักในการเปลี่ยนแปลงที่สำคัญโดยคำนึงถึงลักษณะสำคัญขององค์กรที่จะช่วยสร้างความยั่งยืนและอยู่รอดได้ในระยะยาว ในทำนองเดียวกัน กลยุทธ์การปรับเปลี่ยนการสอบบัญชีส่งอิทธิพลโดยตรงต่อผลการปฏิบัติงานสอบบัญชีซึ่งเป็นไปตามทฤษฎีความสามารถเชิงพลวัต โดยการศึกษาครั้งนี้ได้รวบรวมข้อมูลจากผู้สอบบัญชีรับอนุญาตแห่งประเทศไทยจำนวน 391 ราย ผลการศึกษา พบว่า กลยุทธ์การปรับเปลี่ยนการสอบบัญชีส่งผลกระทบต่อผลการปฏิบัติงานสอบบัญชีที่เป็นเลิศและผลการปฏิบัติงานสอบบัญชี นอกจากนี้ บรรยากาศการปรับเปลี่ยนกระตุ้นให้ความสัมพันธ์ระหว่างกลยุทธ์การปรับเปลี่ยนการสอบบัญชีและผลการปฏิบัติงานสอบบัญชีเป็นบวกอย่างมีนัยสำคัญ และยังพบอีกว่า การปฏิบัติงานสอบบัญชีที่เป็นเลิศส่งผลกระทบต่อผลการปฏิบัติงานสอบบัญชี แต่ในทางกลับกันผลการศึกษาได้ระบุว่า การหมุนเวียนผู้สอบบัญชีรับอนุญาตส่งผลกระทบต่อผลการปฏิบัติงานสอบบัญชีซึ่งสามารถตีความได้ว่า การหมุนเวียนผู้สอบบัญชีรับอนุญาตในบริบทของประเทศไทย ผลการปฏิบัติงานสอบบัญชีลดลงเป็นเพราะผู้สอบบัญชีรายใหม่อาจขาดประสบการณ์และความรู้เกี่ยวกับกิจการของลูกค้าเมื่อเทียบกับผู้สอบบัญชีรายเก่า ลำดับสุดท้ายเป็นการสรุปผลและข้อเสนอแนะเพื่องานวิจัยในอนาคตได้อภิปรายผลไว้ในส่วนสุดท้าย

คำสำคัญ: กลยุทธ์การปรับเปลี่ยนการสอบบัญชี การปฏิบัติงานสอบบัญชีที่เป็นเลิศ ผลการปฏิบัติงานสอบบัญชี
บรรยากาศการปรับเปลี่ยน การใช้ประโยชน์จากประสบการณ์การสอบบัญชี

1. Introduction

In the context of the audit profession in Thailand, auditors are affected by the entry into the ASEAN Economic Community (AEC) to bring about to auditors' opportunities, challenges, and the significant changes under the new realm of free movement of labor. Likewise, there is the high competition among auditors themselves. (Federation of Accounting Professions, 2014). Therefore, auditors need to adjust their thinking system, the point of view, working style, and audit strategy in accordance with this new audit context. Besides, the changes of international and internal accounting standard have more complex transactions (Peecher, Schwartz & Solomon, 2007). Especially, strategic renewal becomes an important role and as the main procedure of substantial transformation with respect to the key organizational characteristic of sustaining a firm's long-term prospects and survivability (Agarwal & Helfat, 2009). Besides, the auditor's strategic renewal when there are associated with

promoting new knowledge and their good behavior can improve their core capabilities and audit performance (Floyd & Wooldridge, 2000). Furthermore, the audit firm's strategic audit renewal increases superior audit performance. Thus, auditors are necessary to renew in audit renewal strategy because it is the main procedure for developing a new strategy in the audit practice to suit the situation and it corresponds to the audit standard for increasing audit performance.

