

Auditee Satisfaction and Expected Service About Malaysia Venture Capital Firms

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Abstract

The universal objective of the present study was to analyze the causes and effects of expected services between audit service quality and auditee satisfaction of Malaysian venture capital firms registered with the Securities Commission. The collected data were analyzed first using descriptive statistics, followed by correlation analysis to establish the mediating effects of the expected service between the dependent and independent variables. The study found that service quality has no significant relationship with auditee satisfaction, but the expected service is fully mediated between service quality and auditee satisfaction. Research such as this is deemed essential to manage venture capital firms and audit firms alongside academics who may want to pursue the subject matter further. Many firms on Securities Commission have embraced audits, and according to previous studies, expenditures on audit have substantially increased. Therefore, it is necessary to supervise the spending and use of audit to ensure value for money. The research findings are also imperative to scholars, academics, scientists, and researchers by adding to the body of current knowledge on internal audit and risk management. Nonetheless, its sample size limits the study. Therefore, the results do not represent the whole business organization because they only determine Malaysia venture capital firms.

Keywords: Expected service, audit service quality attributes, auditee satisfaction, Malaysian venture capital firms

1. Introduction

The survival of a service organization depends on its excellent quality relationship with auditees (A. Ismail, Abdullah, & Francis, 2009; Kondasani & Panda, 2015; Panda, 2002), which determines auditee satisfaction and loyalty (Parasuraman, Zeithaml, & Berry, 1985). Research has recurrently proven that service quality influences organizational outcome such as performance excellence (Caruana, 2002), increased sales turnover (Hansson, 2016), improved customer relations, enhanced corporate image, and promoted auditee satisfaction (Caruana, 2002; I. Ismail, Haron, Ibrahim, & Isa, 2006). Furthermore, service quality and expected service have been proven to be related to auditee satisfaction (Caruana, 2002; I. Ismail et al., 2006; Saxby, Ehlen, & Koski, 1985; Saxby & Indiana, 2004). Delivering excellent quality service to auditees is an essential means for success and survival in today's competitive business challenge (Ismail,

A., Bakri, M.H.M.H., & Razak, 2020; Paul, Mittal, & Srivastav, 2016; Pitt, Watson, Kavan, & Watson, 2011; Rehman, Ilyas, Aslam, & Imran, 2016)

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Venture capital (V.C.) is a subcomponent of private equity firms that receive funding from investors. Funding may come from individuals, private firms, or government agencies (Allen & Song, 2002). The initial stage of firms is expected to show a high potential to increase total employees and contribute to the national Gross Domestic Product (G.D.P.). The aims of the funders or investors at this initial stage of businesses are to own a share of profit and

equity from the said companies they are investing in (Deng, Lu, Kee, & Zhang, 2010). V.C. invests its funds at the early-stage of businesses, hoping that the said firms will succeed in the future (Deng et al., 2010). The early stage of these businesses naturally comes from a new innovative technology or business model, high technology industries, information technology, clean technology, and biotechnology (Harian, 2020; Mavcap, 2013; University, 1995).

In Malaysia, Malaysia Venture Capital Management Berhad (MAVCAP) was formed by the Malaysian government to concentrate on technology-heavy companies, private institutional investment capital in relatively early-startup companies, or a venture (Mavcap, 2013). MAVCAP was formed to goad the growth of the venture capital (V.C.) industry through active participation in entrepreneurship of the technology sector and deliver commercially viable investments (Harian, 2020; Mavcap, 2013).

Venture capital or V.C. is formed from investors' early start-up capital to the potentially viable companies (Anwer, Asadov, Kamil, Musaev, & Refede, 2019). Venture investment can be seen in companies involved in developing new technologies, business concepts, products, and services. Individual

funding by investors is called a "Venture Capitalist" (Anwer et al., 2019). Venture capital may require individual or investment companies to be involved in the early start-up of firms (Harian, 2020). Venture capital firms usually take an active part, directly or indirectly, in the first start-up firms they have invested in by influencing any decision. The said venture capital firms will create credit and money by acquiring equity in the venture companies (Mosahab, 2010; Securities Commission Malaysia, 2017, 2018, 2019). There are several forms of V.C. companies in Malaysia, namely:

□ Venture Capital Corporation ("VCC"): The Corporation executes funds on behalf of the invested venture companies' shares in the first start-up of their businesses.

