Clients’ perspectives

Toward Audit Service Quality of the Big 4 in Thailand

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*Pitchaya Sonsa-ardjit*

*Ramon Vejaratpimol*

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Abstract

Purpose
The purpose of this thesis is, firstly, to investigate clients’ perspective toward the Big 4’s financial audit service quality. Secondly, the gaps between clients’ perceptions and expectations of audit service quality provided by the Big 4 audit firms will be studied. Finally, factors influencing clients’ expectations of audit service quality will be categorised.

Method
A combination of qualitative and quantitative approach is used in the form of a web-based self-completion questionnaire. A qualitative approach is used in one section of the questionnaire which is an open-ended question asking about the clients’ perception toward audit service quality. A quantitative approach is used in the rest of the 2 sections of the questionnaire; firstly, asking the respondents to score the level of perception and expectation of audit service quality; secondly, asking for types of clients’ industries. The respondents are 25 clients who have direct experience with the Big 4 audit firms located in Thailand.

Finding
Clients strongly expect assurance, reliability, and responsiveness while strongly perceive assurance and reliability of the Big 4’s audit service quality. However, it is obvious that clients’ perception of all 5 dimensions is less than those of expectation; assurance, reliability and responsiveness are significantly different at .05 level. Moreover, eight factors from given expectation score are re-categorised in order from the most important issue to the least important as follows; Factor 1: Trust & Confidence, Factor 2: Responsiveness & Accuracy, Factor 3: Knowledge and skills in clients’ industry, Caring and Independence, Factor 4: Understanding of Clients, Factor 5: Timing/Scheduling & Right Service, Factor 6: Physical Facilities, Factor 7: Professional appearance & Professional Procedures, and Factor 8: Information & Communication Channels and Materials.
**Conclusion**

In conclusion, the factors that are not satisfied by the clients; assurance, reliability, responsiveness, should be taken account of by the Big 4. Not only the Big 4 operating in Thailand have to be aware of their service quality, the other audit firms both international brands and local brands should also be aware of their service quality in order to satisfy their clients and to avoid damages of the firms and markets from audit failure. Both the audit firms and the clients together can help in audit quality improvement.

**Recommendation**

To improve audit service quality, it is not only the Big4 audit firms’ responsibility but also the good cooperation from the clients could be the crucial support, and the ongoing policies are needed because it takes some time to see the consequences. When the quality level of audit service becomes a win-win situation, both audit firms and clients receive mutual benefits. Moreover, the Big 4 are the big actors in the audit industry in Thailand with promptly financial and human resource, they should support non-Big 4 to improve audit service quality. Because it means the overall image of audit service in Thailand would be improve somehow.
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Chapter 1: Introduction

This chapter presents the background and related information about brand importance, the audit firms and a brief summary of the Arthur Andersen scandal. The problem and the purpose of the thesis are described and the chapter ends with the scope and structure of the thesis.

1.1 Background

1.1.1 Service quality

The main objective in doing business is to make a profit. Earning a profit is not possible without customers. Getting new customers and maintaining existing customers, therefore, is crucial to business success. To attract customers, the company’s brand image can directly influence customers’ decision making.

Defined back in 1955 by Gardner and Levy, the best definition of a brand was (Miller & Muir 2005):

“It is a complex symbol that represents a variety of ideas and attributes. It tells the consumer many things, not only by the way it sounds (and its literal meaning if it has one) but, more important, via the body of associations it has built up and acquired as a public object over a period of time.”

The brand is, therefore, not just the name, logo, or trademark but it is more than that. It consists of physical and socio-psychological attributes and beliefs such as logo, product, packaging, service offering, staff uniform, and place to sell a product or service. Furthermore, brand building must concern itself with effective service, a consistent offering, and service quality. All of these characteristics affect customers’ brand perception. Eventually, their perception influences their purchasing decisions (Doyle 1994). Strong brands are, therefore, important assets for companies (Simões & Dibb 2001).

With reference to service businesses; there are several kinds of services such as airline, travel, logistical, accounting, financing, consulting, and law. Each service requires different strategies because of the different business environments and different target customers. Unlike product selling businesses; where differentiation can be occur in
several ways such as different packaging, function, colour, and design, service businesses seem to differentiate themselves from other competitors in the same service industry by service quality in order to build their brand image. Specifically in a professional service business, a professional service company like accounting, financing, consulting, or law firms need to create a professional brand image and reputation which matter to their industries. A high quality outcome can be indicated from the brand’s reputation (Greenwood et al. 2005; Lowendahl 2000; Nanda 2003).

In a service industry, human resources are highly important because services are usually produced and consumed simultaneously and clients usually interact directly with the service providers (Zeithaml & Bitner, 1996).

Kotler (1994), identifies two types of service industries. The first type is classified as people-based industries such as window washing services and accounting services while the second type is the facility/equipment-based industries such as automated car washes and vending machines services.

1.1.2 Audit industry

1.1.2.1 Audit firms

Audit firms are the various sized organizations having only a single owner (or ‘partner’) to thousands of owners (or ‘partners), employees, and administrators. Audit firms commonly provide a variety of professional services apart from financial statement audits. Sample services offering by audit firms could be tax, audit, and advisory services. Audit firms are often classified by size. The present world largest audit firms are the ‘Big 4’: PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst and Young, and KPMG. The Big 4 are the international companies providing services around the world throughout their worldwide network (Eilifsen et al. 2006). Table 1.1 shows revenues and employee numbers of the Big 4.
Table 1.1
The Big 4 audit firms’ revenues and numbers of employees for the fiscal year ended 2009

<table>
<thead>
<tr>
<th>Firms</th>
<th>Revenues (U.S. $ billion)</th>
<th>Numbers of Employee</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>PricewaterhouseCoopers</td>
<td>$26.2</td>
<td>163,000</td>
<td>[1]</td>
</tr>
<tr>
<td>Deloitte Touche Tohmatsu</td>
<td>$26.1</td>
<td>169,000</td>
<td>[2]</td>
</tr>
<tr>
<td>Ernst and Young</td>
<td>$21.4</td>
<td>144,441</td>
<td>[3]</td>
</tr>
<tr>
<td>KPMG</td>
<td>$20.11</td>
<td>135,000</td>
<td>[4]</td>
</tr>
</tbody>
</table>


1.1.2.2 Audit service

Audit service is one of several assurance services. Assurance services are broadly defined by the Elliott Committee, the influential AICPA Special Committee on Assurance Services, as follows: (Eilifsen et al. 2006)

“Assurance services are independent professional services that improve the quality of information, or it’s context, for decision makers.”

Another technical term, auditing, according to a committee on basic auditing concepts of American Accounting Association (1973), is defined below:

“Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.”

To perform an audit service, three professional responsibilities are proposed; (1) professional ethics, (2) independence, and (3) quality control (Eilifsen et al. 2006).
Professional ethics involve several issues such as an effort to offer the highest standard at all times and ethics codes about professional independence; the need to observe confidentiality; rules on advertising and publicity; descriptions and designatory letters; exchange of correspondence with a former incumbent before accepting engagement of professional work; determination of fees; participation in multidiscipline practices; and participation in organizations providing general and management consultancy, data processing, and company registrar services (Woolf 1992).

For independence, audit service providers should have both independence of mind and independence in appearance defined as follows (Eilifsen et al. 2006):

**Independence of mind** is “the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, allowing an individual to act with integrity, and exercise objectivity, and professional scepticism.

**Independence in appearance** is “the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, would reasonably conclude a firm’s, or a member of the assurance team’s, integrity (the quality of being honest and having strong moral principles), objectivity (not influenced by personal feelings or opinions; considering only facts), or professional scepticism (professional attitude of doubting that claims or statements are true or that something will happen) had been compromised.”

Finally, the following six elements of quality control should be considered by the firms (Eilifsen 2006).

1) The firm’s leadership responsibilities for quality – policies and procedures to promote internal culture should be set up based on the recognition that quality is essential in performing engagements.

2) Ethical requirements – reasonable assurance that the firm and staff comply with relevant ethical requirements is included in the firm’s policies and procedures.

3) Acceptance and continuance of client relationships and specific engagements – firm should consider (1) Client’s integrity (2) Firm’s competent, capabilities,
time and resources to do the engagement. (3) Firm’s compliance with ethical requirements.

4) Human resources – sufficient persons with capabilities, competence and commitment to ethical principles is essential for reasonable assurance.

5) Engagement performance – reasonable assurance that professional standards and regulatory and legal requirements are performed, and appropriate reports in the circumstances are issued by engagement partners.

6) Monitoring – relevant, adequate, operating effectively, and complied policies and procedures are practiced.

1.1.2.3 The Arthur Andersen Scandal

Arthur Andersen was one of the big five of the largest international audit firms the rest of the big four audit firms being PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst and Young, and KPMG. Arthur Andersen used to be the first among the Big 5 before the scandal of Enron and Arthur Andersen.

The legendary status of Arthur Andersen is a noteworthy lesson for the big 4 and the other accounting professional firms. The firm’s shifting of values was the main cause which led Arthur Andersen to the demise of its legendary status. According to Squires et al. (2003), the ideas and practices of Arthur E. Andersen, the big player of the Arthur Andersen success, became the firm’s values behind the growth of the firm. These values were:

1) Integrity and Honesty - Think straight and talk straight values ensuring the auditors’ duty to guard the firm’s reputation.

2) One firm, One Voice Partnership Model – The partners’ unity and cooperation that preserved the firm’s control and values.

3) Training to a Shared Method – A development strategy for a professional to create a trusted uniform and predictable workforce as they were trained.

After Arthur Andersen died, Leonard Paul Space was elected to replace him. His vision was just like Arthur’s vision which emphasized the belief of integrity and fairness. On December 1, 1963, the 50th anniversary of the firm, Space stepped down and Walter Oliphant was the successor to a Managing Partnership following Space. Oliphant stated that “We all recognize that changes in the profession, the overall business environment, and now in the competitive marketplace can change a firm’s emphasis and approach. But any approach that does not focus heavily on quality of services is surely foredoomed to fail.” Oliphant still kept Andersen’s values, methods,
and culture through centralised training reinforced to local offices (Squires et al. 2003).

Andersen took almost 90 years shifting from a public accounting firm to a multiservice organisation. Looking back at Andersen’s management decisions, they gradually moved it away from its core business. Moreover, the split of Arthur Andersen and Andersen Consulting, which is now so called Accenture, made Arthur Andersen lose an important source of revenue. With stringent finances, getting and holding up profitable client engagements became crucial. Under these circumstances, conflicts of interest were unavoidable and inaccurate judgments would be made (Squires et al. 2003).

Finally, losing the firm’s reputation as high-quality, objective auditors whose investors and creditors could rely upon their opinion, fundamentally brought Arthur Andersen down in August 2002. Therefore, investigating the Big 4 audit firms is interesting for the authors to find what their audit quality is in a competitive business environment.

1.2 Problem

Several researchers have conducted research into the audit quality of the audit firms. Different researchers suggested different factors affecting audit quality. According to the previous empirical studies on audit quality gathering by Duff (2004), some researchers started with around 50 to 100 factors and ended up with 3 to 10 of the most important attributes. Moreover, the researchers tried to find factors effecting audit qualities such as audit fees (Hoitash et al. 2007), the size of the audit firms (Francis & Yu 2009), increased audit partner tenure (Manry et al. 2008) and audit quality reduction behaviours, defined as actions taken by an auditor during an engagement that reduce evidence-gathering effectiveness inappropriately which can menace audit quality or damage the profession’s reputation (Herrbach 2001). However, knowing the factors affecting audit quality is not enough for the audit firms. The audit firms should know at which level of audit quality they are. Knowing the quality of their work is essential because audit quality could influence the clients’ financing decisions and a higher audit quality could reduce the effect of market conditions on financial decisions and capital structure of the clients (Chang et al. 2009).

Although, the audit firms have their policies and procedures to control and evaluate their audit quality, their policies strongly intend to be set under the law and regulatory
requirements. It is only a one sided policy perspective. They do not consider what actually their clients expect from them and to which level their clients perceive their audit service quality. Not only the Enron-Andersen scandal, mentioned at the beginning, affected the perception of audit quality, but other cases such as WorldCom (now MCI) and SunBeam have since come to light (Eilifsen et al. 2006). The scandal of Arthur Andersen and Enron should be a crucial lesson for the Big 4 audit firms concerning a failure in audit service quality. However, no one can guarantee that the Big 4 audit firms will exist forever and one of them will do no wrong. Failure of audit service quality can affect both the reputation of the audit firms and the possibility of wrong decision making by the financial statements’ users. Either the collapse of the audit firm or the clients’ company can create dramatic damages to the markets because both the Big 4 audit firms and their clients are big and important players in the markets. Tremendous levels of unemployment and other consequences could then occur. Serious questions, therefore, have been asked about the audit service quality of the remaining Big 4 audit firms.

In addition, audit services can not be substituted by any other services, for example, coffee can be substituted with tea if you want to awaken. Therefore, clients are sometimes reluctant to accept what they were served. The only way to escape from an unsatisfactory audit service is switch audit firms which is also risky as you face the same problem and waste clients’ time and money switching audit firms.

Therefore, to understand what clients’ need and to be competitive in the economic downturn, slow growth rate of the audit firm, and high competition, the audit firms should not find only the overview gaps between their clients’ perceptions and expectations but they should find which dimensions of the audit service quality they need to be aware of in order to improve their quality and to tailor their strategies to meet clients’ expectations. Also, damage caused by one assertion could be more expensive to repair than those caused by another assertion (Eilifsen et al. 2006). Then, understanding audit quality deeply in each dimension is essential.

1.3 Purpose

The purposes are, firstly, to investigate clients’ perspectives toward the Big 4’s financial audit service quality. Secondly, the gaps between clients’ perceptions and expectations on audit service quality provided by the Big 4 audit firms will be studied. Finally, factors influencing clients’ expectations of audit service quality will be categorised.
1.4 Scope

1.4.1 Chosen financial audit services instead of all services provided by the audit firms

Different services are perceived and have expectations for clientele both in dimension and the level of perceptions and expectations. To mitigate the result bias, this thesis will focus only on the financial auditing service (audit or review of historical financial information which excludes other assurance services such as sustainability reporting, reporting on prospective financial information (i.e. financial forecasts, financial projections), reporting and assurance on an entity’s internal control over financial reporting, agreed-upon procedures, compilation, and internal auditing.) (Eilifsen et al. 2006). Moreover, it is the audit service which is the core service of the audit firms based on functional revenues of the Big 4 audit firms. The highest turnover by function of the Big 4 audit firms in 2009 is from audit services (Table 1.2), therefore, the authors are interested to study specifically audit service quality.

Table 1.2
Revenues by service line of the Big 4 for the fiscal year ended 2009

<table>
<thead>
<tr>
<th>Combined revenues by service line (U.S. $ billion)</th>
<th>PwC</th>
<th>Deloitte</th>
<th>EY</th>
<th>KPMG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>13.14</td>
<td>11.90</td>
<td>10.14</td>
<td>9.95</td>
</tr>
<tr>
<td>Tax</td>
<td>6.92</td>
<td>8.50</td>
<td>5.82</td>
<td>4.09</td>
</tr>
<tr>
<td>Advisory</td>
<td>6.11</td>
<td>5.70</td>
<td>5.48</td>
<td>6.07</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26.17</strong></td>
<td><strong>26.10</strong></td>
<td><strong>21.44</strong></td>
<td><strong>20.11</strong></td>
</tr>
</tbody>
</table>

Sources: Websites of PricewaterhouseCoopers, Deloitte, KPMG, and Reuters. [2010-04-21]

1.4.2 Choice of the Big 4’s Clients

This thesis focus was to study only the Big 4 audit firms’ clients because the clients of the Big 4 and non-Big 4 differ in size, standard, perceptions, and expectations. It is not because the non-Big 4’s clients are not important to society and the economy but the clients of the Big 4 are mostly the bigger enterprises which have a greater potential to seriously damage the market or economy in the case of any error or lapse of judgement as obviously occurred in the collapse of Enron and Arthur Andersen.

Choosing both Big 4 clients and non-Big 4 clients may well have given a broader view than choosing to study only the Big 4’s clients. However, within a limited time
frame and with limited resources, the authors chose to deal only with the clients of the Big 4.

1.5 The Structure of the Thesis

The next chapter presents the chosen methodologies of the empirical study. The reasons for choosing those methodologies are explained. Previous research related to audit service quality and related theories are presented in Chapter 3. Chapter 4, presents the empirical study including empirical results with analysis, findings, and discussion. The analysis is linked to the presented theories while the findings will answer to our purposes. Moreover, analysis and findings are presented simultaneously in the empirical study chapter. The thesis finishes up with conclusions drawn from the empirical findings and recommendations for the Big 4, their clients, and further research.
Chapter 2: Methodology

In this chapter the authors firstly present the alternative research approach, deductive and inductive approach, and explain the reason why the selected approach was chosen. Secondly, two types of research design; qualitative and quantitative approach are described. Next, the tool for collecting primary data, a web-based self-completion questionnaire, is clarified along with questionnaire design and sampling methods. In addition, the use of secondary data is explained. Conducting data analysis is presented along with analysis tools and analysis techniques afterwards. This chapter ends with how the authors ensured the validity and reliability of the study.

2.1 Research Methods

Deductive and Inductive Approaches
There are two approaches, namely deductive and inductive approaches that show the nature of the relationship between theories and research (Bryman & Bell 2003). In the deductive approach, researchers begin with collected theories which have to be tested for validity of empirical result (Engel & Schutt 2005). Yin (2003) stated that the existing theory is also used to create the purpose and research questions. In contrast to the deductive approach, Glaser & Strauss (1967) defined “the inductive approach is to start to collect data and then explore them to see which themes or issues to follow up and concentrate on in order to create new theories which will be able to explain those specific data”.

This research starts with reviewing the main factors which can affect the gap between the clients’ perceptions and expectations toward audit service quality of the Big 4 audit firms, the underlying theories and a literature review. Then, the hypotheses are developed consequently. The next step is primary data collection which took the form of a web-based self-completion questionnaire which was used as a survey tool. After that, the authors used the SPSS program to analyse the collected data, and then the findings provided the evidence as to whether the hypotheses could be accepted or rejected ultimately. The deductive approach, therefore, is an appropriate theoretical approach for this research.
2.2 Research Design

**Qualitative and Quantitative approach**

There are mainly two types of scientific research so-called qualitative approach and quantitative approach. “Qualitative research is a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data” (Bryman & Bell 2003). Aliaga & Gunderson (2002) defined, in contrast, that “quantitative research is explaining phenomena by collecting numerical data that are analysed using mathematically based methods”.

Mack et al. (2005) states that qualitative research has as its strength the effective obtaining of a complex specific description of how people experience a given research issue regarding values, opinions, behaviours, emotions and relationships of individuals. However, measurement is the strong point of quantitative research. Its advantages bring consistency to the work which is influenced neither by the timing of its administration nor by the person who administers it, and it allows the researcher to describe the difference among the samples towards the characteristic or characteristics in question. Moreover, measurement permits the investigator to know the relationship between the concepts (Bryman & Bell, 2003).

Bryman and Bell (2003) further explained that the concept of the research guides the researcher to know which type of research approach will be employed; qualitative or quantitative. According to this thesis, the purpose is to investigate clients’ perspectives toward financial audit service quality of the Big4 audit firms. The authors’ design was to collect numeric data in the form of scores corresponding to respondents perceptions and expectations of audit service quality in different dimensions (section 1 of the questionnaire) and also ask for types of clients’ industries (section 3 of the questionnaire). The SPSS program will be used to analyse the different levels of clients’ perceptions and expectations and the factors that clients highly expect with regard to audit service quality. Therefore the quantitative approach is employed to analyse collected data from the two sections of the survey, section 1 and 3. However, the qualitative approach is also used in order to explain open-ended questions, in section 2 of the questionnaire, where the clients gave their opinions as to why their lowest perception score in some dimensions was given toward audit service quality, to support the statistical results extracted with SPSS. The authors believe these two approaches combine to allow the authors to answer the thesis’ purpose.
2.3 Data Collection Method

Since the purpose of this thesis is to investigate service quality of the Big 4 audit firms with regard to audit service where previous research and literature was limited to using only secondary data which may not bring validity and reliability to the report, the web-based self-completion questionnaire will be used as a survey tool to collect primary data.