Consequently, audit renewal strategy in the present is the best response for auditors to create a competitive advantage, survival, and support to utilize new knowledge and innovative behavior (Chakravarthy & Doz, 1992). In this study, audit renewal strategy has integrated the main concept of strategic renewal that focuses on the need of firms to continually renew or recreate their strategies (Huff, Huff, & Thomas, 1992; Lacetera, Cockburn & Henderson, 2004). Especially, it is still focused on renewal strategy in individual-level that is CPAs in Thailand to fulfilling research gap that lacks in the previous

literature review. The relationships between audit renewal strategy, best audit practices and audit performance from the prior literature review found that audit renewal strategy increases audit performance and create the reliability of audit opinion in the financial report (Carpenter, 2007). Audit renewal strategy flexibility has a positive effect on competitive advantage and high audit performance (Grewal & Tansuhaj, 2001). Moreover, auditors who have best audit practices help the implementation of judgment accuracy and improve audit performance (Carnaghan, 2006; Hui & Fatt, 2007). In addition, best audit practice positively affects audit performance (Cohen & Kida, 1989). However, the few studies focus on the auditor's strategic capability of an integrated approach and holistic. Besides, the previous studies lack to link the effect of audit renewal strategy and best audit practice on audit performance through the moderating influences which include transformational climate and audit experience usefulness together.

As a result, the study aims to examine the effect of audit renewal strategy and best audit practice on audit performance through the moderating influence, including transformational climate and audit experience usefulness. The key research questions are "How does audit renewal strategy affect audit performance?" "How does

best audit practice affect audit performance?" "How does transformational climate moderate the relationships between audit renewal strategy affect audit performance?" and "How does audit experience usefulness moderate the relationships between best audit practices affect audit performance?"

The remains of this study are structured as follows. The first section provides introduction, the relevant literature review and hypotheses development of all variables. The second section explains methodology, including data collection procedure and measurement, measure validation, and statistical technique. The third section discusses the results and discussion. The fourth section explains conclusion and future research.

2. Literature Review and Hypothesis Development

The conceptual model presents the relations between audit renewal strategy and audit performance (Figure 1). To examine the relationships between audit renewal strategy and audit performance through best audit practice as mediating variables, transformational climate and audit experience usefulness as moderating variable.

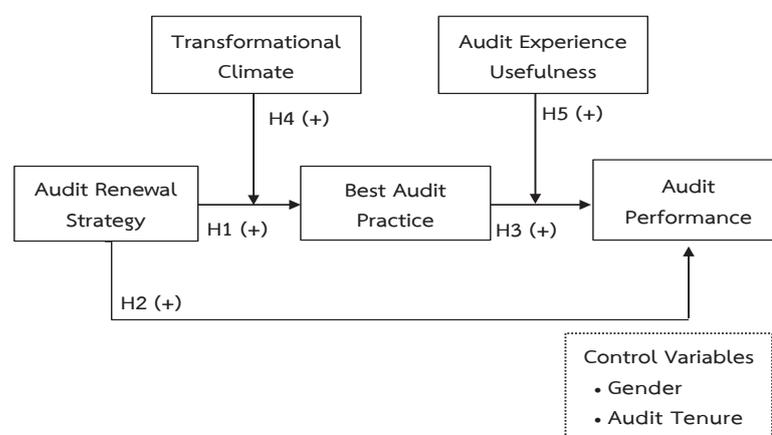


Figure 1 The Conceptual Model of the effects of the antecedents on audit performance

2.1 Antecedents of Audit Performance

2.1.1 Audit Renewal Strategy

In this study, audit renewal strategy (ARS) is defined as the way contributed to achieving by continuous transformation; method, concept, process, and learning to make a competitive advantage permanently and promote the audit performance. These results in effectiveness and an effective audit, improve the dynamic capabilities, leading to the creation of competitive advantage, and meet with environmental uncertainty. The one of key question of this study is “How does audit renewal strategy affect audit performance?” It is because audit renewal strategy has been received as strategic actions, including the content, context, and process of strategic renewal to align organizational competencies with the environment to increase competitive advantage (Flier, Van Den Bosch & Volberda, 2003). Particularly, the dimensions of audit renewal strategy in this study have been adapted from strategic renewal. The concept of strategic renewal is strategy procedures that affect a firm’s adaptation in light of environmental changes and impediments, the same as its self-renewal in terms of changes in capabilities and strategic intent (Chakravarthy & Doz, 1992). Therefore, audit renewal strategy consists of five dimensions: 1) audit development continuity, 2) audit method adaptation, 3) audit concept change, 4) audit process flexibility, and 5) audit learning dynamism. Audit development continuity provides an overview of an auditor’s learning characteristics that knowledge is acquired mainly through education and training in accounting and auditing programs, communication or interaction with the external environments such as clients and others, and conversely with auditors. Secondly, audit method adaptation provides an overview of achieving an audit’s objective by gathering sufficient and appropriate audit evidence in order to obtain a reasonable opinion regarding the financial statement compliance with Generally Accepted Accounting