□ Venture Capital Management Corporation ("V.C.M.C."): The Corporation executes fund on behalf of a VCC by investing in the equity of the venture companies in their first start-up businesses.

V.C. is the subcomponent of private equity (P.E.). Some V.C. and firms invest in companies, train former bankers, and create money from the investment. However, there are different features between V.C. and P.E. firms, as elaborated in Table 1 below:-

Table 1
The different features between V.C. and P.E. firms

Features	V.C.s	P.E.s
Types of Investment	Invest in all variety of industries	Invest in individual companies that are involved in technology, biotechnology, and clean technology industries
Percentage of Shares Acquired	Acquire almost 100% of the shares in the first start-up business	Develop a small unit of shares
Sizes of Investment	Make substantial investments in a big company	Make a little investment in start-up Venture Companies

Venture capital is an initial company being set up to form a new company business venture. It requires keeping proper transactions in accounting. The transactions can be accessed by the experienced that provide the fund in running the business venture. Venture capital

needs an audit service to provide an accurate and fair view of the transactions in financial reports to convince the funder.

The substantial fund for venture capital and investment in invested companies ranged from

RM417.83 million to RM613.28 million. In 2019 itself, RM566 million was invested (Securities Commission Malaysia, 2017, 2018, 2019). It becomes crucial for venture capital to take this opportunity of grabbing the funds by hiring high-quality auditing services to encourage VCC and V.C.M.C. companies. Arthur Andersen and Enron's scandal should be a crucial lesson to audit firms concerning audit service quality failure, thus affirmed a pre-requisite for excellent quality audit and considerable attention to different factors that may affect audit quality. The issues do not stop here with the study of service quality on Malaysian public-listed companies (Haron, Yahya, Ismail, & Lee, 2012; I. Ismail et al., 2006), courier service providers (Zuhaila Jamal, Mahamed Ali, & Azmi, 2018), Malaysian public service sector (Agus & Kandampully, 2007), and Malaysian rural tourism (Z Osman & Sentosa, 2013). The findings from such research did not raise the effects and influences of expected service as a mediating variable in service literature. None of the previous studies analyzed the mediating role of the expected service between audit quality attributes and auditee satisfaction. Hence, this was what necessitated the present researchers to evaluate the mediating effect of the relationship between audit service quality and auditee satisfaction for Malaysian venture capital firms (Mavcap, 2013; Zahir Osman & Sentosa, 2013; Z Osman & Sentosa, 2013).

The study aimed to analyze the mediating effect between audit service quality and Malaysian venture capital firms' auditee satisfaction. The following purposes guided the study to examine the impact of audit service quality on auditee satisfaction and determine the mediating role of the expected service between audit service quality and auditee satisfaction.

In the world of business, where many companies are increasingly dependent on auditing, the management needs to understand the full degree of operations that rely on audit systems or the extent to which auditing acts to plan a firm's strategies. This research is imperative for shareholders of a firm to set standards for audit procedures. According to previous studies, many firms in S.C. have

embraced auditing, and expenditures on auditing have significantly increased. Therefore, it is essential to supervise the disbursement and use of auditing to ensure value for money. The research findings are imperative to researchers by adding to the body of knowledge.

2. Literature Review

Audit quality (Ahmad & Taylor, 2009) has become an essential issue for accounting firms. There is so much pressure from the financial users to monitor the work and demands to increase audit quality processes (Alareeni, 2019). To fulfil a superior audit quality, auditors, in the execution of their profession as examiners, should be governed by the Accounting Code of ethics, professional standards, and applicable accounting standards in Malaysia. Each auditor must hold the integrity and objectivity in carrying out their duties by acting honestly, firmly, and without pretension so that they can serve legally, regardless of pressure or demand certain parties to fulfill their interests (Hanh, 2021). Basuki and Krishna (2006) asserted that audit quality is a complex issue because there are so many factors that can impact the audit quality depending on each party's point of view; hence, making audit quality difficult to measure. This has become a sensitive issue as it involves an individual's attitude when conducting the review. Theoretically, the quality of work is commonly associated with auditor qualifications, proficiency, timeliness in completing the book, a competent examination of evidence sufficiency at the lowest cost, and independence to the client. Rudyawan and Badera (2007) asserted that auditors who have a reputation could conduct better audit quality, including disclosing concerning on-going problems to maintain their status. According to Cheng, Liu, and Chien (2008), an auditor's reputation correlates with the human resources of the audit office. Labourer (human capital) is the most critical asset of a public accounting firm. The audit firm must ensure that they have enough personnel equipped with the competencies and professional characteristics to perform according to standards, legal requirements, and community expectations. To address these expectations, audit firms must establish a planned process of labour management. To ensure the viability,