2.3.1 Self-completion questionnaire

There are many methods of data collection; for example, face-to-face interviews, structured observation and self-completion questionnaires. Self-completion questionnaires are appropriate when the researchers do not want the respondents to be affected by the bias of interviewers as when a structured interview is conducted (Bryman & Bell 2003). However, the complexity of the questions is an important consideration because self-completion studies could suffer from the respondents’ misunderstanding of the questions. The authors, therefore, piloted the questionnaire to ensure that it was clear, easy to interpret and comprehensible as mentioned in the “reliability and validity” subtopic. In addition, structured observation was inappropriate for this paper because it is used to observe behaviour rather than question people (Cresswell 2003). Since the thesis mainly focuses on the gap between audit clients’ perceptions and expectations towards audit service quality of the Big 4 audit firms which takes the form of a discrepancy score between perceptions and expectations, the authors believed that a self-completion questionnaire would be an appropriate and convenient tool to collect the data before analysis using SPSS.

For the self-completion questionnaire, there are two forms of the questionnaire either in paper or electronic form. Zanutto (2001) described the advantages of a web-based survey which cannot be found in paper surveys; such as the result can be downloaded to a spreadsheet which enables researchers to interpret easily, and provides a variety of question types such as drop-down boxes and multi-scales which are customized to the questionnaire design.

In this thesis, the authors used web-based self-completion with an e-mail URL embedded where the respondents were invited to answer the questionnaire using e-mail containing a URL or web address (Brace 2008). This tool not only reduces some errors when a questionnaire is being conducted (David & Sutton 2004) but also has a higher response rate when compared to a postal questionnaire (Upton & Cook 1996). Moreover, it was chosen for the study because the target respondents are located at
some distance from the researchers. The web-based self-completion questionnaire, therefore, is a convenient and low-cost way to collect data when the limitations of time and cost are a concern.

2.3.2 Respondents

In the beginning, the authors chose to conduct the survey with Swedish companies including foreign companies in Sweden which use audit services from the Big 4 audit firms. The authors downloaded the list of companies names from the Stockholm Stock Exchange of the OMX index (The NASDAQ OMX Group, Inc., 2010) where the Nordic listed companies are shown. However, the authors faced some problems as described below:

- The authors did not have direct personal contact with relevant personnel such as the Chief Financial Officer or accounting manager, therefore the authors contacted people whose telephone number was displayed on the companies’ website, who were mostly in charge of investment relations. It, therefore, took too much time to reach the right person, who had direct experience with external auditors from the Big 4 audit firms, after the first contact.

- Some clients’ companies had an automatic switchboard which answered in Swedish. The authors, Thai native speakers, therefore, faced language communication problems.

- Some target respondents in clients’ companies had too much work on hand; therefore, they refused to participate in the survey.

The authors waited for responses for some days but there were only a few respondents who completed the questionnaire. Consequently, the authors switched their focus to respondents from Thailand. Since the authors were employed by one of the Big4 audit firm in Thailand, the authors had some contact with people in the audit service field. The web-based self-completion questionnaire, therefore, was sent to them. Their roles in their respective companies as Chief Financial Officer, Accounting Manager or Senior Accountant having direct experience with the Big 4 audit firms located in Thailand made them very suitable for our research.

The authors sent emails with attached cover letter and questionnaire URL to two groups; the first group were persons who work for listed or non-listed Thai companies including foreign companies in Thailand, and had direct experience dealing with external auditors from the Big4 audit firms, and the second group was the authors’
former colleagues who are working as external auditors of the Big4 audit firms who in turn forwarded the email to their clients.

2.3.3 Response rate
According to the National research council (1994), the use of cover letters in self-completion surveys helps to increase the response rate and also allows the researcher to clarify the purpose of the questionnaire and the instructions for answering the questions. Therefore the purpose of the questionnaire and the instructions for the questionnaire were clarified in the cover letter as well as assuring the respondents that all provided information will be kept confidential, and that the authors were willing to share the results with the respondents. Moreover, the questionnaire URL link was also presented in the e-mail.

2.3.4 Questionnaire Design
When it comes to questionnaire development, Yang (2008) stated that “the types of questions, the wording of questions, and the sequence of questions and the overall length of the questionnaire” are crucial concerns.

There are two types of questions namely close-ended questions and open-ended questions. For close-ended questions, the respondents will answer following one or more offered options according to a particular format; for example, multiple-choice questions, checklist questions and rating questions. This way the respondents will not require so much time to finish it when compared with the required time for open-ended questions. However, open-ended questions permit the respondents to have freedom to respond from their own frame of reference (Ary et al. 2009). Lake and Harper (1987) stated that “open-ended questions are useful when you want to see how respondents discuss an issue or discover what is on their minds without imposing an agenda. In this thesis, the first section of the questionnaire consists of 25 open-ended questions with a seven-point Likert scale. The sequence of questions follows the 5 dimensions of SERVQUAL theory; however, the authors did not define each dimension’s name in the questionnaire in order to prevent response bias.

Altschuld & Lower (1984) stated that the questionnaire should include only the questions that are salient to respondents because it effects the feasibility of response rate. Also, a large number of questions could possibly cause errors from respondent fatigue (Bryman & Bell 2003). The authors, therefore, generated 25 question items in order to answer the research questions. For the last concern; the wording of questions, the questionnaires were piloted with the authors’ former colleagues who are the auditors in the Big 4 audit firms and to the clients of the Big 4 audit firms who have
direct experience in dealing with the Big 4’s external auditors to see whether the questions were understandable or not as mentioned in the reliability and validity subtopic.

According to Ismail et al. (2006), SERVQUAL conducted surveys which focus on a particular service will get more focused answers from the respondents because the questions will point to specific areas. Therefore, the authors made some modifications of the original 22-item SERVQUAL questionnaire both in wording and context of questions, to be best suited to the thesis’s purpose and scope, which is described below; (the original 22-item SERVQUAL questionnaire and the modified questionnaire can be found in Appendix A and Appendix B respectively)

2.3.4.1 Modified Wording
   1) Using the word “the auditors” in the generated questionnaire instead of “the employees”
   2) Using the word “the audit firm” in the generated questionnaire instead of “excellent companies”

2.3.4.2 Modified Context
   1) Three questions, Q15, Q16, Q19, which are defined as trust and confidence, independence and competence issues respectively are added to the assurance dimension, and Q24 and Q25 which can be categorized as providing useful information issues are added to the empathy dimension since the original SERVQUAL questionnaire did not consider these issues even though they are extremely important to audit service quality.
   2) After the questionnaires were piloted, the piloted group commented on two similar questions from the original SERVQUAL questionnaire, Q18 and Q20, which were difficult to define and asked how different was the auditor and audit firm’s responsibility when it comes to the context of giving the client individual attention. As a result, they were combined in one question, Question 20, to prevent respondent confusion.
   3) One question, Q16, from the original SERVQUAL questionnaire was deleted because it seemed connected to service quality in general, but not for professional service quality as in audit service.

After questionnaire modification, the questionnaire can be outlined in three sections:

**Section 1**: 25 questions with seven-point Likert scale related to five dimensions;
   1) Tangibles
   2) Reliability
3) Responsiveness
4) Assurance
5) Empathy

**Section 2:** An open-ended question inviting respondents to give the reasons given for lowest scores among all questions in Section 1 which will help the authors to generate ideas for the analysis process.

**Section 3:** Background information about a company’s industry of the respondents is asked for.

A sample of the questionnaire is shown in Appendix B

Moreover, the authors described each scale of the seven-point Likert scale precisely, as in Table 2.1, for the directions given to respondents; unlike the original SERVQUAL questionnaire which just described only the lowest and highest scale of the questionnaire, so that the questionnaire will be more understandable among respondents and ensure the reliability and validity of the questionnaire.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Perception</th>
<th>Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>not perceive</td>
<td>not expect</td>
</tr>
<tr>
<td>2</td>
<td>rarely perceive</td>
<td>rarely expect</td>
</tr>
<tr>
<td>3</td>
<td>little perceive</td>
<td>little expect</td>
</tr>
<tr>
<td>4</td>
<td>moderately perceive</td>
<td>moderately expect</td>
</tr>
<tr>
<td>5</td>
<td>quite perceive</td>
<td>quite expect</td>
</tr>
<tr>
<td>6</td>
<td>strongly perceive</td>
<td>strongly expect</td>
</tr>
<tr>
<td>7</td>
<td>extremely perceive</td>
<td>extremely expect</td>
</tr>
</tbody>
</table>

2.3.5 **Sampling method**

According to Kalton (1983), “population definition needs to be precisely and carefully specified according to the survey objectives, because the results will depend on the definition adopted”. In this case, the authors defined the population as the total of
listed and non-listed companies in Thailand that use financial audit services from the Big 4 audit firms located in Thailand. Moreover, Montello and Sutton (2006) stated that consideration of the nature of the respondents increases response rate as well. The authors, therefore, employed purposive sampling where the authors were concerned with choosing only the person who was directly in contact with the Big 4’ auditors in order to address the purpose which was the investigation of audit service quality (Babbie 2008).

2.4 Secondary Data

In the beginning, the authors found there were many people had carried out research investigating the service quality of service businesses, and some adopted the SERVQUAL theory in their research. However, little research was related to audit firms and the qualities tested included all kinds of services such as auditing, consulting, taxation and accounting. However, there were no researchers who had carried out research which was concerned only with financial audit services which are the core service of the Big 4 audit firms. The authors, therefore, used the research they found and found related theories in books, articles and other useful information on the Big 4 audit firms websites focusing on audit service quality both internal and external and interactions among audit firms, auditor and client which developed better audit service quality. As a result, the authors believed the gathered secondary data together with the empirical study from the primary data were appropriate used in order to answer the thesis’ problem and were aligned with the thesis’ purpose.

2.5 Data Analysis

2.5.1 Analysis tool

SPSS, Statistical Package for the Social Sciences, has been using widely for statistical analysis in social science. SPSS allowed the researchers to perform many data management and statistical analysis tasks. (Boston College 2010). SPSS permits researchers to analyse quantitative input data in many different features such as a paired-different test and factor analysis.

2.5.2 Analysis technique

Measuring means of each variable allows the researchers to know the average score of particular set or individual item from all respondents’ points of view. Means of the particular set or even the individual item of all respondents would be a good representation of a particular issue of the overall sample.
Further techniques using in this research were a paired t-Test. As mentioned in SPSS’s help function, “The Paired-Sample t-Test procedure compares the means of two variables for a single group”. Using T-Test analysis allows the researcher to know whether or not clients’ perceptions and expectations are correlated, and how strong a significant relationship is or how large a significant difference is.

Lastly, factor analysis was used. It is generally used to measure a complex set of variables, and then group them as a new group which has inter-related observed variables to see the pattern of respondents completing the questionnaire in a particular subject (Howitt & Cramer 1997).

The authors, therefore, believe using the SPSS programme to analyse quantitative data with three analysis techniques so called; means, paired t-Test and factor analysis, is appropriate to align with the research’s purpose.

2.5.3 Hypotheses
Significance level affects the probability that the hypothesis will be rejected. In the other words, if significant level is set at a low level, this means hypothesis will be rejected only when total probability under the hypothesis of a set of values of the observations is small (Lehmann & Romano 2005). In addition, significant level denotes the power of a test; on the other hand, to increase the power of a test is just to increase the size of the significant level (Hinton 2004). Therefore, the choice of significant level should be carefully judged to suit the research area.

The level of significance (α) is between 0 and 1. Normally, a standard value such as .01 or .05 will be chosen in research studies. In this thesis, the authors chose .05 as a significant level because .01 is too rigorous which would be rarely seen in some fields such as political science, sociology or economics where significance is hard to come by in many models (Roger 1996). The generated hypothesis can be found below;

H1. There is a significant difference between clients’ expectations and their perceptions of audit service quality provided by the big 4 audit firms.
Specifically, our hypotheses are:

H1a. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of tangibles.
H1b. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of reliability.

H1c. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of responsiveness.

H1d. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of assurance.

H1e. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of empathy.

2.6 Reliability and Validity

The factors that enable research to be widely accepted as qualified research are validity and reliability. The quality of collected survey data has a direct influence on the validity and reliability of the research.

2.6.1 Reliability

Alston and Bowles (1998) stated that “reliability is about consistency, a variable is reliable if someone else who uses it gets very similar results to the original researchers, or if the original researcher uses the measure at a later time, or with a similar group of people, and similar result appear”. In any survey research, there are two types of error so-called random error and measurement error. Random error is primarily caused by sampling technique; in the other words, to minimize random error the researcher should select a larger sample which is regularly neither practical nor feasible simply when there is limitation of time and cost (Boer & Drejer 2005). Instead, the authors decided to set significant level at .05 which means the error might occur only 5% or the correctness is 95% thus bringing reliability to the set of hypotheses. For the latter error, measurement error, “refers to how well or poorly a particular instrument performs in a given population” (Litwin 1995). The authors employed the web-based questionnaire as a survey instrument which can be relied on for reliability of results since there are some sets designed to prevent duplicate respondents, incomplete answers and duplicate answers, for example. Also, the authors adopted purposive sampling so that the respondents have knowledge and direct experience related to the
thesis topic which will be made highly reliable in the survey as Khan (1998) claimed. Moreover, one function of SPSS, *Cronbach’s alpha test*, is used to test the reliability of the questionnaire before launching. Cronbach’s alpha, in this thesis, is supported by SPSS program which Langdrige & Hagger-Johnson (2009) stated that “values of 0.70 or higher are considered acceptable”. The result of this test will be shown in Chapter 4, Empirical study, Analysis and Finding.

2.6.2 Validity

Validity in quantitative research is to test whether or not variables in the research are actually measuring what they suppose to measure (Alston & Bowles 1998). In this thesis, the authors carried out a validity test with respect to content validity and face validity testing. Content validity is to test whether or not the questions in the questionnaire enable what the authors tried to measure (Muijs 2004). Cronbach (1971) defined that “face validity testing considers whether or not the scales appear to be applicable and satisfactory to the respondents”. In the other words, how reasonable the measure will gain the information the researchers intend to obtain. To conduct these tests, the understanding, interpretation and comprehension of question by issues were appraised. The questionnaires were piloted with the authors’ former colleagues who are the auditors in the Big 4 audit firms and to the clients of the Big 4 audit firms who have direct experiences of dealing with the Big 4’s external auditors to see whether or not all questions looked valid to them and to get some comments on the questionnaire. A few revisions were required afterwards.
Chapter 3: Frame of References and Theories

In this chapter, former research about accounting and audit service quality will be presented. The next part in this chapter presents theories in relation to problems and purposes related to service marketing and service quality. The chapter will end with critiques of theories in use.

There are several people have carried out research into service quality. Nevertheless, little of this research was conducted about audit service quality. The authors perceive the importance of audit service quality as it is one of main criteria for clients when they select audit firms. Former research about accounting and audit firms’ quality measurement are presented in the beginning of the chapter. The chapter is followed by a discussion of theoretical aspects. The service marketing and service quality theories are presented in a broader view followed by the audit quality model which is narrower. Moreover, the theory about employer branding can be used to explain the result from the study. All theories are utilized to support the thesis purpose in investigation of the Big 4’s audit service quality, from the clients perspective. The service marketing triangle model generally gives the reader the idea about the actors and actions that create the gaps between what the Big 4 audit firms say, what they deliver and what clients see or expect. Then, the service quality theory, SERVQUAL, is presented for more detail about service quality processes followed by the audit quality model, AUDITQUAL. Both SERVQUAL and AUDITQUAL offer a service quality model and tools to measure service quality. The merits and flaws of the theories in use are discussed after theories are presented. The reasons for tailor-made chosen theories are also described. Chapter 3 is finally ends with the employee branding theory which pursues the firms to identify themselves to be potential employers and good working places to the extent of learning and growing of both employee and potential recruits.
3.1 Frame of references

3.1.1 Previous Researches about Service Quality

The SERVQUAL conceptual model, developed by Zeithaml et al. (1990), has been used as an instrument to measure the customers’ expectation and perception of service quality. After 1988, the modification year of SERVQUAL, SERVQUAL has been used as a conceptual model extensively as a basis to measure service quality in several service industries (Brown et al. 1993; Robinson 1999) as presented in Table 3.1.

Table 3.1: Example of service industries adapted SERVQUAL in their research.

<table>
<thead>
<tr>
<th>Service Industry</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td>Babakus and Mangold 1989</td>
</tr>
<tr>
<td>Accounting/Auditing service</td>
<td>Bojanic 1991</td>
</tr>
<tr>
<td></td>
<td>Freeman and Dart 1993</td>
</tr>
<tr>
<td>Physicians</td>
<td>Brown and Schwartz 1989</td>
</tr>
<tr>
<td>Health</td>
<td>Swartz and Brown 1989</td>
</tr>
<tr>
<td></td>
<td>Lam 1997</td>
</tr>
<tr>
<td></td>
<td>Raspollini et al. 1997</td>
</tr>
<tr>
<td>Dental school patient clinic</td>
<td>Carman 1990</td>
</tr>
<tr>
<td>Business school placement centre</td>
<td></td>
</tr>
<tr>
<td>Tire store</td>
<td></td>
</tr>
<tr>
<td>Acute care hospital</td>
<td></td>
</tr>
<tr>
<td>Public recreation programs</td>
<td>Crompton and Mackay 1989</td>
</tr>
<tr>
<td>Real estate brokers</td>
<td>Johnson et al. 1988</td>
</tr>
<tr>
<td>Utilities</td>
<td>Babakus and Boller 1992</td>
</tr>
<tr>
<td>Information systems</td>
<td>Kettinger and Lee 1994</td>
</tr>
<tr>
<td></td>
<td>Pitt et al. 1995</td>
</tr>
<tr>
<td>Libraries</td>
<td>Nitecki 1996</td>
</tr>
<tr>
<td></td>
<td>Coleman et al. 1997</td>
</tr>
<tr>
<td>Management science projects</td>
<td>Robinson and Pidd 1997</td>
</tr>
<tr>
<td>Tourism</td>
<td>Tribe and Snaith 1998</td>
</tr>
<tr>
<td>Electronic service</td>
<td>Parasuraman et al. 2005</td>
</tr>
</tbody>
</table>

The SERVQUAL model is accessible through several books and research from both the model developers and other researchers which provides rich information to the reader and practitioners about the SERVQUAL conceptual model before they decide
whether to use it or not. The reliability and validity of SERVQUAL is discussed in the theory part of this chapter.

3.1.2 Recent Researches about Audit/Accounting Service Quality

3.1.2.1 Service Quality In Accounting Firms: The Relationship Of Service Quality To Client Satisfaction And Firm/Client Conflict (Saxby et al. 2004)

The marketing model, SERVQUAL scale was used by Saxby et al. (2004) to investigate the relationship between service quality and both client satisfaction and firm/client conflict. The response rate was 53 percent, 154 responses from totally 292 surveys launched. The respondents were manufacturing, construction, wholesale/retail, not-for-profit, health care, and other industries who were the clients of a large regional accounting firm. Several services like audit, tax, financial statement preparation, and consulting were the services that the accounting firm offered to the clients. The respondents were the Owner/General Manager, President/CEO, Vice-President/CFO, Controller, Accounting Manager, and some other related positions used to dealing with the accounting firm. The experience of the respondents varied from less than 6 years to more than 30 years aged less than 40 years old to 60 years old or more. The respondents’ educations also varied from high school graduate to masters’ degree or greater.

The results from regression of service quality to satisfaction presented stated that the most important issues to the clients when they use services from accounting firms were reliability and assurance. From the studies of Saxby et al. (2004), accuracy, one component of reliability, was more important than another component, timely service. In addition, within the assurance dimension, the clients paid higher attention to the firm’s knowledge than their trustworthiness.

Moreover, the regression of service quality to accounting firm/client conflict showed that responsiveness and assurance were significant at the 0.05 level. The remaining three dimensions; tangibles, reliability, and empathy, were not significant. The employees’ level of willingness to help was significant at 0.05 level while promising to the clients when services would be performed was moderately significant while the timeliness of response to the client requests was not significant. Another dimension significant at the 0.05 level was assurance in which the only significant component in the assurance dimension was knowledge of the service providers, the same result as the regression of service quality to satisfaction.
To conclude, service quality has a positive relationship to client satisfaction and a negative relationship to firm/client conflict. Therefore, the accounting firm can increase the client satisfaction by improving the reliability and assurance. On the other hand, the accounting firm can also reduce conflict with the clients by increasing responsiveness and assurance.