Principles (GAAP). Thirdly, audit concept change provides an overview of adjusting the notion and the attitude which is necessary for auditing because the uncertainty of the competitive environment that results in the auditor reacting to changes within them. Fourthly, audit process flexibility provides an overview of the ability to adjust audit procedure; audit planning, audit practice, and making audit reports to agree with the situation while also good operation in order to comply with the continued, changed situation and auditing to enhance effective and timely performance. Fifthly, audit learning dynamism provides an overview of professional learning, including behavioral skill development via training and pursuing relevant news in tasks, and to communicate or interact with the external environment. The previous research on audit renewal strategy found that improving action, tacit learning, and knowledge-sharing is implemented to achieve best audit practices and lead to audit performance (Garavan, 2007). Moreover, auditors who are trained are less likely to integrate evidence about business risk directly into their planning judgments about the risk of material misstatement (Schultz, Bierstaker & O’Donnel, 2010). Audit renewal strategy flexibility is a distinctive capability of a firm to achieve and maintain competitive advantage and performance (Grewal & Tansuhaj, 2001; Verdu-Jover, Llorens-Montes & Garcia-Morales, 2006). For this reason, this study forecasts that audit renewal strategy linkage reinforces best accounting practice and audit performance. Thus, the hypotheses are proposed as follows:

Hypothesis 1: The higher the audit renewal strategy is, the more likely that auditor will gain greater the best audit practice.

Hypothesis 2: The higher the audit renewal strategy is, the more likely that auditor will gain greater audit performance.

2.1.2 Best Audit Practice

Best audit practice is defined as a method or technique leading to audit achievement that is in

accordance with audit and accounting professional standards through knowledge, ability, expertise, transparency, and independence to collect sufficient evidence to show an audit opinion clearly under the inherent risk, control risk, reporting a higher quality audit, and to achieve audit objectives in giving confidence to the financial statements which are accurate (Francis, 2011; Gomez, 2003). In the audit context, best audit practice leads to audit achievement that, as a consequence, brings real knowledge usefulness in accordance with professional standards. Furthermore, best audit practice whenever is compared with the auditor's capability, reduce audit time, audit expenses, and workload; increasingly integrate operations, reduce risk, and enhance performance (Messier & Eilifsen, 2005). The previous research showed the best audit practices are an audit management tool for an auditor to lead to a decision or choice among alternative good actions (Solomon & Trotman, 2003). Auditors who have best audit practices help the implementation of judgment accuracy and improve audit performance (Carnaghan, 2006; Hui & Fatt, 2007). In addition, Cohen & Kida (1989) indicate that best audit practice reflects inherent and control risks, and helps the auditors find the materially uncorrected misstatement. Thus, the related hypothesis is postulated as the following:

Hypothesis 3: The higher the best audit practice is, the more likely that auditor will gain greater audit performance.

2.2 Moderating Effect of the Relationship between Audit Renewal Strategy and Best Audit Practice, the Relationship between Best Audit Practice and Audit Performance.

This study assigns transformational climate as the moderator of the relationships between audit renewal strategy and best audit practice. Moreover, audit experience usefulness is determined as the moderator of the relationships between best audit practice and audit performance, respectively.