flexibility, and capability to meet investors' needs, audit firms must continue developing, educating, and training auditors at all levels to be prepared to conduct high-quality audits in a dynamic environment. The task is to examine public accounting and opinion on the fairness of a business entity's financial statements based on Cheng, Liu, and Chien (2008) standards. Based on this, public accounting should maintain the quality of audits, according to the Malaysian Institute of Accountants (M.I.A.).

(Oliver, 1999) defines satisfaction as the consumer's fulfilment response, i.e., the degree to which the fulfilment level is happy or unhappy. Zeithaml and Bitner (2000) determine satisfaction as the auditees' evaluation of a product or a service whether it has met their needs and expectations. Disconfirmation with the products or services fails to match the auditees' needs and expectations. Satisfaction and perceived quality are highly inter-correlated (Nejadjavad & Gilaninia, 2016). Some studies found that satisfaction drives a general perception of quality, while others find those perceptions of quality are driven by satisfaction (Tenreng, 2016). Many marketing researchers accepted the theoretical framework of which quality leads to fulfilment (Oliver, 1999) and influences purchasing attitude (Fazzarudin, Sabri, & Ramely, 2015; Oliver, 1999). These arguments suggest that service quality is likely to affect auditee satisfaction. By the above statement, researchers need to test the effect of standard service as a mediating effect relationship between service quality and auditee satisfaction.

Service quality, as in Parasuraman, Berry, and Zeithaml (1990), stresses that any conceptual model of service quality is supposed to enable the organization to identify any problems which aid the organization in strategies and steps to implement quality improvement and ultimately improve the organization's efficiency, profitability, and performance later on. In this study, the researchers adapted from an original model established by Parasuraman, Zeithaml, and Berry in 1985, which was further revised in 1988, 1991, and 1994. A summary of the gaps is shown below for easy understanding:-

- Gap 1: referred to the differences between auditees' expectations and auditors' perceptions. When auditors perceived the auditee's difference and what the venture capital firms expected from the accounting and auditing services, these were due to the lack of a marketing research orientation, inadequate bottom communication, and too many management levels. Reliability was corrected and adjusted the differences between the auditee's expectations and perceptions by maximized the audit team's capabilities to perform the promised service dependability and accurately.
- Gap 2: The differences between auditor perceptions on auditee expectations and auditor service design and specifications were referred to. These were due to inadequate commitment to audit service quality, a perception of unfeasibility, preliminary job specification, and auditor standardization. This gap was solving the difference between auditor perceptions and auditee expectations by fulfilling the auditee's needs and wants by serving them special consideration regarding the issues and auditee's well-being in their exchange value and made them happy with the firm's audit services provided
- Gap 3: The differences between audit service specification or standard and actual audit service were delivered to the auditee. This gap was incurred whenever the auditors failed to deliver audit service design and specification, which was supposed to follow the standard set up earlier by the audit firms. This gap occurred because of role ambiguity and conflict between auditors, poor employee job-sheet and inferior technology job-sheet, inappropriate supervisory control system over the staff management, and no perceived control and teamwork between the firms' auditors and management. This gap (delivery gap) were corrected by the SERVQUAL dimension of assurance the audit team's capabilities in cordially providing a good quality of audit service as

expected by the auditee and to convey trust and confidence to the auditee.

