

# FACTORS AFFECTING THE SUCCESS OF AUDIT FIRMS IN THE THAI CAPITAL MARKET

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## ABSTRACT

This research aimed to 1) study the level of success of audit firms in the Thai capital market and 2) study the factors affecting the success of audit firms in the Thai capital market. A questionnaire was used to collect data from 223 audit firms in the Thai capital market. Statistics were used to analyze the data, including frequency, percentage, mean, standard deviation, and multiple regression analysis. The results of the research found that 1) Overall, the success of audit firms in the Thai capital market was found to be at the highest level of importance. When considering each aspect, internal management processes had the highest average value, followed by finance, stakeholder engagement, and learning and growth. 2) Technology acceptance, organizational management, management innovation, and service quality influenced audit firms' success in the Thai capital market by 58.3 percent.

**Keywords:** Success, Audit Firms, Thai Capital Market

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## INTRODUCTION

The auditing firm in the capital market is important in helping shareholders and investors know the situation that happened to Enron Corporation. The role of the auditor in the capital market has become more important and is being supervised by government agencies more than before when the government allowed the private sector to supervise in this manner. The role of supervising the auditor in the capital market is assigned to the Securities and Exchange Commission (SEC) to have a role in approving the auditor in the capital market. However, in practice, the current supervision in Thailand has not given enough importance to the supervision of the Auditing firms in the capital market where the auditor is affiliated, even though the Auditing firms in the capital market plays an important role in maintaining the neutrality of the auditor in the capital market in performing the duty of auditing financial statements and preparing various financial reports. In addition, the nature of the auditor's work that requires working as a team means that the current supervision of the auditor in the capital market, which aims to supervise individual auditors, may not be able to effectively control the quality of the auditing firm's work and may affect the quality of the auditing of financial statements and the preparation of various financial reports. Therefore, for the supervision of the activities of the auditing firms and the review of financial reports in the capital market to truly protect shareholders and investors, as well as to further enhance the credibility of the Thai capital market, (Securities and Exchange Commission, 2022)

Auditing firms play an important role as required by law. Auditing firms will have people with accounting knowledge who are registered as certified public accountants (CPA) by the Accounting Professions Council under Royal Patronage. They may be established as auditing firms or as natural persons. These auditing firms will hire various businesses to audit accounts under the law, which are both in Bangkok and other provinces. Auditing firms will provide auditing services or may provide other services such as consulting on accounting work, tax auditing, consulting on accounting system design, and other related services. Therefore, the auditing firm business plays a very important role in business and has adjusted and developed the organization to keep up with the current changes.

Organizational transformation to drive the organization towards its goals successfully. The indicators that most executives use to evaluate the success of the organization include finance, customers, internal management, and learning and growth (Kaplan & Norton, 2020). This is in line with Cope (2018), who presented indicators of organizational management success consisting of 1) cash, meaning the organization must have stable and liquid cash flow.

2) Profit, including business operations with increasing gross profit and net income. 3) Assets, meaning the organization must have asset stability and continuous income and returns from assets. 4) Growth, meaning the organization must grow and continuously generate profits. 5) People, meaning the organization must manage its employees. Customers and stakeholders are satisfied. In addition, Somjai Laksana (2017) and Kanchana Intharak (2019) stated that the success of an organization can be measured from 4 important aspects: 1) goal accomplishment, 2) procurement and resource use, 3) operation process, and 4) participant satisfaction. The researcher therefore considered 4 important factors for the success of an organization: finance, stakeholders, internal management processes, and learning and growth.

The success of an organization depends on factors that support the organization to be successful. The external environment of the organization is one of the important factors for business operations. Currently, organizations have to face environmental changes that may cause the organization to have business opportunities or obstacles from the changing external environment (Rewat Chatreewisit et al., 2017). In addition, executives must apply innovations to their operations to create new things in products and services, processes, and marketing. Strategic management is capable of turning bad situations into good ones and can also transform strategies into appropriate business tactics (Boal, K. & Hooijberg, R., 2019).

Organizations must have strategy management, which is a continuous process of defining the organization's mission and goals within the context of the organization's external environment, defining appropriate tactics, operating according to the specified tactics, and using authority to control strategies to ensure that the organization's tactics used can lead to success according to the specified goals (Nontakorn Ajwichai and Marisa Krairiksh, 2021).

Organizational management to achieve the organization's goals set. Management is a process of coordinating and participating in various activities in the work of personnel together to be efficient and effective. This process, which is the primary duty of executives or organizational managers, consists of planning, organizing, commanding, coordinating, and controlling. Management is a process of planning, organizing, participating, and controlling the efforts of organization members and the use of other resources for the achievement of the organization's goals set (Somyot Naweean, 2015: 18). Robbins and Coulter (2016: 8) stated that management is a process of activities that create efficiency and effectiveness in the organization through the participation of all members of the organization. From the importance of the above problems, the accounting office business is an important driver of business in Thailand.

From the above situation, the researcher is aware of the above situation and chooses to study the auditing firms in the Thai capital market because the auditing firms want the business to achieve its goals. In addition, there is a business competition situation. Therefore, the researcher is interested in studying the topic of “Factors Affecting the Success of Auditing firms in the Thai Capital Market” to use the data and results from the study as a guideline for policy setting to develop the Auditing firms business in the Thai capital market to be more successful.