2.2.1 Transformational Climate

Transformation is an ability to adapt to a wider range of environmental conditions without the same level of trauma. The process of transformation is learning, analyzing and creating solutions in a time of variation, generating proposed solutions. In this study, transformational climate refers to surrounding in audit practice that being transformed such as new technology, a new process of financial statement attestation, changes to audit methods and methodologies including new accounting standards and new auditing standards that affect to auditors must adapt (Carpenter & Dirsmith, 1993; Khalifa, Sharma, Humphrey & Robson 2007; Robson, Humphrey, Khalifa & Jones 2007). The accounting practices must be according to the generally accepted accounting principles and accounting standards. Accounting practices have a significant role in the arrangement of financial reporting and financial information that the relevant users use to evaluate financial position and performance. The previous study indicated that transformational climate can change a set of political, economic, social, and technological forces that are largely outside the control and influence of a business that potentially has both a positive and negative impact on the business (Lissack & Gunz, 1999). Furthermore, the organization's effectiveness depends on how to adapt themselves to changes in the business environment. The variability of the business environment, or business turbulence, is important to organizational adaptation in order to improve a competitive advantage (Duncan, 1972). Thus, the hypothesis is proposed as follows:

Hypothesis 4: Transformational climate positively moderates the relationships between audit renewal strategy and best audit practice.

2.2.2 Audit Experience Usefulness

This study addresses audit experience usefulness as the moderator of the relationships between best audit practice and audit performance. Experience, when is interacted with perception,

attitude, and behavior, will increase performance (Joshi, Kathuria & Porth, 2003). In this study, audit experience usefulness refers to bring to use skills which are obtained from audit tasks to support the audit practice increases audit performance. It can indicate auditors' act of audit process such as beliefs, acceptance, and efforts to maintain clients to be linked to significant outcomes on audit performance. The previous research showed that audit experience improves knowledge judgment performance of auditors from their experience in order to develop and accumulate persuasion knowledge (Kaplan, O'Donnell & Arel, 2008). The auditor's experience creates knowledge creation and helps auditors to correct a pass (Meschi & Metais, 2006), and knowledge is a condition for the development of professionalism (Burchell, Colin, Antony, John & Jenine, 1980). Auditors ought to be professional in their experience in audit techniques when they gather audit evidence in the audit process (Dixon, Mousa & Woodhead, 2004). Therefore, the hypothesis is proposed as follows:

Hypothesis 5: Audit experience usefulness positively moderates the relationships between best audit practice and audit performance.

2.3 Audit Performance as Dependent Variable

Audit performance refers to the outcomes of an auditor's work performed. The outcomes include efficiency and effectiveness. Efficiency is concerning the auditor's ability to detect errors in the audit working papers and correct decisions concerning the presence of management fraud. Meanwhile, effectiveness is the auditor's ability to minimize resource expenditures and accomplish the audit task in less time (Blokdijk, 2004).

3. Methodology

3.1 Sample and Data Collection Procedure

The sample in this study is Certified Public Accountants (CPAs) or auditors in Thailand and the database uses from the online database of the Federation of Accounting Professions under the Royal Patronage of His Majesty the King. The

population size amounts to 9,250 auditors (information drawn on May 22, 2015). A required sample size is 385 auditors selected using Yamane (1967) to calculate the sample size. In the previous literature, an adequate response rate for a mail survey is 20% (Aaker, Kumar & Day, 2001), and to maximize the response rate to 100 percent, this study systematically confines 1,925 (385x5) auditors as a sampling frame. Later, the questionnaires are directly mailed to all 1,925 auditors. The survey questionnaires were directly mailed to 1,925 CPAs using a simple random sampling procedure. A total of 391 respondents mailed back the questionnaire, representing an overall response rate of 22.47% (391/1,740*100), thus resulting in 391 completed questionnaires used in this study.

3.2 Test of Non-Response Bias

To test non-response bias and to detect and consider possible problems with non-response errors was investigated by t-test that followed to Armstrong & Overton (1977). This was compared early and late responses about age, marital status, education level. The results indicated that there are no statistically significant differences between the two groups at a 95% confidence level. Thus, it was implied that these received questionnaires show insignificant non-response bias for the analysis in this study.

3.3 Variable Measurement

To measure each construct in the conceptual model, all variables are anchored by five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree) excluding control variables. Moreover, all constructs are developed for measuring by definition of each construct and examine the relationship between theoretical framework and previous literature reviews. Thus, the all variables measurements of this study are described as follows:

3.3.1 Dependent Variable Audit performance is measured using a five-item scale

which involves the perceptions of the outcome to ensure that the audit work has been performed with accepted auditing standards to increase effectiveness and efficiency. The construct of this variable is developed a new scale based on its definition.