- Gap 4: referred to the differences between audit service delivery and external communication. In the marketing literature, this gap was also called the communication gap and incurred because the auditor or providers of the service did not deliver their promises of the audit firms' firm performance; this gap resulted from inadequate horizontal communications and propensity to over-promises. This gap (communication gap) were corrected by the audit firm's readiness to fulfill the auditee's needs and wants by serving them special consideration regarding the issues and the auditee's well-being in their exchange value and made them happy with the firm's audit service provided
- Gap 5: referred to the differences between auditee expectations and their perceptions of the audit service delivered. This gap was incurred when the auditee made judgments between their expectations before receiving the audit service and the auditors' performance. This expectation of auditee was influenced by three-component of personal needs, word of

mouth communication, and past audit service experience, as displayed in Figure 1 (Parasuraman, Zeithaml, & Berry, 1988; Soita, 2012). The final gap is the overall gaps which referred to the differences between auditee expectations and their perceptions of the audit service delivered. The gap was solved by SERVQUAL dimensions of assurance, empathy, reliability, responsiveness and tangible.

The ten dimensions discussed by Parasuraman et al. (1985) previously were adopted and reduced to five dimensions of service quality called SERVQUAL. Below are the five dimensions of SERVQUAL explained in detail in Table 2:-

As discussed in the Parasuraman's et al. (1988) study, the ten dimensions were reduced to five in SERVQUAL following empirical testing. SERVQUAL's five dimensions are Tangible, Reliability, Responsiveness, Assurance, and Empathy (Parasuraman, Berry, & Zeithaml, 1990). These five generic service quality dimensions are outlined in Table 2, five of which are in the SERVQUAL model.

Table 2
Five dimensions in the SERVQUAL model

Dimension	Definition
Tangible	Tangibles referred to a piece of sophisticated equipment attached to the audit firms, such as physical facilities, modern equipment, personality teamwork of audit firms, and communication materials of an organization (N. M. El Saghier, 2015; N. El Saghier & Nathan, 2013).
Reliability	Reliability referred to the audit team's capabilities to perform the promised service dependability and accurately; in other words, the auditee get whatever they paid in exchange for what was expected from the auditors (Zuhaila Jamal et al., 2018).
Responsiveness	Responsiveness referred to the audit firm's readiness to fulfil the auditee's needs and wants by serving them special consideration regarding the issues and the auditee's well-being in their exchange value and made them happy with the firm's audit services provided.
Assurance	Assurance referred to the audit team's capabilities in cordially providing a good audit service quality as expected by the auditee. Also, the ability of the auditor's teamwork to convey trust and confidence to the auditee.
Empathy	Empathy referred to the audit team's capabilities in caring for the audit firms' individualized attention to provide the auditee.

Source: (Parasuraman, A., Berry, L.L., & Zeithaml, 1990)

Ziethmal and Bitner (2000) found that auditee satisfaction is affected by personal and situational factors. Meanwhile, individual elements, for example, own needs and desires, affect auditee perceptions and expectations (Alareeni, 2019). On the contrary, situational factors, such as positive or negative word of mouth, lead to satisfied or dissatisfied auditee responses and opinions about the specific service (Khatib, Seong, Chin, & Tze, 2019). In general, expectations are built based on situational and personal factors, including word

of mouth (W.O.M.), individual needs, and experience (V. Ramanujam & P. Parthiban, 2020). These three situational factors formed the expected service, where the researchers tested this construct as a mediating effect between service quality and auditee satisfaction (Ahmed, Tarique, & Arif, 2017; Polyakova, 2015). Meanwhile, personal needs were formed from three categorical groups, such as auditee, financial statement user, and regulatory agency, as shown in Figure 1 below:-

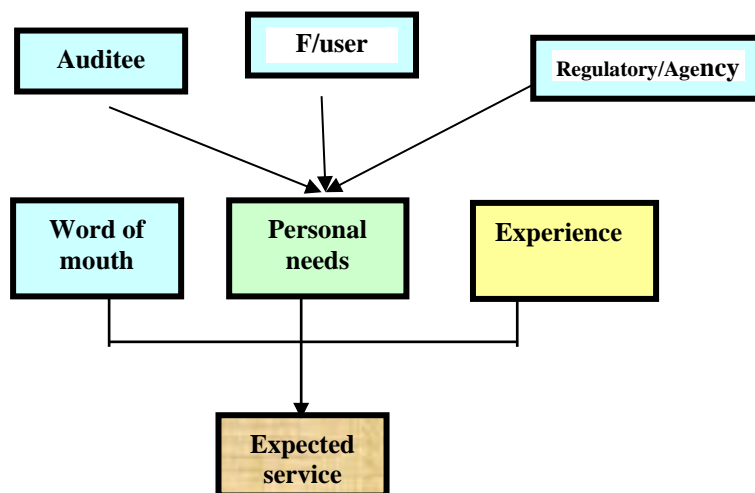


Figure 1: *Perceived Service Quality Model*

Source: Adapted from Parasuraman et al. (Fitzsimmons & Fitzsimmons, 2001: 44)