3.1.2.2 Service quality, client satisfaction and loyalty towards audit firms: Perceptions of Malaysian public listed companies (Ismail et al. 2006)

The recent study of Ismail et al. (2006) aimed to discover the relationship between audit quality, client satisfaction and loyalty to the audit firm from the perceptions of Malaysian public listed companies. A marketing model, SERVQUAL, was used to assess client’s perceptions and expectations on the quality of service received from the audit firms. Five dimensions were used in the questionnaire; tangibles, reliability, responsibility, assurance, and empathy. 500 questionnaires were sent and 115 were responded to. The response was, therefore, 23 percent. 54.8 percent of the respondents were the head of finance departments and 29.6 percent were the head of audit and accounts departments.

The results shown that the tangibles dimension was the most satisfied dimension for the Malaysian public listed companies. The remaining four dimensions (reliability, responsibility, assurance, and empathy) were not satisfied. The most dissatisfied dimension was empathy. Moreover, Ismail et al. (2006) found that client satisfaction partially mediated the relationship of reliability and client loyalty.

The limitations of this research were firstly, the sample size was small and there was no focus on the service types provided by the audit firms. Their study includes tax, secretarial and audit services. In addition, a larger sample size or focusing on specific services of the audit firms was suggested by Ismail et al. (2006).
3.2 Theories

3.2.1 Service Marketing Triangle

![Service Marketing Triangle](image)

The model (Figure 3.1) identifies three key players; audit firm, auditors, and clients, that are essential to ensure the success of a service offering. Positive interaction among them is essential to ensure a delivered quality service. Three types of marketing; external marketing, internal marketing and interactive marketing, are used to achieve this model (Botha & Brink 2005).

1) External – making promise (audit firm – clients)
The way an audit firm communicates to the client enables the audit firm to offer its services and sets the expectations of the service level that the client can expect from the audit firm. This communication can be in the form of television ads, a magazine ads or personal selling. Physical evidence such as the appearance of staff in service marketing also plays a role in communicating the quality of service.

2) Interaction – keeping promises (clients – auditors)
This is generated when the clients and auditors come into contact and the service is performed. Clients contact auditors to ensure that the best service is delivered to the clients.

3) Internal - enabling promises (auditors – audit firm)
Training auditors and giving them the necessary tools and skills to perform the jobs at the highest level so that the clients receive a satisfactory service. Without this internal
marketing, the clients might not receive the expected service which may result in a negative brand image and loss of clients.

3.2.2 SERVQUAL

Zeithaml et al. (1990) developed a model to measure the difference of service expectations and perceptions of the customers. This difference is so-called “gaps”. There are 5 gaps distinguished in the SERVQUAL conceptual model (Figure 3.3). The SERVQUAL conceptual model was developed with the intention to understand several questions: “How exactly do customers evaluate the quality of a service? Do they directly make a global evaluation or do they assess specific facets of a service in arriving at an overall evaluation? If the latter, what are the multiple facets or dimensions on which they evaluate the service? Do those dimensions vary across services and different customer segments? If customers’ expectations play a crucial role in the assessment of service quality, which factors shape and influence those expectations?”

To find answers to these questions, Zeithaml et al. (1990) conducted 12 focus-group interviews on customers of four service sectors; retail banking, credit cards, securities brokerage, and product repair and maintenance. Key attributes used to classify each service sector are different. Zeithaml et al. (1990) claimed that “Although product repair and maintenance services concern customers’ tangibles possessions, the other three services pertain to customers’ intangible (financial) assets. Banking and securities-brokerage services are more labor intensive and interactive than the other two.” To cover all possible attributes, Zeithaml et al. (1990) chose a broad spectrum of customer service to go beyond the boundaries of specific industries. To make the findings generalise, each focus-group contained recent experienced customers of all four chosen industries and each group had eight to twelve participants. The questions induced discussion and included subjects such as example of, reason for, satisfaction, and dissatisfaction with the service; ideal service’s descriptions (e.g. ideal bank or ideal credit card); the meaning of service quality; factors crucial in service quality evaluation; and performance expectation concerning the service.

The focus-group interviews generated the definition of service quality, factor influencing expectations, and dimensions of service quality which are described in detailed as follows.
From conducting focus-group interviews, Zeithaml et al. (1990) concluded that “service quality, as perceived by customers, can be defined as the extent of discrepancy between customers’ expectations or desires and their perceptions.”

For factor influencing clients’ expectations, they are presented and described in Table 3.2 (Zeithaml et al. 1990).

Table 3.2: Factors influencing client expectations

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word-of-month communications</td>
<td>What customer hears from other customers</td>
</tr>
<tr>
<td>Personal needs</td>
<td>Expectation vary depending on respondents’ individual characteristics and circumstances</td>
</tr>
<tr>
<td>Past experiences</td>
<td>Previous dealings with similar types of organizations can increase or decrease expectations in specific quality dimensions</td>
</tr>
<tr>
<td>External communications</td>
<td>Direct and indirect messages conveyed by the service provider to customers (including price)</td>
</tr>
</tbody>
</table>


Another result of focus-group interviews is ten service quality dimensions. The original model suggested ten dimensions involving service quality delineated in Table 3.3: (Examples of specific questions raised by customers in each dimension can be found in Zeithaml et al. 1990, p.21-22)

Table 3.3: Ten service quality dimensions and definitions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tangibles</td>
<td>Appearance of physical facilities, equipment, personnel, and communication materials</td>
</tr>
<tr>
<td>2. Reliability</td>
<td>Ability to perform the promised service dependably and accurately</td>
</tr>
<tr>
<td>3. Responsiveness</td>
<td>Willingness to help customers and provide prompt service</td>
</tr>
<tr>
<td>4. Competence</td>
<td>Possession of the required skills and knowledge to perform the service</td>
</tr>
<tr>
<td>5. Courtesy</td>
<td>Politeness, respect, consideration and friendliness of contact personnel</td>
</tr>
<tr>
<td>Dimension</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>6. Credibility</td>
<td>Trustworthiness, believability, honesty of the service provider</td>
</tr>
<tr>
<td>7. Security</td>
<td>Freedom from danger, risk, or doubt</td>
</tr>
<tr>
<td>8. Access</td>
<td>Approachability and ease of contact</td>
</tr>
<tr>
<td>9. Communication</td>
<td>Keeping customers informed in language they can understand and listening to them</td>
</tr>
<tr>
<td>10. Understanding the Customer</td>
<td>Making the effort to know customers and their needs</td>
</tr>
</tbody>
</table>

Source: Zeithaml et al. (1990), p.21-22

After having defined service quality, factors influencing performance expectation from clients view points, and dimensions in service quality, Zeithaml et al. (1990) then developed an instrument for measuring service quality, SERVQUAL, by conducting a customer survey in five service sectors; product repair and maintenance, retail banking, long-distance telephone, securities brokerage, and credit cards. 97 items capturing 10 aforementioned dimensions were explored and asked 200 customers with a seven-point scale ranging from 7 (strongly agree) to 1 (strongly disagree). Zeithaml et al. (1990) refined and condensed 97 items of 10 dimensions to 22 items of 5 dimensions (Figure 3.2), so-called tangibles, reliability, responsiveness, assurance and empathy, through a series of repeated data-collection and –analysis steps in 1988 (Parasuraman et al. 1988). The dimensions of tangibles, reliability, and responsiveness are the same as presented in the original model; however, assurance and empathy are the combination of the other seven original dimensions (McCabe 2001). The latest five definitions are described in Table 3.4.
5 Dimensions

- Tangible
- Reliability
- Responsiveness
- Assurance
- Empathy

Access
Communication
Understanding the customer

Service Quality

Figure 3.2: SERVQUAL Dimensions
Table 3.4: Five dimensions in SERVQUAL model

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tangibles</td>
<td>Appearance of physical facilities, equipment, personnel and communication materials</td>
</tr>
<tr>
<td>2. Reliability</td>
<td>Ability to perform the promised service dependably and accurately</td>
</tr>
<tr>
<td>3. Responsiveness</td>
<td>Willingness to help customers and provide prompt service</td>
</tr>
<tr>
<td>4. Assurance</td>
<td>Knowledge and courtesy of employee and their ability to convey trust and confidence (combined from the dimensions of competence, courtesy, credibility, and security)</td>
</tr>
<tr>
<td>5. Empathy</td>
<td>Caring, individualized attention the firm provides its customers (combined from the dimensions of access, communication, and understanding the customer)</td>
</tr>
</tbody>
</table>

Source: Zeithaml et al. (1990)

The reliability and validity of the condensed scale were tested by four independent samples of the U.S. known firms: a bank, a credit-card issuer, and appliance repair-and-maintenance firm, and a long-distance telephone company. Approximately 190 customers participated in each sample.

After acquiring a tool to assess and understand customers’ perceptions on service quality, the potential cause of the shortfalls of service quality were studied using a series of in-depth, face-to-face interviews as part of the exploratory, including customer focus-group interviews mentioned previously. Executives from four recognized companies selected from the same four service sectors that Zeithaml et al. (1990) conducted customer focus-group interviews; retail banking, credit cards, securities brokerage, and product repair and maintenance.

Zeithaml et al. (1990) found that the service-quality gap customers may perceive, i.e. the difference between expectations and perceptions, is influenced by four gaps. Then, a SERVQUAL conceptual model, Figure 3.3, is depicted for an easy understanding and discussion.
Gaps 1-4 are a shortfall in service quality within a service provider company and gap 5 is the shortfall in service quality that was perceived by the clients of the service provider company.

Gaps 1-5 are described in Table 3.5

Table 3.5 – Description of gaps 1-5 – potential causes of service quality shortfall

<table>
<thead>
<tr>
<th>Gap</th>
<th>Tag</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap 1</td>
<td>Customers’ expectation – Management’s perceptions gap</td>
<td>Differences between customers’ expectation and management understanding of those expectations</td>
</tr>
<tr>
<td>Gap</td>
<td>Tag</td>
<td>Description</td>
</tr>
<tr>
<td>-----</td>
<td>-----</td>
<td>-------------</td>
</tr>
<tr>
<td>Gap 2</td>
<td>Management’s perceptions – Service quality specifications gap</td>
<td>Differences between management’s perception and service quality standards</td>
</tr>
<tr>
<td>Gap 3</td>
<td>Service quality specifications – Service delivery gap</td>
<td>Differences between service quality standards and actual service delivery</td>
</tr>
<tr>
<td>Gap 4</td>
<td>Service delivery – External communications gap</td>
<td>Differences between actual service delivery and provider’s external communications (firm promise)</td>
</tr>
<tr>
<td>Gap 5</td>
<td>Expected service – Perceived service</td>
<td>Differences between customers’ expectation on service and their perceptions on delivered service</td>
</tr>
</tbody>
</table>

Source: Zeitham et al. (1990) and Duff (2004)

According to a conceptual model of service quality, SERVQUAL, client perceptions are influenced by delivered service and external communication from the service provider. Moreover, Cronin and Taylor’s critique with support from Oliver’s (1980) research suggest that satisfaction mediates the effect of prior-period perceptions of service quality and causes revised service quality perceptions to be formed.

Parasuraman et al. (1991) stated that “The purpose of SERVQUAL is to serve as a diagnostic methodology for uncovering broad areas of a company’s service quality shortfalls and strengths”. In 1991, they refined their previous work by changing wording of all expectations items in their follow-up study. The updated items are presented in Appendix A.

Zeitham et al. (1990), moreover, suggested a process model for continuous measurement and improvement of service quality from the implicationa of a service quality’s conceptual model. A process model for continuous measurement and improvement of service quality is illustrated in Figure 3.4.

Furthermore, the extended gaps model of service quality, Figure 3.5, was created to explain key factors contributing to Gaps 1-4 and the relationship between Gaps 1-4 and Gap 5, the service quality gap.
Do your customers perceive your offerings as meeting or exceeding their expectations?

- Yes
  - Continue to monitor customers' expectations and perceptions
- No
  - Do you have an accurate understanding of customers' expectations?
    - Yes
      - Are there specific standards in place to meet customers' expectations?
        - Yes
          - Do your offerings meeting or exceed the standards?
            - Yes
              - Is the information communicated to customers about your offerings accurate?
                - Yes
                - Continue to monitor customers' expectations and perceptions
                - No
                  - Take corrective action
            - No
              - Take corrective action
    - No
      - Take corrective action

Figure 3.4: A process model for continuous measurement and improvement of service quality (Zeitham et al. (1990), p. 47)
Lack of marketing research orientation

Inadequate upward communication

Too many levels of management

Inadequate management commitment to service quality

Perception of infeasibility

Inadequate task standardisation

Absence of goal setting

Role ambiguity

Role conflict

Poor employee - job fit

Poor technology - job fit

Inappropriate supervisory control system

Lack of perceived control

Lack of teamwork

Inadequate horizontal communication between
- advertising and operations
- salespeople and operations
- human resources, marketing, and operations

Differences in policies and procedures across branches or departments

Propensity to overpromise

The extended gaps model of service quality

Gap 1

Gap 2

Gap 3

Gap 4

Gap 5

(Service quality)

Tangibles

Reliability

Responsiveness

Assurance

Empathy

Figure 3.5: Extended the gaps model of service quality with key factors contributing to gaps 1-4. (source: Zeitham et al. 1990 p.131)
To apply SERVQUAL, 22 standard questions using a SERVQUAL questionnaire are presented in Appendix A and the basis for computing scoring is presented as follows.

SERVQUAL score is computed using a formula below.

\[
\text{SERVQUAL score} = \text{Perception score} - \text{Expectation score}
\]

The measurement can be used either as an unweighted score or weighted score dependent on whether the relative importance of various dimensions is taken into account. Using SERVQUAL benefits companies to be assessed across all customers at different levels of detail; for example, for each statement pair, for each dimension, or combined across all dimensions (Zeithaml 1990). Xie et al. (2003) claimed that expectation and perception can be identified regarding different time periods and amongst different people. SERVQUAL, therefore, can be administrated to gain insight into how the gap changes over time and is able to investigate whether the change is from changing expectation, changing perception, or both. By seeking customer’s expectation, SERVQUAL allows the companies determine the key aspects for service improvement (Mike et.al. 2000). Lastly, SERVQUAL can be used when customers are segmented on the basis of their individual scores; for example, demographic, psychographic, and the relative importance of the five dimensions in influencing service-quality perceptions.

3.2.2.1 SERVQUAL Critiques

Although many researchers are interested in SERVQUAL intensively, some arguments opposed to its validity also exist (Cronin & Taylor 1992, 1994; Teas 1993, 1994; Brown et al. 1993).

1) Critique from Cronin & Taylor (1992; 1994)

Cronin and Taylor (1992; 1994), the SERVPERF developers, tried to discredit the SERVQUAL model. The debate between Parasuraman et al. (1994) and Cronin and Taylor (1992; 1994) has persisted since 1992. Both SERVQUAL (Parasuraman et al., 1988, 1991) and SERVPERF (Cronin & Taylor 1992) were tools helping service firms measuring their service quality. Both of them were developed based on the conceptualisation of clients’ attitude toward service provided by service providers’ firm which the clients will compare their expectations with delivered service/performance of service providers’ firm. However, SERVQUAL directly measures both clients’ expectations and performance perceptions while SERVPERF...
measures only performance because Cronin & Taylor (1992) assumed that clients will automatically compare performance with their expectations.

Cronin & Taylor (1992) argue that SERVQUAL mixes up satisfaction and attitude together. In their empirical study, only two of the four industries examined were fit to SERVQUAL while all four industries were fit to SERVPERF.

Parasuraman et al. (1994) defend Cronin & Taylor’s (1992) critique about the satisfaction and attitude mixing up by referring to past research that provides strong support conceptually and empirically for service quality measurement by the differences of expectations and perceptions (e.g. Bolton and Drew, 1991a, 1991b; Zeithaml et al., 1991). From the literature review of Lee et al. (2000), it was pointed out that “Cronin and Taylor (1992) did not allow for possible intercorrelations among the five latent constructs. Parasuraman et al. (1994) argued, therefore, that it might have been a possible reason for the low fit of Cronin and Taylor’s SERVQUAL data.”

2) Critique from Teas (1993; 1994)

Teas (1993) claimed that SERVQUAL expectations neither measure the classic ideal point nor the feasible ideal point. In his paper, he suggested evaluation performance model (EP model) and normative quality model (NQ model). The EP model integrates the classic ideal point concept with a perceived quality model whereas the NQ model integrates the classic ideal point concept with SERVQUAL, the discrepancy between expectations and perceptions model. His empirical study’s results pointed out that “the criterion and construct validity of the EP model was higher than the concurrent and construct validity of both the SERVQUAL and NQ model.” Lee et al. (2000)

Parasuraman et al. (1994) argued that, according to the discrepancy of P-E in SERVQUAL, “P-E specification is meaningful if the service feature is a vector attribute – that is, one on which a customer’s ideal point is at an infinite level, and could be problematic only when a customer’s ideal point is at a finite level.”

Then, Teas (1994) opposed Parasuraman et al. (1994) that “the fact that the problems exist is sufficient to challenge the original SERVQUAL P-E specification. Regarding the argument that the 22 SERVQUAL items are likely to be considered by respondents as vector attributes, he pointed out that the measures should not be used to justify the theory, rather the theory should be used to justify the measures.”

3) Critique from Brown et al. (1993)
Brown et al. (1993) claimed that score measurement in SERVQUAL, P-E, could bring several psychometric problems. Therefore, measure by using a non-difference score is more preferred. Their empirical study indicated that:

1. SERVQUAL’s reliability was lower than non-difference score measure’s reliability;

2. SERVQUAL could not attain discriminant validity whereas a non-difference score presented better discriminant validity;

3. Using SERVQUAL displayed variance restriction effects; and

4. A non-difference score measure is outperformed, comparing to SERVQUAL, in a number of crucial psychometric and statistical considerations.

Parasuraman et al. (1993) argued to discredit the reliability and validity of SERVQUAL’s discrepancy conceptualisation that first, their multiple studies insist on high reliability of the SERVQUAL measure. Second, the result from their test shows that the discriminant validity of different score measure was somewhat stronger than did the non-difference score measure (through discriminant validity, Parasuraman et al. (1993), p. 142). Third, they stated that the problem raised from variance restriction may be found when discrepancy scores are used in multivariable analysis. Finally, they pointed out that Brown et al.’s (1993) data analysis can tell that the SERVQUAL measure has stronger convergent validity than a non-different measure and using the SERVQUAL measure it increases the possibility to find out what is wrong with service quality, comparing to a perceptions only measure.

Nevertheless, to be neutral, criticisms and comments from other third-party researchers tend to have less bias than the owners of the theories since the theories’ owners take sides with their own theories.

There was a study by Carrillat et al. (2007) about SERVQUAL and SERVPERF validity scales from a meta-analytic view of 17 years of research across five continents. Statistical methods were applied in this research. The results of the study showed that, firstly, service quality can be validly measured by both SERVQUAL and SERVPERF. Secondly, there is no significant difference between using SERVQUAL and SERVPERF in overall service quality measurement. It is also supported by the study of Schenker and Gentleman (2001) that the predictive validity of SERVQUAL
versus SERVPERF has no significant difference. Thirdly, the increased validity of SERVQUAL is predicted as a result of the adapted version of SERVQUAL to the study context. On the other hand, use of SERVPERF has no significant different between adapted and non-adapted versions. Within SERVQUAL adaptations, the study showed that the predictive validity of SERVQUAL on overall service quality reduces when the study is conducted in a non-English speaking country.

Finally, Cronin & Taylor (1992) suggested that service quality research should adopt an adequate model of attitude measurement. Iacobucci et al. (1994) added the observation that “in some general psychological sense, it is not clear what short-term evaluations of quality and satisfaction are if not attitudes” (Buttle 1996). However, Parasuraman et al. (1985; 1988; 1991; 1994) has continuously offered strong support to their SERVQUAL model and defends SERVQUAL against other researchers’ attempts to discredit it.

In conclusion, the SERVQUAL model presents actors and actions involved in service quality together with a technique to measure service quality. Direct measure of the P-E gap is psychometrically superior (e.g. Carman 1990; Peter et al. 1993). Therefore, SERVQUAL can be useful for the measurement and development of the firm’s service quality because it allows the firms to know who is involved in the service process and where in the process could be a potential shortfall in service quality. The model can also be used for investigation into a service quality in a specific industry.