3.3.2 Independent Variables

Audit renewal strategy is measured using a twenty four-item scale which involves attributes reflect auditing development, audit method adaptation, audit concept change, audit process flexibility, and audit learning dynamism. The construct of this variable is developed a new scale and based on its definition.

3.3.3 Mediating Variable

Best accounting practice is measured by five-item scale about the collection of sufficient competent evidence and cover the risk for the opinion was clear. The objectives of monitoring are to build confidence in the financial statements that are accurate and reliability is based on accounting standards (Hui & Fatt, 2007; Obaidat, 2007).

3.3.4 Moderating Variables

Transformational climate is measured by the perception of behaviors adapting audit practice to quickly respond to the external environment such as new technology, a new process of financial statement attestation, changes to audit methods and methodologies including new accounting standards and new auditing standards that affect auditors who must adapt (Khalifa, Sharma, Humphrey & Robson, 2007; Robson, Sharma, Humphrey & Robson 2007). This construct is developed as a new scale, including a four-item scale.

Audit experience usefulness is measured by the conduction, skills, and knowledge from prior experience to support the audit practice that increases audit performance. It can indicate auditors' act in the audit process by their beliefs, acceptance, and efforts to maintain clients which have been linked to significant outcomes on audit

performance. This construct is adapted from Wangcharoendate & Ussahawanitchakit (2010), including a four-item scale.

3.3.5 Control Variables

Control variables in this study include gender and audit tenure because they have an influence on the relationships between all variables. The previous related literature found that there are differences between male and female in audit performance and audit quality. For instance, male auditors have better problem-solving skills than female auditors due to may imply that male auditors discover more potential misstatements than female auditors (Mgbame, Izedonmi & Enofe, 2012). Thus, this study demonstrates that gender has an effect on audit renewal strategy. Gender is represented by a dummy variable of which 0 means female, and 1 means male (Chung & Monroe, 2001). Audit tenure refers to the number of years in an auditing job and practicing. The literature review found that a long period in the working of auditors increases competency in the audit performance. It corresponds to the study of Gul, Fung & Jaggi (2009) that found the association between shorter auditor tenure and lower earnings quality is weaker for firms audited by industry specialists compared to non-specialists. It suggests that audit tenure affects audit performance. This study controls audit tenure by representing as a dummy variable, 0 refers to less than or equal to 11 years, and 1 refers to more than 11 years.

3.4 Reliability and Validity

This study uses Cronbach's alpha to tests the reliability of all variable. Coefficient alpha indicates the degree of internal consistency among items in questionnaires that should be greater than 0.70 (0.724–0.937). Moreover, convergent validity is tested by the factor loading; each of construct should be greater than 0.40 (Nunnally & Berstein, 1994). The results in table 1

present that all variables have factor loading between 0.442-0.863. Thus, all indicate that there

are the construct validity and reliability.

Table 1 Result of validity and reliability testing

Variables	n	Validity (Factor Loadings)	Reliability (Cronbach's Alpha)
Audit Performance (APM)	30	0.701-0.815	0.886
Audit Renewal Strategy (ARS)	30	0.442-0.799	0.937
Best Audit Practice (BAP)	30	0.711-0.841	0.879
Transformational Climate (TCM)	30	0.796-0.833	0.724
Audit Experience Usefulness (AEU)	30	0.807-0.863	0.867

3.5 Statistical Techniques

The Ordinary Least Squared Regression (OLS) is used to test all hypotheses. OLS is how to appropriate to examine the relationships between dependent variable and independent variables which are based on data qualified as interval scales (Hair, Black, Babin & Anderson,

2010). The regression equation is a linear combination of the independent variables that are the best for explaining and predicting the dependent variable (Aulakh, Kotabe & Teegen, 2000). Therefore, all hypotheses are transformed into five statistical equations as shown:

$$\text{Equation 1: BAP} = \alpha_1 + \beta_1 \text{ARS} + \beta_2 \text{GEN} + \beta_3 \text{ATN} + \epsilon$$

$$\text{Equation 2: BAP} = \alpha_2 + \beta_4 \text{ARS} + \beta_5 \text{TCM} + \beta_6 (\text{ARS} * \text{TCM}) + \beta_7 \text{GEN} + \beta_8 \text{ATN} + \epsilon$$