Auditee satisfaction is complex because it involves service quality based on the auditee's experience of a particular service received and experienced (Chien & Chi, 2019; Cronin & Taylor, 1994; Dissertation, 2017; Johnson, 2017). In general, auditee satisfaction is about the overall service based on experience with the audit firms and service outcome (Ati, Majid, Azis, & Hamid, 2020; Chien & Chi, 2019)

Auditee satisfaction is one of the most critical issues concerning all business organizations, justified by the customer-oriented philosophy and the principles of continuous improvement in the modern enterprise (Arokiasamy & International, 2013). In the current business environment, a firm's primary strategic objectives are to minimize customer complaints and maximize customer intention rates to purchase, as evidenced by the recent emphasis on customer relationship
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management. Thus, the previously satisfied purchasers may help businesses reduce marketing costs and develop more stable sale levels as satisfied purchasers tend to repeat purchases in the future. There are several definitions of auditee satisfaction in marketing literature. It is commonly accepted that happiness is a psychological state that results from auditee experiences after consumption (Oliver, 1980). Following a widely accepted conceptualization, customer satisfaction is a customer's post-consumption evaluation of a product or a service (Mittal & Frennea, 2018). This only happens if a product or a service's perceived performance meets or exceeds a prior customer's expectations (Oliver, 1980). Thus, overall customer satisfaction with a company's offerings is determined by comparing between the customer's expectations of the company's products or services and his or her perception of

the products or services (Fornelli, 2012; Oliver, 1999; Saleh, Quazi, Keating, & Gaur, 2017).

Service quality is one of business organizations' approaches to meet auditees' needs and desires and its accuracy to deliver it according to auditees' expectations (Lian & Rajadurai, 2020; Parasuraman et al., 1985; Zulkfli, Issa, & Abdullah, 2020).

All the definitions of service quality highlight differences and compare auditee expectation and perception of products or services performed by the product and service providers (Caruana, Money, & Berthon, 1998; Caruana, 2002; Parasuraman et al., 1994). Service quality is defined as the level of differences between auditees' perceptions of service performance and their normative expectations for services (Parasuraman et al., 1985, 1994).

Kotler (2003) has clarified in his statement of research that the excellent quality of service quality starts in the initial stage of needs, wants, and desires of the auditee and ultimately by the perceptions of the auditee. Superior quality perception depends on the auditee's final evaluation. Auditee evaluation of service quality is a complete and comprehensive assessment of the service environment of the organization (Diputra & Yasa, 2021)

Developing and implementing high-quality service leads to audit firms obtaining a better view of law service quality. Auditors' excellent service quality performance is a mechanism to achieve a competitive advantage for audit

firms. Excellent understanding of service quality by audit firms consistently tends to lead to auditee satisfaction which ultimately brings various benefits to the audit firms:-

1. Interaction between auditor and auditee becomes closer
2. Allow reasonably and encourage possible future purchase
3. Lead to auditor dedication and allegiance
4. Promote testimonial that benefits to the auditors
5. To be the champion of reputation in the auditee's mind
6. The income of the auditor will rise
7. By implementation of service quality, an audit firm may increase its market share in auditing industries.
8. Audit firms may utilize it to improve understanding of auditee expectations and perceptions.
9. Problems can be identified according to the dimensions of service quality

With regards to the effects between service quality and auditee satisfaction, the researchers proposed the following hypothesis:-

H1 There is a significant effect between audit service quality and auditee satisfaction for Malaysian venture capital firms.

H2 There is a significant mediating effect of expected service between audit service quality and auditee satisfaction.