3.2.3 AUDITQUAL: Dimensions of Audit Quality (Duff 2004)

Another research studying audit service quality was performed by Duff (2004). DeAngelo (1981) defined ‘audit quality’ as the auditor’s ability to examine the accounts and identify errors, i.e. their technical competence, and their objectivity, i.e. their independence. However, Duff argued that audit quality is not involved only with the technical quality but it also involves service quality. Therefore, ‘audit quality’ used in Duff’s (2004) research refers to both technical quality and service quality.

He developed AUDITQUAL, a model of audit quality which consists of 8 different gaps within audit quality area resulting from the combination of the service quality and previous audit quality research and literature (Duff 2004). Primary data was acquired by launching a survey through three groups; (1) partners in 16 of the largest audit firms in the UK (representing auditors), (2) finance directors of UK listed companies (representing financial statements preparers - clients) and (3) fund managers in the UK (representing external users), to support the AUDITQUAL
development. SERVQUAL was also considered as a guideline to create the AUDITQUAL model. Eight gaps in AUDITQUAL were generated for a better fit to audit service quality. However, the gap between clients’ expectations and perceptions is still the same, gap 5. The AUDITQUAL conceptual model is presented in Figure 3.6.

![AUDITQUAL conceptual model](image)

Figure 3.6: AUDITQUAL conceptual model (Source: Duff (2004), p.59)

Gaps 1-4 relate to a shortage of service quality within audit firm. Gap 5 was made up from Gaps 1-4. Gap 5 presented the differences between client’s perceptions and expectations with regard to the audit service provided by the audit firm. Gaps 6-8 represent the audit expectations gap, one reasonable gap and two performance gaps.

Each of the eight gaps are described below in Table 3.6 as follows.
Table 3.6: Gaps 1-8’s descriptions

<table>
<thead>
<tr>
<th>Gap</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap 1</td>
<td>Signifies the difference between client/stakeholder expectation and what auditor perceives client’s expectation are.</td>
</tr>
<tr>
<td>Gap 2</td>
<td>Describes the discrepancy between client expectation from auditor’s perspective and the quality standard of audit firm.</td>
</tr>
<tr>
<td>Gap 3</td>
<td>Identified the difference between the audit firm’s quality standards and the observed quality of audit.</td>
</tr>
<tr>
<td>Gap 4</td>
<td>Explains audit quality and what audit firm promised for their service through the external communications.</td>
</tr>
<tr>
<td>Gap 5</td>
<td>Clarify the divergence of client’s expectation and perception of audit service quality.</td>
</tr>
<tr>
<td>Gap 6</td>
<td>Tells about the difference of client’s expectation and what they reasonably expected.</td>
</tr>
<tr>
<td>Gap 7</td>
<td>Identified the discrepancy between what an auditor can reasonably be expected to accomplish and an auditor’s ruled responsibilities by law and professional standards</td>
</tr>
<tr>
<td>Gap 8</td>
<td>Clarify the difference between actual audit quality and what an auditor responsible according to law and other professional regulations</td>
</tr>
</tbody>
</table>

Source: Duff (2004)

The original model of AUDITQUAL consisted of 9 dimensions presented and described in Table 3.7.

Table 3.7: Nine original dimensions and items’ descriptions in AUDITQUAL

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation</td>
<td>The audit firm is objective.</td>
</tr>
<tr>
<td>Capability</td>
<td>The audit team staffs are highly competent.</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>The audit firm is willing to provide detailed cost information.</td>
</tr>
<tr>
<td>Independence</td>
<td>The audit fee controlled by the engagement partner does not represent more than 10% of the total fees controlled by the engagement partner.</td>
</tr>
<tr>
<td>Non-audit service</td>
<td>The audit firm is able to supply tax services.</td>
</tr>
<tr>
<td>Empathy</td>
<td>The engagement partner is pro-active and contributory.</td>
</tr>
<tr>
<td>Client service</td>
<td>The audit firm conducts client service review.</td>
</tr>
<tr>
<td>Expertise</td>
<td>The audit firm has clients in the same industry.</td>
</tr>
<tr>
<td>Experience</td>
<td>The manager of the audit firm has been performing the audit for at least two years.</td>
</tr>
</tbody>
</table>

Source: Duff (2004)
During the model development, 9 dimensions were grouped to 6 main dimensions (Figure 3.7) by statistical methods.

![Diagram](attachment:image.png)

**Figure 3.7: AUDITQUAL dimensions (Duff 2004)**

To apply AUDITQUAL, the 56 standard questions are presented in Appendix C. The score is calculated from 5 scales using non-different score measure; 5 (very important), 4 (important), 3 (fairly important), 2 (little important), 1 (not important at all).
3.2.4 Application of Service Quality’s Theories for This Thesis

SERVQUAL was developed for a broad application from a clients’ perspective whereas AUDITQUAL was developed from three perspectives from audit partners, financial directors, and fund managers. When the readers look at only the name of the theories, AUDITQUAL sounds like it fits the purpose of this research. However, when the authors compared SERVQUAL with AUDITQUAL, SERVQUAL was more advantageous as a tool to measure the clients’ perspectives toward financial audit service quality while AUDITQUAL was of benefit to this research as a guideline and idea to tailor the tool.

Comparing different the dimensions of SERVQUAL and AUDITQUAL, some dimensions are the same while some are named differently. The authors matched the differently named dimensions of SERVQUAL and AUDITQUAL as follows.

Reputation of the firm, claimed by Duff (2004), is a factor to attract high quality applicants. It, then, can be categorised as a competence issue under the assurance dimension in SERVQUAL. On the other hand, capability in AUDITQUAL can be seen as the cause of credibility in SERVQUAL which also included in the dimension of “assurance” in SERVQUAL. Another different dimension named independence in AUDITQUAL can be categorised as assurance in SERVQUAL while knowledge is able to be categorised as the competence dimension in SERVQUAL. Finally, the understanding dimension in AUDITQUAL is included as the empathy dimension in SERVQUAL.

Although both theories can be used in audit service quality measuring and all dimensions in both theories can be matched, questions or items in SERVQUAL are more practical than items proposed in AUDITQUAL. This is because some items in AUDITQUAL will not be able to be assessed by the Big 4 audit firms’ clients since the AUDITQUAL was developed for three sides: auditors, clients, and third parties while some items ask deep questions about audit partners and audit firms that will not be able to be answered by the clients. SERVQUAL items, however, are developed from customer points of view. The questions screening and comparison table can be seen in Appendix D.

Considering SERVQUAL, although some critics stated that non-different score has higher validity than a discrepancy measure score like SERVQUAL, the validity of SERVQUAL is, however, still acceptable as well as its reliability. Furthermore, score measurement of SERVQUAL offers more benefit to the firm since the firm will know
how much difference there is between client perceptions and expectations. It is of advantage to the firm for strategic development. A non-different score will indicate only client perceptions but cannot tell how far they differ from client expectations. Also, the firm is not able to know which items clients consider highly as important issues in audit service quality.

Finally, according to Carrillat et al.’s (2007) study’s result about the reduction of SERVQUAL’s validity on overall service quality when the study is conducted in a non-English speaking country, the authors perceive that it may not dramatically affect the study in Thailand. From the authors’ view point, it also depends on the clients’ characteristics. If the clients are big local companies or international companies which deal every day with English, it should not decrease dramatically the model’s validity. Moreover, if the clients are familiar with the words used in the questionnaire, since the words in a questionnaire are usually used in their career field, the understanding of the questions in context should not fail.

3.2.5 Employer Branding

To deliver a brand promise to customers as per their expectations, professional service firms pay attention to the area of human assets where the source of good qualified employees of the company is. Since “employees play a key role in shaping the customer’s perception of quality or satisfaction (Liao & Chuang 2004)”, recruitment is one important process leading to customer satisfaction. To recruit qualified people, companies can exploit the concept of employer branding. Employer branding is about how companies identify themselves to be potential employers and a good working place to the extent of learning and growth of both employees and potential recruits (Melin 2005).

Beside recruiting, any activities which support employees to be able to deliver on service promise such as rewarding, providing equipment and technology, training and motivating are also important. (Zeithaml et al., 2006)
Chapter 4: Empirical study, Analysis, Findings and Discussion

In this chapter, the process of empirical study is firstly explained overall picture. This chapter is divided into three parts: empirical study & analysis, findings, and discussion. Conclusion and recommendations are presented in the next chapter.

Within the first part, empirical study and analysis, the process of empirical study, results of selected methodologies, and empirical results are presented. The relevant data from conducted surveys according to the chosen methodologies will be presented and analysed with SPSS in line with the theories in use. Then, the second part shows what the authors found from the empirical study which the findings are relevant to the thesis’s purposes. Finally, discussion of the empirical study and results is presented.

4.1 Empirical Study and Analysis

4.1.1 The Process of Empirical Study

Firstly, the authors started from studying related theories and literature review in relation to the thesis’s topic. Previous related research and theories are present in the previous chapter. Next, the authors developed the questionnaire based on selected theories and related literature on audit service. Then, the questionnaire was tested for validity; content validity and face validity, and reliability; Cronbach’ alpha test, and then a few revisions were done before launch. The next stage was collecting results from the respondents via questionnaire URL link. SPSS was used as an analysis tool to measure sample statistics such as clients’ perceptions and expectations means. Differences between perceptions and expectations then were measured by the paired t-Test and factors influencing clients expectations in audit service quality were extracted by using factor analysis. The analysis is presented in parallel with data presentation topic by topic. Then, this chapter finishes up with findings and discussion. The last stage, conclusion and recommendations for further studies in related areas of this thesis, will be presented in the next chapter. This flowchart shows the process of conducting the research step by step.

Figure 4.1: Empirical Study Process
4.1.2 Result of Selected Methodologies

4.1.2.1 Validity Test
The authors piloted the questionnaire to test validity by content validity and face validity testing with 5 of the authors’ colleagues who are the auditors in the Big 4 audit firms, and 5 of the clients of the Big 4 audit firms who have direct experience of dealing with the Big 4’s external auditors, thorough 26 questions of the questionnaire. As a result, two questions are combined into one as mentioned in Chapter 2, Methodology. Consequently, there are 25 questions in the questionnaire. The two questions are shown below;

‘Q18-The auditors give you individual attention’ and ‘Q20-The audit firm will have the auditors who give you personal attention.’ are combined as ‘Q20-The audit firm and the auditors give you individual attention.’

4.1.2.2 Reliability Test
Besides validity, the reliability of the questionnaire is tested by Cronbach's Alpha Test. There were 17 clients of the Big 4 audit firms participating in this test by answering all 25 questions of the questionnaire. The results were generated by SPSS with a value of .876 in the overall questionnaire and a value of more than .85 for each question which is higher than the acceptable values of .70 as mentioned in Chapter 2, Methodology. The result of Cronbach’s Alpha Test is shown in Table 4.1.

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha N of Items</td>
<td>.876 25</td>
</tr>
</tbody>
</table>

After validity and reliability testing, the authors can were ensured that this questionnaire is acceptable as a reliable and valid survey tool, and then the questionnaire was sent to the targeted respondents.

4.1.2.3 Respondents and Response Rate
The authors sent emails with attached cover letter and questionnaire URL link separately to two groups; directly to target respondents and to former colleagues who are working as external auditors of the Big4 audit firms who in turn forwarded the email to their clients, as mention in Chapter 2, Methodology Chapter. Sending the questionnaire to the latter group, therefore, brought the difficulty to trace how many
people got these questionnaires, within the limitation of time, in order to calculate the respond rate in overall. Therefore, the overall response rate could not calculate in this case.

However, due to the fact that the authors clarified the purpose of the questionnaire and ensured that the respondents’ private information would be keep confidential, the authors got results from 25 respondents in total without any errors; uncompleted questionnaires, for example, since some well-set design of web-based questionnaire avoided the errors as mentioned before in the Methodology section. Bryman and Bell (2003) stated that the answer for how large sample a size should be is dependent on the considerations of time and cost, a desired level of precision and how much sampling error one is prepared to accept. Since, in this thesis, the limitation of time and cost is considered, a statistical programme, SPSS, which can generate precise results, was employed. Also, the questionnaire result is free of error. The authors believed that 25 respondents were enough for data analysis to answer the thesis’s purposes.

4.1.3 Empirical Result

4.1.3.1 Clients’ Industries Collected from Questionnaire Section 3

The authors got 100% of respondents answering this open-ended question of general information. The authors grouped 25 respondents into different business categories as presented in Table 4.2; service provider; for example, Information technology service, Assurance service and Life insurance, manufacturer; for example, automobile manufacturer, beverage manufacturer, and paper industry, non-profit organization, and real estate.

Table 4.2: Clients’ Industries

<table>
<thead>
<tr>
<th>Business</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Provider</td>
<td>11</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>8</td>
</tr>
<tr>
<td>Non-Profit Organization</td>
<td>4</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>
### 4.1.3.2 Sample Statistic of Clients’ Perceptions and Expectations

Table 4.3: Paired Samples Statistics of Perceptions and Expectations by Dimension

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Mean P*</th>
<th>Mean E*</th>
<th>Difference</th>
<th>N</th>
<th>Standard Deviation P*</th>
<th>Standard Deviation E*</th>
<th>Standard Error Mean P*</th>
<th>Standard Error Mean E*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>5.01</td>
<td>5.27</td>
<td>-0.26</td>
<td>25</td>
<td>0.723</td>
<td>0.653</td>
<td>0.145</td>
<td>0.131</td>
</tr>
<tr>
<td>Reliability</td>
<td>5.51</td>
<td>5.88</td>
<td>-0.37</td>
<td>25</td>
<td>0.606</td>
<td>0.513</td>
<td>0.121</td>
<td>0.103</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>5.16</td>
<td>5.60</td>
<td>-0.44</td>
<td>25</td>
<td>0.696</td>
<td>0.860</td>
<td>0.139</td>
<td>0.172</td>
</tr>
<tr>
<td>Assurance</td>
<td>5.52</td>
<td>5.90</td>
<td>-0.38</td>
<td>25</td>
<td>0.681</td>
<td>0.544</td>
<td>0.136</td>
<td>0.109</td>
</tr>
<tr>
<td>Empathy</td>
<td>4.96</td>
<td>5.19</td>
<td>-0.23</td>
<td>25</td>
<td>0.672</td>
<td>0.750</td>
<td>0.134</td>
<td>0.150</td>
</tr>
</tbody>
</table>

* P = Perceptions and E = Expectations

The figures above show dimensional means of clients’ perceptions and expectations which derived from 25 clients of the Big 4 audit firms in Thailand: PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young, and KPMG. Assurance dimension is the most important issue from the clients’ point of view regarding the financial audit service. The second ranked dimension in importance to the clients is reliability. Client expectations’ scores of assurance and reliability dimensions are 5.90 and 5.88, respectively. According to the score scale defined in the survey, it means that clients of the Big 4 audit firms in Thailand strongly expect assurance and reliability in the financial audit service quality from the Big 4 audit firms. Perception scores are also in line with the expectations score. Assurance and reliability are respectively perceived from the client as evidenced by the means of perceptions at 5.52 for assurance and at 5.51 for reliability. While assurance and reliability are strongly expected and perceived, empathy and tangibles are the less expected and perceived dimensions supported by the means scores of expectations, 5.19 and 5.27, and the means scores of perceptions, 4.96 and 5.01, respectively. The mean scores of both empathy and tangibles are describes as quite expect and quite perceive, regarding to the score level described in the survey.

According to the SERVQUAL conceptual model presented in Chapter 3, in general, assurance refers to knowledge and courtesy of an employee and their ability to convey trust and confidence. It was also a combination of competence, courtesy, credibility, and security. Moreover, as mentioned in Chapter 2: ‘2.6.2.1 Modified Context’, the
authors added the independence issue, which is essential to financial audit services, to the assurance dimension.

The paired samples statistics of perceptions and expectations by item including mean scores are presented in Appendix E. The result shows that, in assurance dimension, the auditors’ independence is the highest expected issue for financial audit service from the perspective of the Big 4’s clients. Independence’s expectation’s mean score is 6.28 following by 5.89 average expectation’s mean score representing trust and confidence issue (Item 16 for independence and Items 14, 15, and 17 for trust and confidence). The averages mean score of expectation on trust and confidence is calculated from the averages mean scores of individual Item 14, 15, and 17 which is $(5.60 + 5.96 + 6.12)/3 = 5.89$. Moreover, knowledge or competence is the lowest expected issue within assurance dimension (The averages mean score of expectation for competence is 5.72, $(6.08 + 5.36)/2$).

On the other hand, the lowest expectation’s mean score within the empathy dimension is Item no. 25, “The audit firm can provide useful information to your investors or creditors.” It was scored 4.84, averaged from 25 clients’ expectation scores on Item no. 25. The second lowest item in the empathy dimension is Item no 22 “The audit firm has your best interests at heart.” which had a mean score equal to 4.92.

Next, the empirical results are compared to the previous research that was mentioned in the frame of reference in Chapter 3. Saxby et al. (2004) stated that the most important issues to the clients when they use services from accounting firms were reliability and assurance. Accuracy, one component of reliability, was more important than another component such as timely service while in the assurance dimension, the clients paid highest attention to the firm’s knowledge rather than trustworthiness which is contrast to the authors’ findings that trust and confidence are of more concern to the clients compared to knowledge which is the least important for the clients, compared to other items within assurance dimension. However, the most dissatisfied dimension from the empirical study, empathy, is consistent with Ismail et al.’s (2006) study.

Obviously, the mean scores in the table shows that the clients perceived quality of financial audit services was less than they expected in all five dimensions; tangibles, reliability, responsiveness, assurance, and empathy. Therefore, the empirical result shows that there is no dimension which matches client expectations. However, later on, the authors used SPSS to measure whether this was significant statistically or not.
4.1.3.2.1 Clients’ Expectations

Next, factors that may influence a clients’ expectations about audit service quality will be analysed. With regard to the study of Zeithaml et al. (1990), there are four factors shaping clients’ expectations.

1) Word-of-mouth communications

From the authors viewpoint, it is not usual to shape clients’ expectations of the Big 4’s audit service by word-of-mouth because clients does not usually meet each other. The possible events that make allow them to receive word-of-mouth recommendations from other clients are, firstly, when clients in different companies are friends, so-called having a connection. Secondly, accounting or financing professional career conferences where clients join and meet can be the possible places to where word-of-mouth communication would occur among different clients. Although word-of-mouth is not often found in shaping clients’ expectations, it can be a powerful factor because the clients may trust what they have heard from the direct experience of other clients.

2) Personal needs

Different clients’ individual needs dramatically influence different expectations about audit services. Different clients’ needs may come from the different nature of clients such as listed and non-listed companies and from their variety of industries such as manufacturing, service provider, real estate, etc. Listed companies may highly expect a timeline and useful of information for investors presented in the audit reports while non-listed companies may less expect with regard to such issues.

3) Past experience

Zeithaml et al. (1990) claimed that previous dealings with similar types of organizations can increase or decrease expectations in specific quality dimensions. When it comes to the audit service, two cases of experiences can compare. First is when the clients have had an experience with non-Big 4 audit firms before and they switched to using one of the Big 4 audit firms, they will expect to get higher audit service quality from the Big 4 than from non-Big 4 audit firms. For example, auditors’ competency and firms’ reliability may be expected to be higher than when they used non-Big 4 audit firms. Although they may expect higher quality from the Big 4, the maximum expectations may not extremely high since they may have had some bad experiences from non-Big 4 audit firms which made them realize what the service limitations are and prepare them for the possibility of quality failure.
The second case is when clients switch audit firms from one of the Big 4 to another within the Big 4. If the previous firm provided satisfactory service to clients, clients may have high expectations from another firm based on their experience. They may assume that all the Big 4 should have the same quality. The reason they switch the audit firm may come only from the high audit fee, not because they did not satisfy to the previous service. On the other hand, if clients had a bad experience from the previous audit firm, they may have lower expectations, compared to those who changed audit firm only because of the high audit fee, because they may assume that the service quality of all the Big 4 should be at the same standard level. From the authors’ point of view, it is not always true that all of Big 4 will have the same standards. It mostly depends on the particular audit team, not the firm. Even within the same audit firm, quality can differ from one audit team to another.

Switching from Big 4 to non-Big 4 will not be discussed because we focused only on current expectations about the audit service of the Big 4. Expectations toward non-Big 4 is not within the authors’ scope.

4) External communications

Clients’ expectations can be shaped from external communications both direct and indirect messages conveyed by the Big 4 to their clients.