$$\text{Equation 3: APM} = \alpha_3 + \beta_9 \text{ARS} + \beta_{10} \text{GEN} + \beta_{11} \text{ATN} + \epsilon$$

$$\text{Equation 4: APM} = \alpha_4 + \beta_{12} \text{BAP} + \beta_{13} \text{GEN} + \beta_{14} \text{ATN} + \epsilon$$

$$\text{Equation 5: APM} = \alpha_5 + \beta_{15} \text{BAP} + \beta_{16} \text{AEU} + \beta_{17} (\text{BAP} * \text{AEU}) + \beta_{18} \text{GEN} + \beta_{19} \text{ATN} + \epsilon$$

4. Results and Discussion

Table 2 presents the descriptive statistic and correlation matrix for all variables. With respect to potential problems relating to multicollinearity, variance inflation factors (VIF) is used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. Table 3 shows that the maximum value of VIF is 1.954 (Equation 1-5), which is lower than the cut-off score of 10 (Hair, Black, Babin & Anderson, 2010). Therefore, VIF ensures the non-existence of multicollinearity problem.

Table 3 shows the regression analysis results of hypotheses 1, 2, and 4. Firstly, the result indicates that audit renewal strategy positively affects best audit practice ($\beta_1=0.798$, $P<.01$). It is consistent with the study of Grewal & Tansuhaj (2001) who found that the audit renewal strategy flexibility is a distinctive capability of a firm to

achieve and maintain competitive advantage and high audit performance. *Thus, Hypothesis 1 is supported.*

Secondly, the finding describes that audit renewal strategy has a positive influence on audit performance ($\beta_6 = 0.685$, $P<.01$). Accordingly, the strategic renewal can create a competitive advantage and firm's survival and support to utilizing new knowledge and improve performance (Chakravarthy & Doz, 1992). It is consistent with the study of fashion, Floyd & Wooldridge (2000) who define strategic renewal as a procedure leading to the development of the firm's strategy, capabilities, and performance. *Thus, Hypothesis 2 is supported.*

Thirdly, the finding indicates that transformational climate positively moderates the relationships between audit renewal strategy and best audit practice ($\beta_9 = 0.047$, $P<.10$). It is generally known that transformation is an ability to adapt to a

wider range of environmental conditions without the same level of trauma. It is consistent with the study of Lissack & Gunz (1999) and transformational climate has a positive effect on the change of political, vision, process and technological of the audit firm. When the environment rapidly changes, the approach audit that focuses on audit renewal strategy create best audit practice and achieve recognition from stakeholders and the public

(McHugh & Paul, 2012). *Thus, Hypothesis 4 is supported.*

Finally, the result of control variable indicates that audit tenure has a negative influence on audit performance. It can be interpreted that the audit tenure in the context of Thailand reduces the efficiency of audit performance because new auditor may be lack experience and knowledge of the client's firm compared with the old auditor.

Table 2 Descriptive Statistics and Correlation Matrix

Variables	APM	ARS	BAP	TCM	AEU	GEN	ATN
Mean	4.07	4.08	4.10	4.01	4.20	n/a	n/a
Standard Deviation	0.52	0.44	0.50	0.53	0.51	n/a	n/a
Audit Performance (APM)	1						
Audit Renewal Strategy (ARS)	0.687***	1					
Best Audit Practice (BAP)	0.785***	0.797***	1				
Transformational Climate (TCM)	0.656***	0.689***	0.636***	1			
Audit Experience Usefulness (AEU)	0.652***	0.731***	0.684***	0.687***	1		
Gender (GEN)	0.028	0.058	0.040	0.033	0.40	1	
Audit Tenure (ATN)	-0.076	-0.001	0.013	-0.004	-0.015	0.405***	1