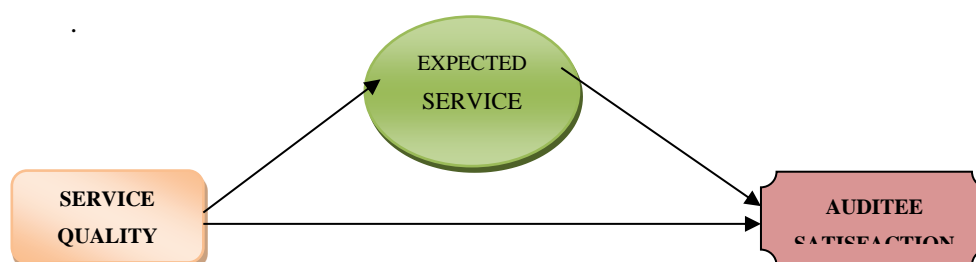


Figure 2: Mediating effect of expected service between service quality and auditee satisfaction

3 Methodology

This research study examined and determined the mediating effects of service quality as an independent variable and auditee satisfaction as a dependent variable in the Malaysian venture capital firms (MAVCAP). There are several types of research purposes, such as exploratory, descriptive, and explanatory. In this study, descriptive was the method chosen. A descriptive study explains a study systematically, factually, and accurately utilizing facts, behaviours, and the effects of the phenomenon being hypothesized (Saunders, Lewis, & Thornhill, 2013). It is often used to study people and organizations' general conditions as it seeks people's behaviours and options, usually through questioning (Salleh et al., 2012). A descriptive study collects data to answer questions concerning the current status of the subject matters under investigation. The design was considered suitable for the research because it came up with findings that showed the current situation and effect of the mediating role between audit service quality and auditee satisfaction of Malaysian venture capital firms.

Different methods such as surveys, interviews, archival, ethnography, grounded theory, case studies, and action/participatory can be executed (Joseph F Hair et al., 2010; Saunders et al., 2013). However, a survey was adopted and conducted among the audit firm's audit firms to understand their perspectives on the standard service role as a mediating effect between audit service quality and auditee satisfaction.

The population of interest in this study consisted of all the 65 listed as M.A.V.C.A.P. of Malaysian venture capital firms as of 31st December 2019. Questionnaires collected primary data through email communication, and in some instances, the researchers discussed the contents of the questionnaire with the respondent and left them a couple of days to fill it at their convenience. All of the 65 questionnaires, the researcher managed to compile only 49 return questionnaires for data analysis.

4 Research And Discussion

PLS-SEM was chosen relative to CB-SEM (Covariance-based S.E.M.) because of its measurement philosophy and the objective of the analysis. PLS-SEM approach was conducted by assessing the measurement model and the structural model (Joseph F. Hair Jr., William C. Black, Barry J. Babin, 2019).

4.1 Descriptive Analysis

Table 3 depicts the demographic profile of the respondents. It shows that majority of the respondents were males (63%) and females (37%). The department comprised of finance (49%) as the majority, followed by accounting (36.7), administration (8.2%), and auditors (6.1%). Malay was the leading race among the respondents (73.5%), then Chinese (14.3%), and next, Indian (12.2%). The religion was led by Muslims (73.5), Buddhists (14.3%), and Hindu Christians (12.25). As for the respondents' educational background, 83.7% had a master's degree, 14.3% had a PhD, and 2% were undergraduates. The result can be seen in Table 3 as follow:-

Table 3
Profile of the Respondents

Characteristic	Description	Frequency	Percentage (%)
Gender	Male	31	63.3%
	Female	18	36.7%
Department	Auditor	3	6.1%
	Financial	24	49.0%
	Accounting	18	36.7%
	Administration	4	8.2%
Age	Below 25 years old	6	12.2%
	25-35 year old	9	18.4%
	36-45 year old	28	57.1%
	46-55-year-old	5	10.2%

	Over 56 years old	1	2.0%
Race	Malay	36	73.5%
	Chinese	7	14.3%
	Indian	6	12.2%
Religion	Muslim	36	73.5%
	Buddhist	7	14.3%
	Hindu Cristian	6	12.2%
Level of education	PhD	7	14.3%
	Masters	41	83.7%
	Undergraduate	1	2.0%

4.2 Measurement Model

The internal consistency reliability, convergent validity, and discriminant validity of the model's construct measures were examined. The reliability of the constructs was inspected using Cronbach's Alpha and composite reliability. Table 4 shows the

readings of the Cronbach's Alpha for auditee satisfaction (0.763), expected service (0.746), and service quality (0.745), which all surpassed the range of 0.70 (Joe F. Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014), signifying and proving strong reliability among the measures (Joe F. Hair et al., 2014).