For direct messages, it could be words promised by the Big 4 that shaped their clients expectations. For example, when the Big 4 promise something to their clients such as the time they will start or finish their work. Moreover, other kinds of promise can be seen on their logo or website, for instance, the Ernst & Young logo clearly shows that it emphasizes quality, “Ernst & Young – Quality In Everything We Do”.

Another example on the Big 4 website is “KPMG Services - Professional services for businesses”. (KPMG 2010a) This statement could shape clients expectations regarding professional quality.

For indirect messages, the Big 4 audit firms are acknowledged as the premium brands among other brands of audit firms. Their global brands can influence to a high degree clients’ expectations about the quality of service they provide. Furthermore, as the audit professional service has some limitations on advertising regarding the code of ethics that they cannot promote their service by referring to successful client cases or
overstate what firms can provide. An indirect message is, therefore, an alternative option for the audit firms when it comes to advertising. The most obvious channel is the firm’s website, firms can put every message that they want to communicate to their clients such as CEO messages showing that clients are so important to them, messages about how the audit service can benefit clients, their contribution to the professional industry, and their firms’ values.

Another indirect message is their auditors’ professional appearance. Clients receive an implication of professional quality from auditors’ professional appearance (Figure 4.2).

A further indirect message is the high audit fees charged by the Big 4. This can also shape clients expectations to be high following the high fees they paid.

In Thailand, the Big 4 do not use commercial television as their advertising channel. They use the advertising boards as their advertising channel to explain what firms can do for their clients in general. However, in the authors’ view point, this advertising can benefit the firm in building brand awareness more than in shaping clients’ expectations of audit quality.

The authors propose one more important factor in shaping clients’ expectations. It is “Client knowledge about the nature of the audit service”. If clients have knowledge about the nature of the audit service, they will understand the auditors and the nature of the work including the possible quality of services that audit firms are able to offer and firms’ limitations under specific situations. Therefore, clients’ familiarity with the audit service can moderate their expectations about audit service quality.

To sum up, all the above five factors are able in some way to form clients’ expectations to audit service quality.

4.1.3.2.2 Clients’ perceptions

Next, factors influencing clients’ perceptions are analysed by dimension. According to Table 4.3, the assurance and reliability dimension are *strongly perceived* while
empathy, responsiveness and the tangibles dimension are *quite perceived* by the clients. Those five dimensions are scored at 6 and 5 in averages from seven-point Likert scales at a positive level. However, the authors intend to investigate what the reason the client perceived each dimension as lowest perceived among all dimensions could be. Supporting information is gathered from section 2 of the questionnaire.

This open-ended question is not mandatory because the authors were concerned a number of question in the questionnaire might affect the response rate. It is possible that the respondents give the same lowest score to more than one question which will cause lots of time to be consumed to complete the whole questionnaire, and error from respondent fatigue, if it is mandatory. Moreover, the authors intended to use secondary data to support the data analysed by SPSS as mentioned in the methodology section. As a result, 14 out of 25 respondents or 56% have answered the question in section 2 of the questionnaire. According to the result, the lowest score of the 14 respondents’ perceptions can be found in all SERVQUAL dimensions as some examples of the respondents showed in Appendix F.

Possible reasons that client perceived each single dimension as the lowest dimension among all dimensions are presented as follows.

1) **Tangibles**

As mentioned in Chapter 1, the introductory chapter, Kotler (1994) stated that “service industries can be classified into people-based and facility/equipment-based industries. Lee et al. (2000), in their article *The determinants of perceived service quality and its relationship with satisfaction*, mentioned that “Tangibles would be a more important factor in the facility/equipment-based than in the people-based service industries”. According to Kotler (1994), audit firms can be classified as people-based industries therefore the **Tangibles dimension** could be perceived as a less important factor when compared with facility/equipment-based industries which are related to the results from some respondents who perceived the tangibles factor as the lowest factor among all 5 dimensions influencing audit service quality. One respondent mentioned that “I think that the audit firm used equipment at a moderate level.”

2) **Reliability and Responsiveness**

As Schwartz (1987) mentioned that the audit service business is one of the businesses which has a high turnover rate of employees therefore a smaller number of auditors in audit firms have to take responsibility for the same number or a greater number of clients. As a result, it will cause auditors to have an overwhelming workload. Unable
to provide audit services at the time promised or/and unfinished work at time promised might affect audit report delaying and cause the clients less perceived on audit firm’s reliability. One respondent gave the lowest score for the reliability dimension among all 5 dimensions and mentioned “Audit firms sometimes give an audit report after the time promised”. The aforementioned reason could also affect level of clients’ perception toward responsiveness dimension which is about “willingness to help clients and provide prompt service” Zeithaml et al. (1990). One respondent mentioned that “Because timing and priorities to other clients sometimes interfere with the possibility to time it perfectly”.

3) Assurance

Assurance is described as “knowledge of auditors and their ability to convey trust and confidence” (Zeithaml et al. 1990). Herrbach (2001) stated that “audit quality is difficult to gauge, which makes it particularly sensitive to the behaviour of the individuals who carry on audit work”. Poor auditor behaviour; such as reduced audit procedure work by collecting evidence below the considered reasonable level and superficial review of client documents, can threaten audit quality which will affect the clients’ confident and audit firms’ reputation. Besides auditor behaviour related to technical work, apparent auditor behaviour is also what the clients can imply with regard to audit service quality. For example, interaction between members of audit teams during lunch i.e. if they are talking about clients’ information in public it would not be good for the clients’ confidential information. Moreover, knowledge of auditors also crucially affects audit service quality. Lack of audit experience sometimes causes junior auditors to misunderstand clients’ documents and render them unable to provide audit services effectively.

4) Empathy

Ismail et.al (2006) defined empathy as “The caring, individualized attention that the employees of the audit firm staff provides to clients”. Besides, the authors also described empathy as able to provide useful information to clients and their investors and creditors.

According to the result of the questionnaire, some respondents scored empathy as the lowest perceived dimension among all 5 dimensions with regard to audit service quality; however, they did not provide the reason. From the authors’ point of view and former experience, the reason behind the lowest given score is affected by limit of time to complete their work. When time has a high impact on auditors, auditors
sometime just focus on audit work so it happened that they are not aware of being service providers which for service-minded employees crucially affects clients’ perceptions toward audit service quality. Auditors are more likely to pay attention to required services such as the annual audit or agreed-upon procedures audit rather than provide added-values service such as providing information about economy or clients’ industries.

4.1.3.3 Paired t-Test of the Discrepancy between Clients’ Perceptions and Expectations

After assurance and reliability dimensions were identified as the most important dimensions in providing financial audit service quality, from the clients’ perspectives. The gap between clients’ perceptions and expectations of all five dimensions which represent financial audit service quality, according to SERVQUAL, will be analysed by using t-Test which will allow the authors to answer the following hypothesis mentioned in Chapter 2.

H1. There is a significant difference between clients’ expectations and their perceptions of audit service quality provided by the big 4 audit firms.
Specifically, our hypotheses are:

H1a. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of tangibles.

H1b. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of reliability.

H1c. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of responsiveness.

H1d. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of assurance.

H1e. There is a significant difference between clients’ expectations and their perceptions of audit service quality based on the dimension of empathy.

The result from t-Test is presented in Table 4.4.
Table 4.4: A Paired Samples t-Test of Discrepancy between Clients’ Perceptions and Expectations on Financial Audit Service Quality of Thai Big 4 Audit Firms by Dimension

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Paired Differences</th>
<th>Paired Samples Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard Deviation</td>
</tr>
<tr>
<td>Tangibles</td>
<td>-0.26</td>
<td>0.786</td>
</tr>
<tr>
<td>Reliability</td>
<td>-0.37</td>
<td>0.544</td>
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<td>Responsiveness</td>
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<td>0.708</td>
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<tr>
<td>Assurance</td>
<td>-0.38</td>
<td>0.468</td>
</tr>
<tr>
<td>Empathy</td>
<td>-0.23</td>
<td>0.573</td>
</tr>
</tbody>
</table>

* Sig. < .01 and .05

The above table presents a summary of the results obtained from the paired t-Test analysed in SPSS which proposes reliable figures that will be used to answer the proposed hypothesis, H1a-H1e. As mentioned in the methodology chapter, the authors chose .05 as a significance level. Considering the result from the t-Test along with the chosen significance level; assurance, reliability, and responsiveness were significant at the .01 level while no significant difference was found for the empathy and tangibles dimensions. Therefore, H1b, H1c, and H1d are accepted whereas H1a and H1e are rejected.

When focusing deeply on each significant dimension by investigation to significant items (Appendix G). For assurance dimension, the authors found both Item 18, “The auditors have the knowledge to answer your questions”, and Item 15, “The auditors perform sufficient audit and documentation”, are significant at the .01 and Item 17, “You feel safe in your transactions and organisation’s information.” is significant at .05 level.

Item 6, “The audit firm is able to provide the service within the time promised”, in reliability dimension, is significant at the .01 level while Item 8, “The audit firm provides the right service first time every time”, is significant at the .05 level.

The last dimension, responsiveness, consists of 3 significant items. The first two Items; Item 11, “The audit firm provides a prompt service (immediate/punctual
service) to you”, and Item 13, “The audit firm promptly responses to your requests”, are significant at the .01 level whereas Item 10, “The audit firm promises you when exactly it will perform the service”, is significant at the .05 level.

The means of paired differences of all dimensions show that the service quality of the Big 4 audit firms in Thailand did not meet clients’ expectations. The Big 4 audit firms, therefore, must investigate and improve their audit service quality to meet their clients’ expectations, especially on assurance, reliability, and responsiveness which clients’ perceptions on these issues are significantly lower than their expectations.

According to a process model for continuous measurement and improvement of service quality and extended gaps model of service quality, proposed by Zeithaml et al. (1990), presented in the theory chapter, Figure 3.4 and Figure 3.5, respectively, if customers do not perceive your offerings as meeting or exceeding their expectations, the audit firms should look back to the internal gaps, Gaps 1-4, that cause Gap 5. Factors concerned that affect service quality occurring in Gaps 1-4 are presented as follows. The audit firms should take correct action if their answer is “no” for one of the following four questions.

**Gap 1 – The audit firms should ask themselves “Do the firms have an accurate understanding of their customers' expectations?”**

It is not easy for the firm to satisfy all clients because, according to the marketing triangle theory (Botha & Brink 2005), the way audit firms communicates to the clients sets the expectations of the service level that the client can expect from the audit firm but the audit services are delivered to each client by different auditors, not the firm itself. This can be implied that the service quality that clients perceived may differ with regard to each audit team. Although the audit firms have tried to set standard policies and procedures together while continuously provide training courses for their auditors, the audit service quality can still not meet clients expectations because of the fact that it is hard to make different auditors provide the same audit service standards and to make the clients expect at the same standard.

Therefore, audit firms can only try to do their best to provide the best service to their clients. Zeithaml et al. (1990) suggested that, as presented in Chapter 3, the service provider should have a marketing research orientation – “extent to which managers make an effort to understand customers’ needs and expectations through formal and informal information-gathering activities.” The formal marketing research may,
however, be hard to conduct and be used a the practical way for the audit firms because if the research is conducted from general client sectors or even specific client sectors, it may not be used in practical cases of specific clients since each individual client may have different needs and expectations. Also, the needs and expectations may change from time to time. Nevertheless, the audit firms can get their clients’ expectations from the kick-off meeting or the informal conversation while engagement partners or managers contact or communicate with their clients or when the clients inform the audit team.

However, the aforementioned acquiring of clients’ expectations will not benefit the audit firms if they lack vertical communication channels. Therefore, it is important that the engagement managers should always ask their team what clients need and expect from the team and then communicate that to the engagement partners. Waiting for the audit teams to tell the managers what clients told them is not effective since the junior auditors may not perceive those requirements are crucial and then not inform or inform tardily the managers. Therefore, the engagement managers should be responsible for their teams’ vertical communication. Not only the engagement managers have to proactively ask their teams about clients’ needs and expectations but also the engagement partners should do so with the engagement managers as well. Therefore, the audit firms should make those people who deal with their customers know that the vertical communication is important to improve their audit service quality and firms’ strategic policy setting.

Another factor influencing service quality, proposed by Zeithaml et al. (1990) as mentioned in the theory section, is if the service firms have too many levels of management or not. Too many managerial levels can separate top management from those who directly provide a service. For the Big 4 audit firms, the organizational structure is not too many levels. The audit team consists of engagement partner, engagement manager, senior auditor, and junior auditors. The audit teams, therefore, can easily reach the engagement managers and partners.

Effective communication and organisational structure, therefore, can be seen as important strategies to create accurate and timely understanding of their clients’ expectations.

**Gap 2 - The audit firms should ask themselves “Are there specific standards in place to meet customers’ expectations?”**
If the audit firms already know their clients’ expectations, the next thing to know is whether their existing standards enable them to match or exceed clients’ expectations. If not, they may need to consider the four suggested factors of Zeithaml et al. (1990).

The first factor that can mitigate audit service quality is inadequate manager commitment to service quality. Top management is accountable for creating policies while middle managers are the persons who have to adopt and make them real. Managers should keep in mind that service quality is a key strategic goal. For the Big 4 audit firms, it is possible to keep in mind that quality of the audit service is important but to make it real may be difficult because of time limitations in conjunction with the large number of clients they have. The fact that not only the listed companies are required to be audited but all companies registered in Thailand need to be audited can be one factor that creates a heavy workload for the audit firms since a high number of clients may reduce audit service quality. It can reflect on the fact that audit firms need to make profit so they focus on their sales goals more than the best quality they can provide to their clients. Furthermore, it is possible that the collection of audit fees in a client portfolio will get higher attention for manager performance evaluation than the quality of the work. The audit firms should not let this situation become entrenched within the culture of the company as happened in the Arthur Andersen case. However, businesses can only survive if they generate profit, therefore, it seems to be hard not to focus on sales as a prime goal. Therefore, it is a challenge to an audit firms’ management to maintain a balance between keeping and finding new clients to make a profit while maintaining high quality audit services.

Secondly, the perception of feasibility suggests to managers that they should believe that customer expectations can be met. For the Big 4 audit firms, physical facilities and equipment to support audit work are always convenient and up-to-date. Therefore, a firms’ service quality is not adversely affected by technology. In contrast, the up-to-date technology that facilitates auditors can support their work very well. For example, in one of the Big 4 audit firms, faxes from clients will be forwarded to auditors e-mail addresses in electronic form. This can reduce auditors’ time while the firm can also decrease its costs from the use of a paperless system. With strong financial support of the Big 4 audit firms, they also can have a good administration system to support their auditors working process which also helps their firms to provide quality work to their clients. However, there is one issue of concern regarding the managers’ perception of feasibility. It is the resources and personnel available to deliver the service that customers demand. During the peak season of audit work, audit firms may face problems with regard to a lack of auditors to respond to high client demand. Auditors
in charge of a job may hold several jobs at a time. This is because of high employee
turnover in the audit industry. Management of the audit firms should have good
resource planning and maintenance. Some firms are using a pooling system which has
both advantages and disadvantages. The advantage of a pooling system is the audit
firms can effectively use full auditors’ capacity, especially at the peak season, while
the disadvantage is that changes of auditors in the audit team every time may make it
hard for a firm to build a good relationships with their clients.

The third factor that can reduce clients’ satisfaction with regard to audit service
quality is task standardization. As the Big 4 audit firms have standardized working
papers and audit procedures together with audit software, they can, therefore, provide
a minimum standard to their clients. However, although audit programmes, standard
procedures, and audit software can help the audit firms to have a minimum standard
quality, experience is still important for engagement managers and auditors in-charge
in case of special situations or clients’ specific industries.

Finally, a firms’ goal-setting according to customers’ expectation can also help in
closing Gap 2. The importance of goal-setting is that it should be customers’
standards oriented instead of firms’ standards oriented. Also, the goals should be
informed to the auditors for what they need to accomplish. Moreover, the an
evaluation of the implementation of goals should be conducted. The Big 4 goals are
set according to the customers’ standard orientation, as evidenced on the website of
the Big 4 firms’ particular visions and they have a formal internal evaluation but there
is no formal evaluation from their clients. Therefore, whether the goal is
accomplished or not is in doubt.

**Gap 3 - The audit firms should ask themselves “Do our offerings meet or exceed
the standards?”**

Even though, in some cases, audit firms understand clients’ expectations and the
specific standards set meet clients’ expectations, audit service delivery still cannot
meet the specified standard because “employees are unable and/or unwilling to
perform the service at the desired level” (Zeithaml et al. 1990)

According to the Service Marketing Triangle model, as mentioned in Chapter 3
Theoretical framework, auditors are the main actors to deliver an actual service to the
clients. To be able to provide service at a clients’ desired level, before providing such
a service, auditors need to understand the service that they will provide to the clients
correctly as well as the firm’s goals and engagement manager’s expectations of auditors which require effective, specific and frequent, internal communications between engagement managers and the audit teams which could help auditors gain a clear understanding. Sometimes what the management expects from the auditors causes role conflict. As mentioned in subtopic “The Arthur Andersen Scandal” in Chapter 1, Introduction, the Arthur Andersen shift in values from focusing on quality of audit service to trying to get new clients caused this largest international audit firm to lose its reputation forever. Within a highly competitive marketplace, it is inevitable that audit firms will be concerned with getting new clients to replace older clients or try to maintain and improve their financial performance. If firms can attract parent companies, it means a large amount of money is brought to the audit firms or even more, especially when those new clients are owned by many subsidiaries which usually will use the same audit firms as their parent companies because of increased power in audit fees bargaining and a consistency of report format. Big clients are able to influence the engagement managers or partners’ decision making because if they make clients dissatisfied, clients may switch to other audit firms which can affect their financial performance. Therefore, the audit professionals should keep in mind that they are the independent auditors, although the evaluation and reward systems in audit firms, for management, is concerned with both the number of new clients they bring to the audit firm and work performance. The auditors should realise that audit service quality is also crucial, not less important than making a profit, because it could affect an audit firm’s reputation as happened in the Arthur Andersen case.

Nevertheless, to know what is expected of auditors is not enough to meet a client’s expectations, auditors need to know “how” they can deliver an audit service at the desired level. Training not only increases the level of confidence of auditors but also their competence. Technical training will improve auditors in every aspect of the service they provide; for example, training focussed on the newly launched Generally Accepted Accounting Principles (GAAP) which is the standard framework of guidelines about information communicated to external users in a financial report (Nikolai et al. 2007), training on how to use new audit tools. Training in interpersonal skills is also crucial to auditors since they will need to communicate with clients when providing an audit service. Sample training courses provided by KPMG are (KPMG 2010b); (1) The Audit Course which aims to “enable audit professionals at each particular level to understand the key principles of KPMG audit policies as laid out in KPMG’s Audit Manual (KAM), to apply KAM in performing an effective audit, and to get an overview of the Global Work Papers (GWP)”. (2) KAM Updates according to updated auditing standard& KAM Fraud according to updated auditing standard on
fraud, and (3) Accounting Standard Course refreshing all audit professionals knowledge of both new international and Thai Accounting Standards.

Although training helps the Big 4 audit firms improve their human assets, the Big 4 audit firms still need qualified prospective employees due to the high turnover rate of auditors in the firms (Schwartz 1987). As mentioned in Chapter 3, Frame of References and Theories, the reputation of the Big 4 attracts high quality applicants. According to Universum (2009), the employer branding company, the Big 4 audit firms are in the Top 10; PricewaterhouseCoopers ranks 2, Ernst & Young ranks 5, KPMG ranks 8 and Deloitte ranks 10, of the world’s Top 50 most attractive employers located in US, Japan, China, Germany, France, UK, Italy, Russia, Spain, Canada and India, which nearly 120,000 students at top academic institutions want to work for. Besides, identifying themselves to be potential employers and good working places for employees with regard to learning and growing opportunities in a future career, employer branding, through external communication tools such as advertising or graduate recruitment roadshows, also attracts lots of qualified applicants. The Big 4 in Thailand go to target universities to give the target applicants information about their firms and also give them an application form. The active marketing strategies are applied to attract prospective auditors because of intense competition among the Big 4.

In addition, since audit services are provided by an audit team; unlike some other service businesses where individual persons provide the service, therefore having a good audit team can mitigate the problem of auditors being unable to deliver the actual service at the desired level. Even though auditors are flexible in making their own individual decisions, they would follow Thai accounting and auditing standards which were based on the International Accounting Standards (IAS) and International Standards on Auditing (ISA) which “contain basic principle and essential procedures together with guidance in the form of explanatory and other material” (International Federation of Accountant 2010), and revise their work according to their engagement manager’s comments.