*** Correlation is significant at the .01 level (2-tailed), ** Correlation is significant at the .05 level (2-tailed).

Table 3 Results of Regression Analysis

Independent Variables	Dependent Variables		
	Best Audit Practice (BAP)		Audit Performance (APM)
	Equation 1	Equation 2	Equation 3
Audit Renewal Strategy (ARS: H1, H2)	0.798*** (0.031)	0.683*** (0.041)	0.685*** (0.037)
Transformational Climate (TCM)		0.162*** (0.041)	
ARS x TCM (H4)		0.047* (0.025)	
Control variables: Gender (GEN)	-0.030 (0.070)	-0.024 (0.068)	0.047 (0.084)
Audit Tenure (ATN)	0.040 (0.069)	0.048 (0.068)	-0.175** (0.083)
Adjusted R ²	0.634	0.649	0.474
Maximum VIF	1.201	1.909	1.201

*** P < .01, ** P < .05, * P < .10, Beta Coefficients with Standard Errors in Parenthesis.

Table 4 shows the regression analysis results of hypotheses 3 and 5. Firstly, the study reveals that best audit practice significantly

influences audit performance ($\beta_{12}=0.784$, $P<.01$). This is consistent with the study of Carnaghan (2006)

and Hui & Fatt (2007) who indicate that best audit improves a good decision making and audit performance. *Thus, Hypothesis 3 is supported.* Secondly, the analyses indicate audit experience usefulness doesn't moderate the relationships between best audit practice and audit performance

($\beta_{17}=0.005, P<.10$). The result is consistent with the study of Kaplan, O'Donnell & Arel (2008) who found that the auditors who have high experience often use the analytical skills rather than considerations from found evidence. *Thus, Hypothesis 5 is not supported.*

Table 4 Results of Regression Analysis

Independent Variables	Dependent Variable	
	Audit Performance (APM)	Audit Performance (APM)
	Equation 4	Equation 5
Best Audit Practice (BAP: H3)	0.784*** (0.031)	0.637*** (0.042)
Audit Experience Usefulness (AEU)		0.213*** (0.042)
BAP*AEU (H5)		0.005 (0.026)
Control variables: Gender (GEN)	0.079 (0.071)	0.067 (0.069)
Audit Tenure (ATN)	-0.210*** (0.070)	-0.193 *** (0.069)
Adjusted R ²	0.621	0.644
Maximum VIF	1.198	1.954

*** P<.01, ** P<.05, * P<.10, Beta Coefficients with Standard Errors in Parenthesis.

5. Conclusion and Contribution

Conclusion

The purpose of this study is to examine the effect of audit renewal strategy and best audit practice on audit performance via the moderating influences which include transformational climate and audit experience usefulness. The results indicated that audit renewal strategy positively affects best audit practice and audit performance. Besides, the findings also indicate that transformational climate positively moderates the relationships between audit renewal strategy and best audit practice. The best audit practice significantly influences audit performance. Especially, the result shows that audit tenure has a negative influence on audit performance. It can be

interpreted that the audit tenure in the context of Thailand reduces audit performance because new auditor may be lack experience and knowledge of the client's firm compared with the old auditor. From the interesting results, there are managerial implications for audit renewal strategy of auditors improves the best efficient and effective audit practices. Auditors should focus on audit renewal strategy because it increases both best audit practice on audit performance. There are three limitations: the first limitation is the results lack confirm again such as in-depth detail about audit renewal strategy of auditors again. Secondly, data collected from Thai certified public accountants to may be unable to explain auditors outside Thailand. The future research may re-investigate

the research hypotheses for fully understanding the good characteristics of audit renewal strategy that affect audit performance. Similarly, the future research should use other approaches such as mixing method between qualitative and quantitative research to gain anticipated the more precise analytical results. The measurement of all constructs in this study is newly developed with some modifications, based on literature review. However, the variable measurement is directly not in-depth interview with auditors. As a result, the some constructs do not have significant influences. Future research should use the in-depth interview and face validation with real practitioners. To enhance the power of test, future research should analyze the larger sample.

Managerial Implication

The result of this study indicates that audit renewal strategy has a direct positive influence on best audit practice and audit performance. This result helps auditors know and recognize that audit renewal strategy is an important factor to enhance their sustainable audit performance both direct and indirect through auditing outcomes (best audit practice). The auditors should focus on improving themselves and always seek the new audit practice as well as closely following about accounting and auditing standard adjustment to develop a level of sufficient knowledge to understand the event change. Furthermore, the finding is the useful guideline for auditors in the audit practice based on an effective audit renewal strategy to be an important tool for improving the success of their audit career.

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