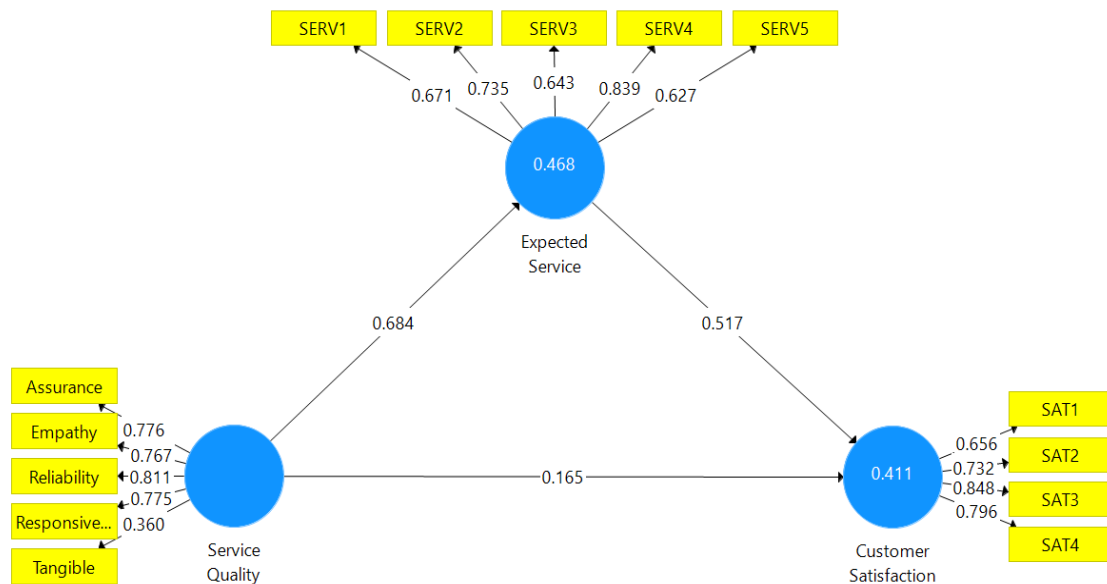


Figure 3: Measurement Model

Convergent validity was checked via factor item loadings, composite reliability, and average variance extracted (AVE). In this study, as in Table 4, the convergent validity was accomplished as the factor item loadings went beyond 0.60, the composite reliability exceeded

0.70, and the AVE was above 0.50 (Joe F. Hair et al., 2014). All items had achieved the requirement for convergent validity.

Table 4
Reliability and Validity Analysis

Factors	Items	Item loadings	Cronbach's Alpha	Composite Reliability (C.R.)	Average Variance Extracted (AVE)
Service Quality	Assurance	0.776	0.745	0.834	0.516
	Empathy	0.767			
	Reliability	0.811			

	Responsiveness	0.775			
	Tangible	0.360			
Auditee (customer) Satisfaction	SAT1	0.656	0.763	0.846	0.580
	SAT2	0.732			
	SAT3	0.848			
	SAT4	0.796			
Expected Service	SERV1	0.671	0.746	0.832	0.500
	SERV2	0.735			
	SERV3	0.643			
	SERV4	0.839			
	SERV5	0.627			

Discriminant validity was assessed with thresholds of 0.85, acknowledged as the Fornell-Larcker criterion (Henseler, 2010; Henseler & Chin, 2010; Henseler, Ringle, & Sinkovics, 2009; Henseler & Sarstedt, 2013).

Table 5 displays that the readings of the associations between all factors were not above the critical value of 0.85. Furthermore, all constructs had provided evidence of acceptable discriminant validity (Henseler et al., 2017).