**Gap 4 - The audit firms should ask themselves “Is the information communicated to customers about our offerings accurate?”**

To mitigate the gap from “what a firm promises about a service and what it actually delivers” (Zeithaml et al. 1990), firms should concern themselves with effectively communicating within audit firms, so-called internal communication, and external
messages delivered to the clients of what the Big 4 are able to offer to their prospective clients.

To manage internal communications effectively, audit firms require good cooperation among all departments within the firms because delivering an audit service would not be successful if an audit department did not have support from other departments; marketing, human resources and the administrative department, for example. Within audit firms, the human resource department works on arranging training and the recruitment process; for example, which are important for improving the quality of an audit firm’s valued assets. The administrative department is responsible for mailing, documents, office supplies, and preparing the audit report; for example, typing audit reports and sending them back to the auditors to proof before they are delivered to the clients. When it comes to external communications, the marketing department takes main responsibility to convey an appropriate message to the clients because what they communicate relatively affects the client’s expectations towards audit service quality. To communicate effectively, the audit firm needs to understand what the most important aspects of audit service quality toward customers’ perspective are, before focussing on communicating in these areas; for example, according to Table 4.4: Paired Samples Statistics of perceptions and expectations, assurance and reliability dimensions ranked the two highest scores of clients’ expectations. Even though there is high competition among the Big 4, over promising is something to be aware of. If what the firm communicate does not accurately reflect what clients actually receive, it will affect the firm’s reputation, and the firm might lose their existing clients.

Moreover, the audit fee is another factor that affects the level of expectation of the clients. The Big 4 audit firms normally set a high audit fee which implies high audit service quality in the clients’ mind. Besides the audit service aspect, job recruitment is also advertised through the message ensuring the prospective employee that the company is professional with good opportunities in any future career which will attract qualified people to apply for the job and also obtain brand awareness from existing and prospective clients. Moreover, the Big 4 audit firms obtain a good brand image from recruiting qualified employees because the clients recognise that the prospective applicants are from the well-known universities in Thailand which meet the required standards of the Big 4’s recruitment standards.
Continue to monitor customers' expectations and perceptions

Finally, a continued monitoring of clients' expectations and perceptions is needed to maintain and improve audit service quality.
### 4.1.3.4 Factor Analysis

**Table 4.5: Total Variance Explained of Clients’ Expectations on Financial Audit Service Quality**

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>3</td>
<td>2.237</td>
<td>8.948</td>
<td>51.390</td>
</tr>
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<td>4</td>
<td>2.068</td>
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<td>6</td>
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<td>1.243</td>
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</tr>
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</tr>
<tr>
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<td>2.354</td>
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<td>0.475</td>
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<td>13</td>
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<td>19</td>
<td>0.067</td>
<td>0.270</td>
<td>99.457</td>
</tr>
<tr>
<td>20</td>
<td>0.056</td>
<td>0.224</td>
<td>99.682</td>
</tr>
<tr>
<td>21</td>
<td>0.045</td>
<td>0.178</td>
<td>99.860</td>
</tr>
<tr>
<td>22</td>
<td>0.019</td>
<td>0.076</td>
<td>99.936</td>
</tr>
<tr>
<td>23</td>
<td>0.014</td>
<td>0.054</td>
<td>99.990</td>
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<tr>
<td>24</td>
<td>0.003</td>
<td>0.010</td>
<td>100.000</td>
</tr>
<tr>
<td>25</td>
<td>-0.000</td>
<td>-0.000</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Table 4.5 presents total variance explained of clients’ expectations on financial audit service quality. Component 1-25 represents factors that affect expectations of clients on financial audit service quality which those factors are Items/questions 1-25 in the survey. The initial eigenvalue of component 1 accounted for 29.99% of total variance follows by components 2 to 8 which accounted for 12.46%, 8.95%, 8.27%, 7.16%, 5.75%, 4.97%, and 4.52%, respectively, of total variance. This means that all eight components together, therefore, accounted for 82.07% of total variance.

![Scree Plot](image)

**Figure 4.3: Scree Plot of eigenvalue for each factor**

The scree plot shows the eigenvalue for each factor number. From factor 9 to 25, the graph is almost flat. The eigenvalue of factors 9-25 are less than 1 and the percentages of variance are very little comparing to factors 1-8. It means that each factor of 9-25 is accounting for smaller and smaller amounts of the total variance.

Next, a table of rotated component matrix, Table 4.6, presents the distribution of the variances (Items) after rotated by Varimax method with Kaiser Normalization. Varimax rotation maximized the variance of each single factor. Total amount of variance accounted for, therefore, is redistributed over the eight extracted factors. It means that items contained in each factor have high correlation within such factor.
Table 4.6: Rotated Component Matrix

<table>
<thead>
<tr>
<th>Clients' expectations by item</th>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
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<td>Item no. 7</td>
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<td>0.894</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 17</td>
<td></td>
<td>0.791</td>
<td>0.213</td>
<td></td>
<td>-0.268</td>
<td>0.422</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 5</td>
<td></td>
<td>0.761</td>
<td></td>
<td>0.200</td>
<td></td>
<td>0.358</td>
<td></td>
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<tr>
<td>Item no. 14</td>
<td></td>
<td>0.699</td>
<td>0.272</td>
<td></td>
<td>0.300</td>
<td></td>
<td>0.417</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 12</td>
<td></td>
<td>0.678</td>
<td>0.220</td>
<td></td>
<td>0.489</td>
<td></td>
<td>0.220</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 9</td>
<td></td>
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<td></td>
<td></td>
<td>0.866</td>
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<td></td>
<td></td>
<td>0.243</td>
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<tr>
<td>Item no. 10</td>
<td></td>
<td></td>
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<td></td>
<td>0.805</td>
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<td></td>
<td>0.378</td>
<td></td>
</tr>
<tr>
<td>Item no. 11</td>
<td></td>
<td>0.401</td>
<td></td>
<td>0.770</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.649</td>
<td></td>
<td>0.482</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 13</td>
<td></td>
<td>0.422</td>
<td></td>
<td>0.513</td>
<td></td>
<td>0.487</td>
<td></td>
<td>0.296</td>
<td></td>
</tr>
<tr>
<td>Item no. 19</td>
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<td></td>
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<td>0.899</td>
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<td>Item no. 24</td>
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<td></td>
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<td>0.661</td>
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<td>0.604</td>
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<tr>
<td>Item no. 22</td>
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<td>0.327</td>
<td>0.305</td>
<td></td>
<td>0.649</td>
<td>0.287</td>
<td>-0.222</td>
<td>-0.230</td>
<td>0.268</td>
</tr>
<tr>
<td>Item no. 16</td>
<td></td>
<td>0.547</td>
<td>0.257</td>
<td></td>
<td>0.570</td>
<td>-0.293</td>
<td>0.202</td>
<td>-0.270</td>
<td></td>
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<td></td>
<td>0.325</td>
<td></td>
<td>-0.473</td>
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<td></td>
<td></td>
<td>0.773</td>
<td></td>
<td></td>
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<tr>
<td>Item no. 23</td>
<td></td>
<td>0.317</td>
<td>0.431</td>
<td>0.401</td>
<td></td>
<td>0.554</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no. 6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.844</td>
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<tr>
<td>Item no. 21</td>
<td></td>
<td>0.413</td>
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<td></td>
<td></td>
<td></td>
<td>0.681</td>
<td></td>
<td>-0.272</td>
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<tr>
<td>Item no. 8</td>
<td></td>
<td>0.562</td>
<td>0.210</td>
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<td></td>
<td>-0.581</td>
<td></td>
<td>0.272</td>
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</tr>
<tr>
<td>Item no. 2</td>
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<td></td>
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<td></td>
<td></td>
<td>0.919</td>
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<tr>
<td>Item no. 3</td>
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<td></td>
<td></td>
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<td></td>
<td>0.847</td>
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<tr>
<td>Item no. 15</td>
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<td></td>
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<td>-0.328</td>
<td></td>
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<td>0.389</td>
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<td>Item no. 25</td>
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<td>0.482</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.215</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

\(^a\) Rotation converged in 27 iterations.
Furthermore, Table 4.7 presents items contained in each 8 extracted factor. Factor 1 is items related to clients’ trust on what auditors say and perform; and clients’ confidence on auditors’ performance and their transactions and organisation’s information while factor 2 concerns about audit firms and auditors’ responsiveness to clients and the auditors’ accuracy in acquiring and recording clients’ information. Factor 3 focuses on Auditors’ knowledge in clients’ industries and skills to provide useful information to clients by up-to-date support equipments; auditors’ independence of mind and independence in appearance which means *audit firm’s or a member of the assurance team’s has integrity, objectivity, and professional scepticism*; and caring for the clients is included. Furthermore, the next factor, factor 4, is the auditors’ understanding of clients’ needs, situation, and ability to answer their questions and factor 5 is about timing which is an on time scheduling of audit performance and the convenience of clients on auditors’ working hours. Also, factor 6 includes the right service provision by the audit firms. Then, factor 6, physical facilities used to support the auditors while providing service to clients is concerned with the clients viewpoint (i.e. facsimile, telephone, copy machine, mailing system, working paper bag for field work, transportation, stationery and office supply). Next, factor 7 presents professional appearance of auditors and audit procedures sufficiency. The final factor, factor 8, that clients expect to see from audit services quality is the firms’ information system and firms’ management that helps auditors to provide clients and the third party’s beneficial information.

### Table 4.7: Items in Eight Extracted Factors

<table>
<thead>
<tr>
<th>Factor 1: Trust &amp; Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Clients’ trust on what auditors say and perform.</td>
</tr>
<tr>
<td>- Clients’ confidence on auditors’ performance and their transactions and organisation’s</td>
</tr>
<tr>
<td>information.</td>
</tr>
<tr>
<td>Item 7 The audit firm shows sincere interest when you have problems.</td>
</tr>
<tr>
<td>Item 17 You feel safe in your transactions and organisation’s information.</td>
</tr>
<tr>
<td>Item 5 The audit firm is able to provide the service at the time promised. (For example,</td>
</tr>
<tr>
<td>the audit firm promises to start the job on Monday, they do so.)</td>
</tr>
<tr>
<td>Item 14 The way the auditors behave makes you feel confident.</td>
</tr>
<tr>
<td>Item 12 The auditors are always willing to help you.</td>
</tr>
</tbody>
</table>
### Factor 2: Responsiveness & Accuracy
- Responsiveness to clients.
- Accuracy in acquiring and recording clients’ information

| Item 9 | The audit firm insists on accurately kept records. |
| Item 10 | The audit firm promises you when exactly it will perform the service. |
| Item 11 | The audit firm provides a prompt service (immediate/punctual service) to you. |
| Item 20 | The audit firm and the auditors give you individual attention. |
| Item 13 | The audit firm promptly responds to your requests. |

### Factor 3: Knowledge and skills in clients’ industries, Caring, and Independent
- Auditors’ knowledge in clients’ industry and skills to provide useful information to clients by up-to-date support equipments i.e. laptop and computer software.
- Caring for the clients: make decisions based on clients’ best interests.
- Auditors’ independence of mind and independence in appearance: audit firm’s or a member of the assurance team’s has integrity, objectivity, and professional scepticism.

| Item 19 | The auditors have the knowledge in your organisation industry. |
| Item 24 | The audit firm can provide useful information to your organisation. |
| Item 22 | The audit firm has your best interests at heart. |
| Item 16 | The auditors are independent. |
| Item 1 | The equipments (such as laptop and computer software) used by audit firm are up-to-date. |

### Factor 4: Understanding of Clients
- Auditors understanding in clients’ need, situation, and ability to answer their questions.

| Item 18 | The auditors have the knowledge to answer your questions. |
| Item 23 | The auditors are able to perceive your specific needs. |

### Factor 5: Timing/Scheduling & Right Service
- On time scheduling of audit perform and the convenience of clients on auditors’ working hours
- The right service means service that offer to the clients fit to their needs. i.e. various types of audit reports may require different types of auditors.

| Item 6 | The audit firm is able to provide the service within the time promised. (For example, the auditors promised to issue the audit report by the end of April and they do so.) |
| Item 21 | The working hours of the audit firm are convenient for you. |
| Item 8 | The audit firm provides the right service first time every time. |
Factor 6: Physical Facilities
- Physical facilities used to support the auditors while providing service to clients (i.e. facsimile, telephone, copy machine, mailing system, working paper bag for field work, transportation, stationery and office supply)

| Item 2 | Physical facilities at audit firm are visually appealing. |

Factor 7: Professional appearance & Professional Procedures
- Professional appearance of auditors
- Sufficient audit procedures are performed

| Item 3 | The auditors’ appearance looks professional (such as well dressed and neat-appearance). |
| Item 15 | The auditors perform sufficient audit and documentation. |

Factor 8: Information & Communication Channels and Materials
- Information system and management for clients and the third party’s benefits

| Item 4 | Communication materials (such as audit report and letter of recommendation) from audit firm are easily understood with a good format. |
| Item 25 | The audit firm can provide useful information to your investors or creditors. |

The above eight factors derived from factor analysis method can be used to develop a set of questions for further studies to assess audit service quality.

4.2 Findings
Unsurprisingly, from the empirical study, the authors found that clients strongly expect assurance, reliability, and responsiveness from the Big 4 audit firms located in Thailand. The most important dimension of audit service from the client perspective is ‘assurance’ while ‘reliability’ and ‘responsiveness’ follow on respectively in importance. On the other hand, ‘empathy’ and ‘tangibles’ are quite expected, not strongly expected. Empathy is the less expected dimension from the client perspective. Although clients strongly perceive audit service quality on assurance and reliability, the empirical results point out that none of them can meet their expectations. Clients’ perceptions on the dimensions of assurance, reliability and responsiveness are significantly different from their expectations at .05 level. The remaining two dimensions, empathy and tangibles were satisfied by clients since there were no significant differences between their perceptions and their expectations. Therefore, the hypothesis H1b, H1c, and H1d is accepted whereas H1a and H1e is rejected.
Furthermore, according to the given expectations’ scores, items are re-categorised by factor analysis. Then, eight factors are extracted as follows, in order from the most important issue to the least important according to the clients’ perspective.

Factor 1: Trust & Confidence
Factor 2: Responsiveness & Accuracy
Factor 3: Knowledge and skills in clients’ industries, Caring, and Independent
Factor 4: Understanding of Clients
Factor 5: Timing/Scheduling & Right Service
Factor 6: Physical Facilities
Factor 7: Professional appearance & Professional Procedures
Factor 8: Information & Communication Channels and Materials

4.3 Discussion

4.3.1 Unsurprising answer

As audit service is the assurance service, it is not over expected that ‘assurance’ is the dimension of most concern for the clients when it comes to assessing audit service quality. Reliability and responsiveness of the audit firms and auditors are also important to the clients. Those three dimensions are more important than empathy and tangibles from the clients’ viewpoint. The clients may think that empathy and tangibles dimensions will create less affect on the audit reports than assurance, reliability, and responsiveness dimensions. Mistakes in audit opinion reports may create severe damage to the clients compared to not using the most up-to-date laptop. However, clients should also realise that the tangibles dimension such as the use of up-to-date equipment can boost auditors’ efficiency and effectiveness in performing an audit. The good condition of audit equipment and up-dated audit software together with auditors’ personal skills and knowledge can support one another. Therefore, effective auditors together with supporting materials and equipment can help the audit firms increase audit service quality.

4.3.2 Reasonable quality is not enough

In addition, although the empirical result shows that the clients were not satisfied with assurance, reliability, and responsiveness as a result of significant differences between perceptions and expectations’ scores, it does not mean the Big 4 in Thailand lack quality in their audit service. Their quality is quite perceived or strongly perceived by their clients. However, the Big 4 still have to do something because of the lower score of clients’ perceptions compared to their expectations. The Big 4 should not stop improving their service because of strong clients’ perceptions but they should pay lots of attention to the gap between perceptions and expectations as the result of this gap
can lead to audit firm switching. Switching audit firms is not good for both clients and audit firms. Clients have waste their opportunity cost; for example, time in seeking a new audit firm, providing basic information to the new audit firm which they do not have to do if they use an existing audit firm, and also building trust anew with a new audit firm. Creating trustworthiness consumes time. For the audit firms, of course, losing clients is not a good situation in a highly competitive financial audit industry, especially in an economic downturn where audit fees are hardly ever raised. Therefore, both clients and the audit firms should, together, help in increasing audit quality to meet clients’ expectation.

According to the results from factor analysis, the most top three factors that highly affect to clients’ expectations are Factor 1: Trust & Confidence, Factor 2: Responsiveness & Accuracy, and Factor 3: Knowledge and skills in clients’ industries, Caring, and Independent, respectively. Total three factors were 51.39% affect to the clients’ expectations toward audit service quality. The authors will, next, discuss about how the audit firms can build or increase these three factors as follows.

Brand reputation of the Big 4 could help them create clients’ positive attitude in trust and confidence. Also, trust and confidence could be built from a good relationship between the audit firm and the clients. As the auditors are the persons who directly contact and deliver audit service to the clients, the auditors should be very careful in their behaviours because their behaviour can affect to the degree of relationship (close or distant) and it can form clients’ attitude on trust and confidence as well. For example, if the auditors speak about clients A with client B, client B may think that it is high chance that the auditors will talk about its company to the other clients. These can reduce clients’ trust and confidence. Therefore, audit behaviours are really matter in creating trust and confidence of the clients. Finally, clients’ knowledge can help the firms create positive effect on clients’ trust (Eisingerich & Bell 2008).

Second extracted factor is responsiveness of audit firm to clients’ needs and accuracy of audit work affect to clients’ satisfaction toward audit service quality. The way the audit firms could improve their responsiveness could be started from having well-organized audit scheduling. To make it possible, the effective communication between auditor and clients could help the audit firms to know what the clients’ need and requirement is; especially audit timeline which will help auditors to manage their time to complete audit on time as well as are able to provide prompt service to their clients in the same time. Moreover, following up with the clients regularly would help the auditors to know whether the clients have changed their requirement or not. Being
aware that audit firm is service provider which service minded people would be expected for the clients. This characteristic motivates the auditors to be willing to pay attention to their clients. However, to do so would not be good if the auditors do not provide audit service with right audit service behaviour as mention before in the first extracted factor; Trust and Confidence. Therefore, good training is another supportive thing to make the auditors understand what kinds of service behaviour are expected for the clients. Furthermore, prompt service could be delivered only when the firms have sufficient resources. For example, if the clients require some information or advice from the auditors, a good information system of the audit firms can help their auditors in providing quick and accuracy information or advices to their clients. For the accuracy, apart from firms’ standard audit procedures which follow Thai accounting and auditing standards which were based on the International Accounting Standards (IAS) and International Standards on Auditing (ISA), professional scepticism is essential to create the accuracy in acquiring and recording clients’ information as well. Moreover, engagement manager’s advices toward the quality of audit work of audit team members also ensure the accuracy of audit work.

The third factor is knowledge and skills in clients’ industries, caring, and independence. Knowledge and skills of the auditors in clients’ industries could be acquired by both firms’ training courses provided to the auditors and the auditors’ direct experiences. For the Big 4, regarding to their website, they offer the training courses which the knowledge and skills are tailor-made for each level of the auditors. Updated in knowledge and skills are also provided. However, improving auditors’ knowledge and skills may not enough. The concept of “put the right man on the right job” should also be concerned by the audit firms. The crystal clear example is the audit firms should use audit teams that are the experts and have knowledge and experiences in insurance industry to audit the clients who are in the insurance industry because there are some specific laws and regulations for specific industry like insurance. If the audit firms use audit team that have little knowledge and skills about insurance industry auditing, the audit service quality can be shortfall and it can later create negative effect to both the clients and the audit firms. Another component in this factor, caring on clients, is possible when the auditors have a good attitude and relationship to the clients. Moreover, the audit firms may help their auditors realise that not only the technical service is important in auditing but caring of the clients is also crucial. This can be done by effective internal communication within the audit firms and including caring in firms’ philosophy is also help. The last component in this factor, independence, can be reached if the auditors strongly stick to the professional code of ethics. According to Eilifsen (2006), “The Code recognizes that
it is impossible and unnecessary for a person exercising professional judgement to be free from all economic, financial and other relationships with clients. Therefore, the significance of the economic, financial, and other relationships should be evaluated in the light of what a reasonable and informed third party having knowledge of all relevant information would reasonably conclude to be unacceptable.”

4.3.3 *Is it possible to balance the demand and supply for audit services?*

As it is required by law that the financial statements of every company that is registered in Thailand have to be audited by the auditors, it makes the demand for audit services increase day by day following the increased numbers of the registered companies. The reason behind this law is the government wants to reduce the risk of low corporate taxes given by the companies because they may not show their real profits in order to present a low corporate income tax to the government. Moreover, the Revenues Department in Thailand may not have the resources, both financial and human, to detect all fraud or tax evasion; therefore, an independent audit was the alternative for the Thai government. Therefore, due to this situation, the demand for audit services has increased rapidly while the numbers of audit firms and auditors have slowly increased.

The only thing that can solve this problem in the long term seems to be the morality and ethics of the business owners. Good governance should be more informed and introduced to the companies in Thailand. The idea of good governance is quite new in Thailand. Not many companies in Thailand implement it. The government, therefore, should encourage companies to recognise the importance of good governance in business.
Chapter 5: Conclusions and Recommendations

This chapter presents conclusions from the empirical study. Moreover, recommendations for the audit firms and their clients are presented followed by recommendations for further research.

5.1 Conclusions

The authors were interested in studying the quality of financial audit services because their failure can affect both the reputation of the audit firms and the possibility of wrong decision making by the financial statements’ users. Either the collapse of the audit firms or the clients’ firms can create dramatic damage to the markets, as we can see from the big lesson learned of the Arthur Andersen scandal. Moreover, some clients are not satisfied with the quality of the audit service but they cannot change to use other kinds of services because audit services can not be substituted by any other type of service. Therefore, reluctantly companies will put up with an unsatisfactory audit service. Serious questions, therefore, have been raised about audit service quality of the remaining Big 4 audit firms as big players in the audit industry.

The purposes were, firstly, to investigate clients’ perspectives toward the Big 4’s financial audit service quality. Secondly, the gaps between clients’ perceptions and expectations regarding audit service quality provided by the Big 4 audit firms will be studied. Finally, factors influencing clients’ expectations of audit service quality will be categorised.

The authors used a web-based self-completion questionnaire as a tool to collect primary data from clients of the Big 4. A seven-point Likert scale was applied in the questionnaire to find the level of clients’ perceptions and expectations regarding the quality of the audit service from the Big 4. The reasons for the lowest ranked perceptions for a particular item were asked for as an optional question.

Different levels of clients’ perceptions and expectations on each facet of the financial audit service are assessed by 25 clients of the Big 4. 44% of the respondents are service providers, 32% are manufacturers, 16% are non-profit organisations, and 8% are real estate business. SERVQUAL is used as a conceptual model for analysis. The concept of service quality measurement from SERVQUAL is ‘service quality = perceptions (P) – expectations (E)’ If P < E, it means clients are not satisfied. If P = E,
it means clients are satisfied. If P > E, it means clients are delight. The empirical results show that clients strongly expect regarding assurance, reliability, and responsiveness while they quite expect on tangibles, and empathy. Assurance and reliability are strongly perceived; whereas responsiveness, tangibles, and empathy are quite perceived. All the aforementioned five facets have perception scores less than expectation scores. Therefore, the paired t-Test is used to measure whether they are significantly different or not.

The results from the t-Test shows that there are only three out of five dimensions that P-E are significantly different. Those three dimensions are assurance, reliability, and responsiveness which are significantly different at .01 level.

Furthermore, those factors/items that highly influence clients’ expectations are discovered by using factor analysis in SPSS. Expectation scores of 25 items in the questionnaire are used as the input data. Eight extracted factors that affect clients’ expectations are presented as follows.

Factor 1: Trust & Confidence
Factor 2: Responsiveness & Accuracy
Factor 3: Knowledge and skills in clients’ industry, Caring, and Independent
Factor 4: Understanding of Clients
Factor 5: Timing/Scheduling & Right Service
Factor 6: Physical Facilities
Factor 7: Professional appearance & Professional Procedures
Factor 8: Information & Communication Channels and Materials

In conclusion, the facets that are perceived as not satisfied by the clients; assurance, reliability, responsiveness, should be taken in to account by the Big 4. The strategies should, then, focus on these three dimensions. Not only the Big 4 operating in Thailand have to be aware of their service quality, other audit firms both international brands and local brands should also be aware of their service quality in order to satisfy their clients and avoid damages from the client firms and markets from audit failure. Both the audit firms and the clients together can help in audit quality improvement.

5.2 Recommendations for Audit Industry and Clients

To improve audit service quality, it is not only the Big 4 audit firms’ responsibility but also good cooperation from clients could be crucial factor. The improvement of
audit service quality cannot see in the short term as long term ongoing policies are required. When the quality level of audit service becomes a win-win situation, both audit firms and clients receive mutual benefits. Moreover, the Big 4 are the big actors in the audit industry in Thailand with prompt financial and human resources, they should support the non-big4 to improve audit service quality because it means the overall image of audit services in Thailand would be improved.

5.2.1 Together we can

5.2.1.1 Audit firms efforts

For the Big 4, the authors found that they are on the right track by focusing on delivering value to their clients, regarding the clients’ needs. Not only clients are embedded in their vision, but the Thai business community as well as the international business community are also important to the Big 4. These intentions are made explicit on the Big 4’s respective websites (Appendix H). They also focus on their people based on their belief that when their people grow and succeed, their clients benefit. Therefore, human resource management is crucial to the Big 4.

Nowadays the Big 4 have a strong ability to attract qualified people to work for them as they feature in the world’s Top 50 most attractive employers list (Universum 2009), but to keep their position viable in the long term is still the critical problem amongst the four largest audit firms in Thailand. Since the Big 4 provide an assurance service resulting in the publication of audit reports and the audit opinion on the financial statements could affect an investors’ decision on investment.

Since the credibility of clients’ financial statements is very important. Auditors’ responsibilities, therefore, are high and are related to professional skills used in the audit procedure which uses Thai standard accounting and auditing standards based on the IAS and ISA. Resignation of auditors is one of the important factors which brings an increased workload in peak season for existing auditors that sometimes get in the way of a good work-life balance for them. Lots of pressure and stress from working within an audit team and between the clients is another factor contributing to a high turnover rate. In addition, new graduates tend to seek the jobs that can offer them a high salary and benefits with a lesser workload. In a changing world, outstanding employees may quit to join other firms within the audit industry or other industries such as consulting firms, bank and insurance companies since they have lots of career opportunities based on their work experience and their former work background with one of the largest global audit firms.
Every time talented people resign from the Big 4, it not only costs lots of money to recruit new qualified applicants but also the training cost invested in those people before they resigned has to be factored in. Since the nature of auditing is auditors will be assigned to different clients job so that experience and knowledge is gained with every different job rotation and time spent on learning at work is a requirement that cannot be fulfilled by new qualified applicants in the short term because audit experience is more likely to be obtained from on-the-job training.

Overall, a high turnover rate affects audit service quality which, of course, affects the firm’s reputation because of the lack of qualified auditors compared to high client demand. For auditors who never had experience with particular clients, it will take more time to understand clients’ organisation and industry and they may face difficulties when dealing with clients, compared to former auditors who have already built a relationship with their clients. New auditors or new audit teams need time to build a relationship with clients. Therefore, any delays or decrease in clients’ trust and confidence may arise if the firms use new auditors or audit teams. Therefore, to keep their outstanding employees, the Big4 tried to offer higher rates of salary, better opportunities for promotion, and other improved benefits. However, these motivational factors can keep employees only in the short term. In the authors view point, to keep an employee over the long term the firm should build corporate culture, through effective internal communication between the firm and auditors, which cultivates auditors whose work not only contributes to the firms and the clients but also the investors whose investment will produce cash flow and drive the economy of the country.

To summarize, although the Big4 put a lot of effort into improving their audit service quality by delivering value to their clients, improving auditors’ skills and knowledge and maintaining a firms’ human assets, this empirical study shows that clients still are not satisfied with their service. Therefore, an ongoing policy for maintaining and improving the audit service quality is needed.

5.2.1.2 Client contribution
Audit quality can improve through clients’ cooperation. Audit firms should not only try to understand clients’ expectations but they should communicate to their clients about what they expect from them as well. If the auditors cultivate the art of communication, clients cooperation can benefit them more or less. For example, if clients have good documentary and information systems together with well-prepared documents asked for by the auditors, it will reduce time consumed in auditing and the
risk is also reduced due to clients’ good internal controls. Moreover, a clear client requirement is also to help the auditors in providing a premium service quality. For instance, if the clients clearly state what and when they need a function performed, the auditors can plan their work according to the clear set out needs of their clients.

Therefore, with hard work of auditors and the clients’ cooperation, a premium quality of audit service is possible.

5.2.2 Win-Win situation

Providing a high quality audit service not only helps the audit firms to create value for their clients but it also gives the audit firms benefit in the way that they can keep their existing clients and also be attractive to new clients with their high quality service. Moreover, a premium audit service quality brings a good reputation. Therefore, both the clients and the audit firms receive advantages from premium audit service quality offerings.

5.2.3 Audit industry

According to the information displayed on the Big 4’s respective websites, they try to present other services apart from their core services, audit services, such as taxation, advisory, consulting, research in specific industry, etc.; however, it is important to the audit firms that they should not lose their focus on their core service. Otherwise, they may lose their reputations by losing audit service quality like Arthur Andersen. Furthermore, the success only of the Big 4 does not mean the audit industry is a success. Both Big 4 and non-Big 4 firms should be able to offer quality to their clients. As the Big 4 has resources, both financial and human, they may help one way or another to improve the quality of audit service in Thailand.

5.3 Recommendations for further studies

1) Within limitations of time, cost, and distance, the authors conducted a survey with 25 respondents. Further study conducted with more respondents would be more representative

2) Further study may set the questions relevant to proposed 8 extracted factors for measuring audit service quality as mentioned in the last part of Chapter 4.

3) In this study, the authors used a sample of clients of the Big 4 audit firms to investigate the area of audit service quality toward clients’ perspective. Further study should reveal whether this reports findings are generalisable across clients of the non-Big 4 audit firms would be interesting to show
whether the Big 4 have better audit quality than the non-Big4 and whether they are deserving of their high reputation.

4) Within limitation of time and cost, the authors designed the questionnaire by focusing on the 5 dimensions, according to SERVQUAL theory, which affect clients’ perceptions and expectations toward audit service quality by leaving out the effect of demographic factors; for example, clients’ work experiences (number of year), sex, age, and clients’ industry. However, it would be interesting for further work to investigate whether these factors affect clients’ perspective on audit service quality. The result would be useful for the audit firms to tailor and improve their audit service quality by different target clients’ industries.
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  [http://books.google.com/books?id=QKE1DiqrSA4C&pg=PP1&dq=Social+research+David&lr=&cd=1#v=onepage&q&f=false](http://books.google.com/books?id=QKE1DiqrSA4C&pg=PP1&dq=Social+research+David&lr=&cd=1#v=onepage&q&f=false) [2010-04-28]


  


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Appendix

Appendix A: Original SERVQUAL questionnaire

Expectations measure
Direction: Based on your experiences as a consumer of _______ services, please think about the kind of _______ company with which you would be pleased to do business. Please show the extent to which you think such a _______ company would possess the feature described by each statement. If you feel a feature is not at all essential for excellent _______ companies such as the one you have in mind, circle the number 1. If you feel a feature is absolutely essential for excellent _______ companies, circle 7. If you feelings are less strong, circle one of the numbers in the middle. There is no right or wrong answers – all we are interested in is a number that truly reflects your feelings regarding companies that would deliver excellent quality of service.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Excellent _______ companies will have modern-looking equipment.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2. The physical facilities at excellent _______ companies will be visually appealing.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>3. Employees at excellent _______ companies will be neat-appearing.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>4. Materials associated with the service (such as pamphlets or statements) will be visually appealing in an excellent _______ company.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>5. When excellent _______ companies promise to do something by a certain time, they will do so.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>6. When a customer has a problem, excellent _______ companies will show a sincere interest in solving it.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>7. Excellent _______ companies will perform the service right the first time.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>8. Excellent _______ companies will provide their services at the time they promise to do so.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>9. Excellent _______ companies will insist on error-free records.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>10. Employees in excellent _______ companies will tell customers exactly when services will be performed.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>11. Employees in excellent _______ companies will give prompt service to customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>12. Employees in excellent _______ companies will always be willing to help customers.</td>
<td>1 2 3 4 5 6 7</td>
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### Questions

<table>
<thead>
<tr>
<th>Questions</th>
<th>Score</th>
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<tbody>
<tr>
<td>13. Employees in excellent ________ companies will never be too busy to respond to customers’ requests.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>14. The behaviour of employees in excellent ________ companies will instill confidence in customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>15. Customers of excellent ________ companies will feel safe in their transactions.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>16. Employees in excellent ________ companies will be consistently courteous with customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>17. Employees in excellent ________ companies will have the knowledge to answer customers’ questions.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>18. Excellent ________ companies will give customers individual attention.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>19. Excellent ________ companies will have operating hours convenient to all their customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>20. Excellent ________ companies will have employees who give customers personal attention.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>21. Excellent ________ companies will have the customer’s best interests at heart.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>22. The employees of excellent ________ companies will understand the specific needs of their customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

**Perceptions measure**

*Direction:* The following set of statements relate to your feelings about XYZ Company. For each statement, please show the extent to which you believe XYZ Co. has the feature described by the statement. Once again, circling a 1 means that you strongly disagree that XYZ Company has that feature, and the middle that show how strong your feelings are. There are no right or wrong answers – all we are interested in is a number that best shows your perceptions about XYZ Company.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. XYZ Co. has modern-looking equipment.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2. XYZ Co.’s physical facilities are visually appealing.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>3. XYZ Co.’s employees are neat-appearing.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>4. Materials associated with the service (such as pamphlets or statements) will be visually appealing at XYZ Co.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>5. When XYZ Co. promises to do something by a certain time, does so.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>6. When you have a problem, XYZ Co. shows a sincere interest in solving it.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>7. XYZ Co. performs the service right the first time.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>8. XYZ Co. provides their services at the time they promise to do so.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>9. XYZ Co. insists on error-free records.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>10. Employees in XYZ Co. tell customers exactly when services will be performed.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Questions</td>
<td>Score</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>11. Employees in XYZ Co. give prompt service to customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>12. Employees in XYZ Co. are always willing to help customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>13. Employees in XYZ Co. are never too busy to respond to customers’ requests.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>14. The behaviour of employees in XYZ Co. instills confidence in customers.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>15. You feel safe in their transactions with XYZ Co.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>16. Employees in XYZ Co. are consistently courteous with customers.</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>18. XYZ Co. gives you individual attention.</td>
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</tr>
<tr>
<td>19. XYZ Co. has operating hours convenient to all their customers.</td>
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</tr>
<tr>
<td>20. XYZ Co. has employees who give customers personal attention.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>21. XYZ Co. has the customer’s best interests at heart.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>22. Employees of XYZ Co. understand your specific needs.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>
Appendix B: Modified Questionnaire

Part I: Cover Letter for Survey Lunching

Faculty of Economics, Communication and IT

2010-05-05

Dear ____________

We are exchange students from Thailand. We are Master’s students in the Department of Business Administration at Karlstad University conducting research under the supervision of Professor Dan Nordin. We are inviting you to participate in our research project to study the gap between expectations and perceptions on the financial audit service quality of the Big 4 audit firms, from the perspective of clients.

Along with this letter is a short questionnaire that asks a number of questions regarding financial audit service. We would be obliged if you would look over the questionnaire and, if you choose to do so, complete it via this link [http://www.surveymonkey.com/s/auditservicequality](http://www.surveymonkey.com/s/auditservicequality) by selecting the score that represents how you perceive and expect about the quality of audit service you have been using. It should take you only about 5-10 minutes to complete.

The results of this project will identify the quality of audit service with regard to a number of different dimensions. Through your participation we hope to understand your expectation and perception level regarding audit service quality related to several important issues. We hope that the results of the survey will be useful both for the Big 4 audit firms and their clients and we hope to share our results by presenting them on the web ‘DiVA’ where students, researchers, and companies world-wide can access.

Let us assure you that all information that you provide through your participation in this study will be kept confidential. Furthermore, you will not be identified in the thesis or in any report or publication based on this research. There are no known or anticipated risks to participation in this study. The data collected through this study will be kept for one year in a secure location. Your participation is
voluntary. Regardless of whether you choose to participate or not, we would be only be too pleased to let you have a summary of our findings.

If you have any questions or concerns with regard to completing the questionnaire or participating in this study, you may contact us through the contact details provided below.

Contact 1: Ramon Vejaratpimol [Moblie no.: +46 7 04 74 99 80 and e-mail: ramon_orm@hotmail.com]

Contact 2: Pitchaya Sonsa-ardjit [Moblie no.: +46 7 04 75 67 74 and e-mail: p_moonoy@hotmail.com]

Below are the closed questions in the questionnaire
1. The equipments (such as laptop and computer software) used by audit firm are up-to-date.
2. Physical facilities at audit firm are visually appealing.
3. The auditors’ appearance looks professional (such as well dressed and neat-appearance).
4. Communication materials (such as audit report and letter of recommendation) from audit firm are easily understood with a good format.
5. The audit firm is able to provide the service at the time promised. (For example, the audit firm promises to start the job on Monday, they do so.)
6. The audit firm is able to provide the service within the time promised. (For example, the auditors promised to issue the audit report by the end of April and they do so.)
7. The audit firm shows sincere interest when you have problems.
8. The audit firm provides the right service first time every time.
9. The audit firm insists on accurately kept records.
10. The audit firm promises you when exactly it will perform the service.
11. The audit firm provides a prompt service (immediate/punctual service) to you.
12. The auditors are always willing to help you.
13. The audit firm promptly responses to your requests.
14. The way the auditors behave makes you feel confident.
15. The auditors perform sufficient audit and documentation.
16. The auditors are independent.
17. You feel safe in your transactions and organisation’s information.
18. The auditors have the knowledge to answer your questions.
19. The auditors have the knowledge in your organisation industry.
20. The audit firm and the auditors give you individual attention.
21. The working hours of the audit firm are convenient for you.
22. The audit firm has your best interests at heart.
23. The auditors are able to perceive your specific needs.
24. The audit firm can provide useful information to your organisation.
25. The audit firm can provide useful information to your investors or creditors.

If you choose to participate in our research project, please complete it via this link [http://www.surveymonkey.com/s/auditservicequality](http://www.surveymonkey.com/s/auditservicequality).

Thank you in advance for your co-operation in our research.

Yours sincerely,

Pitchaya Sonsa-ardjit/ Ramon Vejaratpimol
Part II: Modified Questionnaire

Section 1

The aim of this questionnaire is to gather data about clients' perceptions and expectations on the quality of audit service by the Big 4 audit firms. The results of this project will point out the quality of audit service in different dimensions. Through your participation, I hope to understand your expectations and perceptions level on audit service's quality in several issues. I hope that the results of the survey will be useful both for the Big 4 audit firms and their clients.

This questionnaire will take only about 5-10 minutes.

Instruction: Please select the score that represents how you perceive and expect about the quality of audit service you have been using.

Term: ‘Auditors’ in this questionnaire is referred to engagement partner, engagement manager, and all members in the audit team.

<table>
<thead>
<tr>
<th></th>
<th>Expectation</th>
<th>Perception</th>
</tr>
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<tbody>
<tr>
<td>1. The equipments (such as laptop and computer software) used by audit firm are up-to-date.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Physical facilities at audit firm are visually appealing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The auditors’ appearance looks professional (such as well dressed and neat appearance).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Communication materials (such as audit report and letter of recommendation) from audit firm are easily understood with a good format.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The audit firm is able to provide the service at the time promised. (For example, the audit firm promises to start the job on Monday, they do so.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. The audit firm is able to provide the service within the time promised. (For example, the auditors promised to issue the audit report by the end of April and they do so.)</td>
<td></td>
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</tr>
<tr>
<td>7. The audit firm shows sincere interest when you have problems.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. The audit firm provides the right service first time every time.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. The audit firm insists on accurately kept records.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. The audit firm promises you when exactly it will perform the service.</td>
<td></td>
<td></td>
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<tr>
<td>11. The audit firm provides a prompt service (immediate/punctual service) to you.</td>
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<td></td>
</tr>
<tr>
<td>12. The auditors are always willing to help you.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. The audit firm promptly responds to your requests.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. The way the auditors behave makes you feel confident.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. The auditors perform sufficient audit and documentation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. The auditors are independent.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. You feel safe in your transactions and organisation's information.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. The auditors have the knowledge to answer your questions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. The auditors have the knowledge in your organisation industry.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. The audit firm and the auditors gives you individual attention.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. The working hours of the audit firm are convenient for you.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. The audit firm has your best interests at heart.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
23. The auditors are able to perceive your specific needs.
24. The audit firm can provide useful information to your organisation.
25. The audit firm can provide useful information to your investors or creditors.