Table 5
Discriminant Validity

	Customer (auditee) Satisfaction	Expected Service	Service Quality
Customer (auditee) Satisfaction	0.762		
Expected Service	0.629	0.707	
Service Quality	0.518	0.684	0.718

4.3 Structural Model

The significance of path coefficients in the structural model was appraised via the 95% bias-corrected and accelerated bootstrap confidence intervals with 5000 re-samples. The bootstrapping procedure showed that the direct effects were not significant, as the effect between service quality and auditee satisfaction (beta = 0.165, t-value = 0.907, p = 0.365) (see

Table 6). Thus, hypothesis H1 is not supported. Meanwhile, the indirect effect between service quality towards auditee satisfaction with mediating role expected service, was significant (beta = 0.353, t-value = 2.993, p = 0.003). Therefore, H2 is supported. Indeed, the standard service has a full mediation effect between service quality and auditee satisfaction.

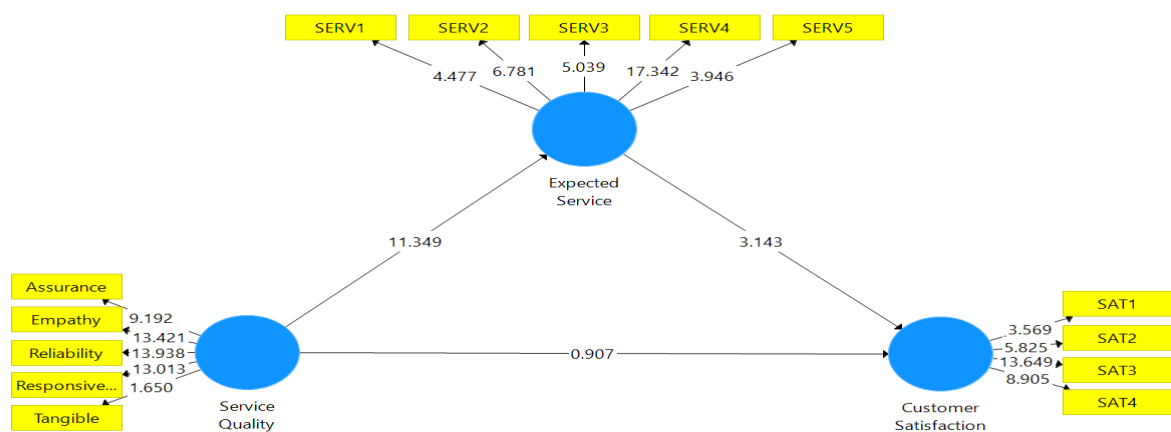


Figure 4: Structural Model

Table 6
Bootstrapping Result

	Beta	T -Value	P-Value	Result
H1: Service Quality → Customer (auditee) satisfaction	0.165	0.907	0.365	Not Supported
H2: Service Quality → Expected Service → Customer (auditee) Satisfaction	0.353	2.993	0.003	Supported

The R^2 of auditee satisfaction was 0.411, signifying that the service quality and expected service explained 41.1% of the auditee satisfaction variance. The effect size between service quality and auditee satisfaction was small with the size of 0.025, the medium impact for effect size between auditee satisfaction and expected service was 0.241, and the enormous impact for effect size between service quality and desired service was 0.878. The f^2 values were categorized into three, which were small (0.02), medium (0.15), and large (0.35) (Hair et al., 2016). Based on the blindfolding procedure with an omission distance of 7, a predictive relevance in the structural model was well-secured as a cross-validated redundancy result (the Stone-Geisser test, Q^2) of the endogenous variable was more significant than 0 ($Q^2 = 0.182$ for auditee satisfaction) and ($Q^2 = 0.203$ for expected service) (Chin, 1998).

5. Conclusion

The study, therefore, showed that the expected service has a full mediating effect between service quality and auditee satisfaction. The result was in line and support by (Alhkami & Alarussi, 2016; Fredrick .Mukoma Kalui, 2014; Ghysin et al., 2008; M. Nassar & Battour, 2020; V. Ramanujam & P. Parthiban, 2020). This is especially true if companies still want to maintain their existing clients in a highly competitive advantage. The study also showed that the researcher might infer that the auditee believed that no matter which audit firm they choose, it should have a certain degree of service quality guaranteed as the highly competitive advantage. This indicates that auditees hope for more service quality of five dimensions: assurance, tangible, reliability, responsiveness, and empathy with

expected service from their audit firms in selecting the best audit firms between small and medium practitioners (S.M.P.). This result made sense as most of the fieldwork was carried out at the auditees' sites. If an audit firm needed to maintain highly competitive advantages, more auditees' concerns are required.

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