Section 2

What are the reasons behind your given lowest perception scores in above questions?

Section 3

Please describe your company’s business (such as Bank, Automobile manufacturer or Communications service provider).
Appendix C: Original AUDITQUAL Questions

Purpose: To rate the importance of each statement to audit quality
1 = not important for high audit quality
5 = very important for high audit quality

Three factors are measured
Q1-Q24 Audit firm factors
Q25-Q41 Engagement partner factors
Q42-Q56 Audit team factors

Questions by dimensions

Reputation and Capability

Reputation
Q1 - The audit firm is highly competent.
Q3 - The audit firm operates to the highest standards of integrity.
Q7 - The audit firm has rarely been found negligent in litigation against it alleging inadequate audit performance.
Q10 - The audit firm is objective.
Q11 - The audit firm is conscientious.
Q12 - The audit firm is credible to third parties.
Q19 - The audit firm enjoys a good reputation.
Q20 - The audit firm is independent of the board of directors.

Capability
Q32 – The engagement partner is highly competent.
Q33 – The engagement partner has high ethical standards.
Q35 – The engagement partner is actively involved in the engagement beginning with the initial planning and throughout the audit process.
Q36 – The engagement partner has financial statement users’ best interest at heart.
Q37 – The engagement partner is keen to understand what is happening within the client’s organisation.
Q44 – The audit team staff are highly competent.
Q45 – The audit team staff operate to high ethical standards.

Responsiveness
Q4 – The audit firm is skilful in devising accounting treatments that generate results management wishes to obtain.
Q21 – The audit firm is willing to provide detailed cost information.
Q23 – The audit firm is willing to be flexible when scheduling the timing of audit visits.
Q24 – The audit firm’s offices are geographically close to the client.
Q39 – The engagement partner is easily contactable (e.g. by phone)
Q40 – There is a ‘good fit’ between the personality of the engagement partner and the finance director.
Q41 – The relationship between the engagement partner and finance director is relatively informal.
Q42 – Audit team staff create the minimum of disruption so far as practically possible.
Q47 – The audit team develops stringent time budgets for each audit area and expects people to meet them.

**Independence**
Q5 – The audit firm conducting the audit provides no non-audit services to the firm.
Q14 – The audit firm employs individuals independent of the audit firm to conduct client service reviews.
Q49 – The audit fee paid by the client does not represent more than 10% of the total audit fees controlled by the engagement partner.
Q50 – The audit fee paid by the client does not represent more than 25% of the total audit fees controlled by the engagement partner.
Q51 – The audit fee paid by the client does not represent more than 50% of the total audit fees controlled by the engagement partner.

**Non-audit services**
Q15 – The audit firm is able to supply additional tax services.
Q16 – The audit firm is able to provide additional consultancy services.
Q17 – The audit firm is able to provide additional accounting services.
Q18 – The audit firm is able to provide internal audit services.

**Empathy & Client Service**

*Empathy*
Q25 – The engagement partner is pro-active and contributory.
Q30 – The engagement partner provides the client’s finance director with individual attention.
Q31 – The engagement partner has the client’s best interests at heart.
Q46 – The audit team provides the client with personal attention.

*Client Service*
Q6 – The audit firm conducts client service reviews.
Q26 – The engagement partner arranges regular meetings with the client’s key staff to identify issues of concern.
Q34 – The engagement partner regularly identifies examples of added value to the client.
Q29 – The engagement partner and senior manager make regular visits to the audit site for technical review.
Q43 – The audit team are willing to provide guidance on accounting principles.
Q52 – There is frequent communication between the audit team and audit committee.
Q56 – There is frequent communication between the audit team and executive management.

**Knowledge**

*Expertise*
- Q9 – The audit firm has other clients in the same industry.
- Q13 – The audit firm undertakes research into the client’s industry.
- Q28 – The audit partner is subject to internal review during the audit by other partners of the firm.
- Q38 – The engagement partner is very knowledgeable about the client’s industry.
- Q54 – The client has a knowledgeable and active audit committee.
- Q55 – The senior manager and manager assigned to the audit are very knowledgeable about the client’s industry.

*Experience*
- Q27 – The engagement partner has been performing the audit for the past three years.
- Q48 – The manager of the audit firm has been performing the audit for at least two years.
- Q53 – The senior manager has been performing the audit for at least two years.
## Appendix D: The questions screening and comparison table

<table>
<thead>
<tr>
<th>SERVQUAL DIMENSION</th>
<th>SERVQUAL QUESTION</th>
<th>AUDITQUAL DIMENSION</th>
<th>AUDITQUAL QUESTION</th>
<th>Un adopted question from AUDITQUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>1. The equipments (such as laptop and computer software) used by audit firm are up-to-date.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>2. Physical facilities at audit firm are visually appealing.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>3. The auditors’ appearance looks professional (such as well dressed and neat-appearance).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>4. Communication materials (such as audit report and letter of recommendation) from audit firm are easily understood with a good format.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>5. The audit firm is able to provide the service at the time promised. (For example, the audit firm promises to start the job on Monday, they do so.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>6. The audit firm is able to provide the service within the time promised. (For example, the auditors promised to issue the audit report by the end of April and they do so.)</td>
<td></td>
<td>Responsiveness Q47</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>7. The audit firm shows sincere interest when you have problems.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>8. The audit firm provides the right service first time every time.</td>
<td></td>
<td>Responsiveness Q42</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>9. The audit firm insists on accurately kept records.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>10. The audit firm promises you when exactly it will perform the service.</td>
<td></td>
<td></td>
<td>Q24 - It’s only one branch of each Big 4 in Thailand.</td>
</tr>
<tr>
<td>SERVQUAL DIMENSION</td>
<td>SERVQUAL QUESTION</td>
<td>AUDITQUAL DIMENSION</td>
<td>AUDITQUAL QUESTION</td>
<td>Un adopted question from AUDITQUAL</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>---------------------</td>
<td>-------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>11. The audit firm provides a prompt service (immediate/punctual service) to you.</td>
<td>Responsiveness</td>
<td>Q39 (phone=immediate)</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>12. The auditors are always willing to help you.</td>
<td>Responsiveness</td>
<td>Q23, Q21, (Q40&amp;Q41 - affect to auditors' willing)</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>13. The audit firm promptly responds to your requests.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assurance</td>
<td>14. The way the auditors behave makes you feel confident.</td>
<td>Capability</td>
<td>Q33, Q35, Q37, Q45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15. The auditors perform sufficient audit and documentation.</td>
<td>Client service</td>
<td>Q29</td>
<td></td>
</tr>
<tr>
<td></td>
<td>16. The auditors are independent.</td>
<td>Independent</td>
<td>Q5, Q14</td>
<td>Q49, 50, Q51 - Clients can not answer</td>
</tr>
<tr>
<td></td>
<td>17. You feel safe in your transactions and organisation’s information.</td>
<td>Capability</td>
<td>Q33, Q45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>18. The auditors have the knowledge to answer your questions.</td>
<td>Capability, Experiences (Clients can not answer)</td>
<td>Q32, Q44</td>
<td>Q27, Q48, Q53 - Clients can not answer</td>
</tr>
<tr>
<td></td>
<td>19. The auditors have the knowledge in your organisation industry.</td>
<td>Expertise</td>
<td>Q38, Q55</td>
<td>Q9, Q13, Q28 - Can't answer by clients, Q54 - Some clients may not have audit committee.</td>
</tr>
<tr>
<td>SERVQUAL DIMENSION</td>
<td>SERVQUAL QUESTION</td>
<td>AUDITQUAL DIMENSION</td>
<td>AUDITQUAL QUESTION</td>
<td>Un adopted question from AUDITQUAL</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>----------------------</td>
<td>-------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>Empathy</strong> (access, communication, and understanding the customer)</td>
<td>20. The audit firm and the auditors gives you individual attention.</td>
<td>Empathy</td>
<td>Q30, Q47</td>
<td>Q52 - Some clients may not have audit committee.</td>
</tr>
<tr>
<td></td>
<td>21. The working hours of the audit firm are convenient for you.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>22. The audit firm has your best interests at heart.</td>
<td>Empathy</td>
<td>Q31, Q25</td>
<td></td>
</tr>
<tr>
<td></td>
<td>23. The auditors are able to perceive your specific needs.</td>
<td>Client service</td>
<td>Q6, Q56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>24. The audit firm can provide useful information to your organisation.</td>
<td>Responsiveness</td>
<td>Q4, Q26, Q43</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25. The audit firm can provide useful information to your investors or creditors.</td>
<td></td>
<td>Q36</td>
<td></td>
</tr>
<tr>
<td>Q1, Q3, Q7, Q10, Q11, Q12, Q19, Q20 = reputation (not necessary to measure for big 4 because they has the same standard of reputation)</td>
<td></td>
<td></td>
<td>Q34 - It's not practical to do so.</td>
<td></td>
</tr>
<tr>
<td>Q15-Q18 = non-audit service are out of our scope</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix E: Paired Samples Statistics of the clients’ perceptions and expectations by item toward financial audit service provided by the Big 4 audit firms in Thailand.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Item</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>N</th>
<th>Standard Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>P</td>
<td>E</td>
<td>Diff</td>
<td>P</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>11. The audit firm provides a prompt service (immediate/punctual service) to you.</td>
<td>5.12</td>
<td>5.68</td>
<td>-0.56</td>
<td>0.666</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>12. The auditors are always willing to help you.</td>
<td>5.16</td>
<td>5.48</td>
<td>-0.32</td>
<td>1.106</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>13. The audit firm promptly responds to your requests.</td>
<td>5.00</td>
<td>5.48</td>
<td>-0.48</td>
<td>1.155</td>
</tr>
<tr>
<td>Assurance</td>
<td>14. The way the auditors behave makes you feel confident.</td>
<td>5.24</td>
<td>5.60</td>
<td>-0.36</td>
<td>0.970</td>
</tr>
<tr>
<td>Assurance</td>
<td>15. The auditors perform sufficient audit and documentation.</td>
<td>5.36</td>
<td>5.96</td>
<td>-0.60</td>
<td>0.907</td>
</tr>
<tr>
<td>Assurance</td>
<td>16. The auditors are independent.</td>
<td>5.96</td>
<td>6.28</td>
<td>-0.32</td>
<td>0.978</td>
</tr>
<tr>
<td>Assurance</td>
<td>17. You feel safe in your transactions and organisation’s information.</td>
<td>5.76</td>
<td>6.12</td>
<td>-0.36</td>
<td>1.091</td>
</tr>
<tr>
<td>Assurance</td>
<td>18. The auditors have the knowledge to answer your questions.</td>
<td>5.32</td>
<td>6.08</td>
<td>-0.76</td>
<td>0.802</td>
</tr>
<tr>
<td>Assurance</td>
<td>19. The auditors have the knowledge in your organisation industry.</td>
<td>5.48</td>
<td>5.36</td>
<td>0.12</td>
<td>0.872</td>
</tr>
<tr>
<td>Empathy</td>
<td>20. The audit firm and the auditors gives you individual attention.</td>
<td>5.04</td>
<td>5.16</td>
<td>-0.12</td>
<td>0.790</td>
</tr>
<tr>
<td>Empathy</td>
<td>21. The working hours of the audit firm are convenient for you.</td>
<td>5.32</td>
<td>5.36</td>
<td>-0.04</td>
<td>1.030</td>
</tr>
<tr>
<td>Empathy</td>
<td>22. The audit firm has your best interests at heart.</td>
<td>4.92</td>
<td>4.92</td>
<td>0.00</td>
<td>0.954</td>
</tr>
<tr>
<td>Empathy</td>
<td>23. The auditors are able to perceive your specific needs.</td>
<td>4.96</td>
<td>5.16</td>
<td>-0.20</td>
<td>0.790</td>
</tr>
<tr>
<td>Empathy</td>
<td>24. The audit firm can provide useful information to your organisation.</td>
<td>5.12</td>
<td>5.72</td>
<td>-0.60</td>
<td>1.166</td>
</tr>
<tr>
<td>Empathy</td>
<td>25. The audit firm can provide useful information to your investors or creditors.</td>
<td>4.40</td>
<td>4.84</td>
<td>-0.44</td>
<td>1.443</td>
</tr>
</tbody>
</table>

* P = Perception, E = Expectation, and Diff = Difference
### Appendix F: Summary Respondents’ Answer from Section 2 of the Questionnaire

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Reasons behind the lowest given score of the respondents’ perceptions toward audit service quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>I think that the audit firm used equipment at moderate level.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Audit firm sometime give audit report after the time promised.</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Because timing and priorities to other clients are sometimes interfering the possibility to time it perfect</td>
</tr>
<tr>
<td>Assurance</td>
<td>New auditors sometimes misunderstand during communicating with clients because they don’t have specific knowledge in clients’ industry</td>
</tr>
<tr>
<td>Empathy</td>
<td>Audit teams sometimes highly focus on completing their service on time. I rarely receive other useful information to my organization.</td>
</tr>
</tbody>
</table>
## Appendix G: Paired Samples Test of Discrepancy between Clients’ Perceptions and Expectations on Financial Audit Service Quality of Big 4 Audit Firms located in Thailand by item

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Question</th>
<th>Paired Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Tangibles</td>
<td>1. The equipments (such as laptop and computer software) used by audit firm are up-to-date.</td>
<td>0.16</td>
</tr>
<tr>
<td>Tangibles</td>
<td>2. Physical facilities at audit firm are visually appealing.</td>
<td>-0.08</td>
</tr>
<tr>
<td>Tangibles</td>
<td>3. The auditors’ appearance looks professional (such as well dressed and neat-appearance).</td>
<td>-0.40</td>
</tr>
<tr>
<td>Tangibles</td>
<td>4. Communication materials (such as audit report and letter of recommendation) from audit firm are easily understood with a good format.</td>
<td>-0.72</td>
</tr>
<tr>
<td>Reliability</td>
<td>5. The audit firm is able to provide the service at the time promised. (For example, the audit firm promises to start the job on Monday, they do so.)</td>
<td>-0.16</td>
</tr>
<tr>
<td>Reliability</td>
<td>6. The audit firm is able to provide the service within the time promised. (For example, the auditors promised to issue the audit report by the end of April and they do so.)</td>
<td>-0.52</td>
</tr>
<tr>
<td>Reliability</td>
<td>7. The audit firm shows sincere interest when you have problems.</td>
<td>-0.24</td>
</tr>
<tr>
<td>Reliability</td>
<td>8. The audit firm provides the right service first time every time.</td>
<td>-0.48</td>
</tr>
<tr>
<td>Reliability</td>
<td>9. The audit firm insists on accurately kept records.</td>
<td>-0.44</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>10. The audit firm promises you when exactly it will perform the service.</td>
<td>-0.40</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>11. The audit firm provides a prompt service (immediate/punctual service) to you.</td>
<td>-0.56</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>12. The auditors are always willing to help you.</td>
<td>-0.32</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>13. The audit firm promptly responds to your requests.</td>
<td>-0.48</td>
</tr>
<tr>
<td>Assurance</td>
<td>14. The way the auditors behave makes you feel confident.</td>
<td>-0.36</td>
</tr>
<tr>
<td>Assurance</td>
<td>15. The auditors perform sufficient audit and documentation.</td>
<td>-0.60</td>
</tr>
<tr>
<td>Dimension</td>
<td>Question</td>
<td>Mean</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Assurance</td>
<td>16. The auditors are independent.</td>
<td>-0.32</td>
</tr>
<tr>
<td>Assurance</td>
<td>17. You feel safe in your transactions and organisation’s information.</td>
<td>-0.36</td>
</tr>
<tr>
<td>Assurance</td>
<td>18. The auditors have the knowledge to answer your questions.</td>
<td>-0.76</td>
</tr>
<tr>
<td>Assurance</td>
<td>19. The auditors have the knowledge in your organisation industry.</td>
<td>0.12</td>
</tr>
<tr>
<td>Empathy</td>
<td>20. The audit firm and the auditors gives you individual attention.</td>
<td>-0.12</td>
</tr>
<tr>
<td>Empathy</td>
<td>21. The working hours of the audit firm are convenient for you.</td>
<td>-0.04</td>
</tr>
<tr>
<td>Empathy</td>
<td>22. The audit firm has your best interests at heart.</td>
<td>0.00</td>
</tr>
<tr>
<td>Empathy</td>
<td>23. The auditors are able to perceive your specific needs.</td>
<td>-0.20</td>
</tr>
<tr>
<td>Empathy</td>
<td>24. The audit firm can provide useful information to your organisation.</td>
<td>-0.60</td>
</tr>
<tr>
<td>Empathy</td>
<td>25. The audit firm can provide useful information to your investors or creditors.</td>
<td>-0.44</td>
</tr>
</tbody>
</table>

* Sig. < .01
** Sig. < .05
Appendix H: Messages from the Big 4

<table>
<thead>
<tr>
<th>PricewaterhouseCoopers, PricewaterhouseCoopers (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services to build public trust and enhance value for our clients and stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.</td>
</tr>
<tr>
<td>In Thailand, our client base includes the largest Thai and multinational companies, as well as government institutions. Our close interaction with both economic and state bodies allows us to keep up with the fast changing business environment. We have over 1100 people working for our Bangkok-based office.</td>
</tr>
<tr>
<td>We believe that sound governance and transparency form the bedrock of leadership, and we are committed to serving with integrity and good sense. At PricewaterhouseCoopers, we measure our success by yours.”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deloitte Touche Tohmatsu Jaiyos, Deloitte (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“At Deloitte, we all share a strong commitment towards our mission &quot;To help our clients and our people excel&quot;. It’s deeply embedded in our firm's culture and engrained in everything we do.</td>
</tr>
<tr>
<td><strong>What we believe in:</strong></td>
</tr>
<tr>
<td>- Outstanding value to clients</td>
</tr>
<tr>
<td>- Commitment to each other</td>
</tr>
<tr>
<td>- Integrity</td>
</tr>
<tr>
<td>- Strength from cultural diversity</td>
</tr>
<tr>
<td><strong>Client services</strong></td>
</tr>
<tr>
<td>- We want Deloitte to be recognised in the marketplace for:</td>
</tr>
<tr>
<td>- Quality and efficiency of delivery</td>
</tr>
<tr>
<td>- Integrity, and our robust and independent approach</td>
</tr>
<tr>
<td>- Innovation combined with propriety</td>
</tr>
<tr>
<td><strong>People</strong></td>
</tr>
<tr>
<td>We believe that exceptional client service can only be delivered by exceptional people. We bring together people from different academic, career and personal backgrounds. Our collaborative, people-focused culture encourages mutual respect, open communications and ongoing learning. We are the employer of choice for top talent, attracting and retaining the most capable people in our profession.”</td>
</tr>
</tbody>
</table>
Ernst & Young, Ernst & Young (2010)

“Global solutions to global problems
Ernst & Young is a global leader in assurance, tax, transactions and advisory services. We aim to have a positive impact on businesses and markets, as well as on society as a whole.

Developing our people, to the benefit of your business
We attract talented people from diverse backgrounds. Our emphasis on inclusiveness matters more than ever today. As business challenges become more complex, we need to call upon the widest spectrum of views and opinions to address them. Our open culture fosters continuous personal and professional development. Because when our people grow and succeed, your company benefits.”

KPMG Phoomchai Co., Ltd., KPMG (2010c)

Kaisri Nuengsigkapian, CEO KPMG Phoomchai, said;

“Our vision is simply stated: "To turn knowledge into value for the benefit of our clients, people, and the capital markets." We take the needs of each of these groups very seriously.

We have people of more than fifteen different nationalities working in our team. Our people can work together in a professional environment where they can nurture and develop their existing skills and ambitions. Our cultural diversity underpins the range of skills and services we offer, and helps enable us to deliver value to the Thai business community as well as the international business community.”