## LITERATURE REVIEWS

### **Concepts and theories regarding to organizational success**

Nit Samaphan (2017: 10) stated that organizational success means the ability of the organization to set an operational plan and implement the plan effectively until achieving its goals. This is consistent with Puangrat Kesornpaet (2017: 10-21), who stated that organizational success means the ability to achieve the goals set in the administration by operating effectively and efficiently. Nontakorn Achawichai (2016) stated that success means the ability to plan operations and set goals and objectives to achieve the goals set. In conclusion, organizational success means the ability to conduct business to achieve management planning, implement plans effectively, and use resources effectively until achieving the goals effectively. Traditionally, organizational executives tend to evaluate organizations by focusing solely on finance. However, the concept of the Balanced Scorecard, or BSC, requires consideration of 4 perspectives: (Niromit Thiamtan, 2016) 1) Financial Perspective: What are the financial objectives that will allow the organization to grow and be capable of producing? The financial result is growth, the organization's desire to achieve success both in the present and in the long term. Financial success measures include return on capital employed (ROCE), return on investment (ROI), average cost per unit of production activity, profit, sales, etc. 2) Customer Perspective: It is necessary to consider qualitative differences by finding ways to attract customers, retain existing customers, and engage in activities that will create closer relationships with customers. It is necessary to find a strategy to change the status from customers to business partners. Financial and customer objectives are the results of the organization's management. However, it is generally preferred to explain clearly the reasons for how to achieve them, but it will change to explain indirectly in financial form. 3) Internal Business Process: It is considered in the form of the appearance of the product. Developing trademarks and marketing, sales, services, internal management processes, transportation, and distribution. These must be analyzed and synthesized to create activities to create value, worth, and variety appropriate to the types and purchasing power of customers. And 4)

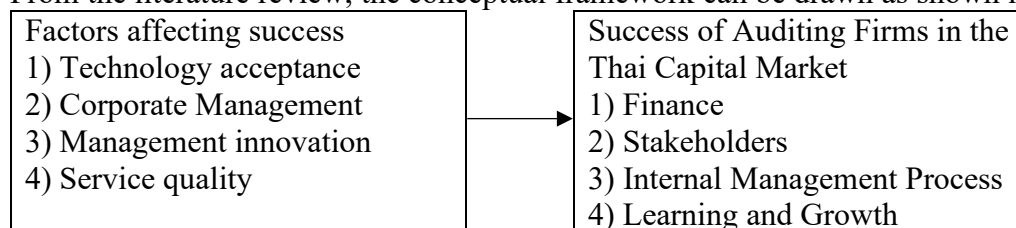
Learning and Growth Perspective. Strategic management system design must set strategies to cover all 4 aspects: knowledge, financial capabilities, customers, and internal processes, but still rely on the knowledge and capabilities of those involved, whether they are employees, executives, or customers.

Factors affecting the success of an organization are as follows (Cope, 2018): 1) Technology acceptance refers to the use of accepted technologies that benefit individuals or changes related to behavior, attitudes, and easier use of technology. In addition, the use of technology allows individuals to gain additional experience, knowledge, and skills in its use. 2) Organizational management refers to processes or activities related to performing duties to ensure that activities proceed in a way that will achieve the specified objectives. 3) Innovation refers to the creation of new knowledge and ideas to produce new business results, which emphasizes improving internal business processes and business structures to create products and services that meet market demands. 4) Service quality refers to the ability to provide service to customers in line with expectations. Service quality is an important factor in differentiating a business from competitors and quality.

From the literature review, the following research hypotheses can be formulated.

H1 Technology adoption, organizational management, management innovation, and service quality affect the success of audit firms in the Thai capital market.

From the literature review, the conceptual framework can be drawn as shown in Figure 1



**Figure 1** Conceptual Framework

## RESEARCH METHODOLOGY

The population in this study consisted of 503 auditors in the Thai capital market (Securities and Exchange Commission, 2024) and a sample of 223 people obtained from the Yamane sample calculation formula (Taro Yamane, 1973) with a reliability value at the 95 percent level using the stratified sampling method.

The research instrument is a questionnaire consisting of Part 1: Personal factors of the respondents: gender, age, education level, and average monthly income. The questionnaire is a multiple-choice type. Part 2: Factors affecting success. The questionnaire is a Likert scale with 5 levels of scoring criteria, including the highest equal to 5 points, the high equal to 4 points, the moderate equal to 3 points, the slightest equal to 2 points, and the least equal to 1 point. Part 3: Success of auditing firms in the Thai capital market. The questionnaire is a Likert scale with 5 levels of scoring criteria, including the highest equal to 5 points, the high equal to 4 points, the moderate equal to 3 points, the slight equal to 2 points, and the least equal to 1 point.

Before using the data collection instruments, the objective consistency test (IOC) and the questionnaire reliability test via Cronbach's alpha were systematically conducted. The examination found that the IOC value was 0.813 and the Cronbach's alpha value was 0.910, indicating that the research instruments were of sufficient quality (Polit & Beck, 2006; Hair et al., 2012). To obtain data, this study sent questionnaires to audit firms in the Thai capital market. Descriptive statistics were used for data analysis, including frequency, percentage, mean, standard deviation, and multiple regression analysis.

## RESEARCH RESULTS

1) The majority of respondents were female (72%), aged between 41 and 50 years, 69% had a bachelor's degree (72%), and had an average monthly income of 5,000,000 -6,000,000 baht (59%).

2) Overall, the success of the auditing firm in the Thai capital market was found to be of the highest importance. When considering each aspect, it was found that the internal management process had the highest average value, followed by finance, stakeholder, and learning and growth, respectively.

**Table 1** Mean and standard deviation of audit firm success in Thai capital market

Aspect	Description	$\bar{X}$	S.D.	Result
1)	Finance	4.42	0.88	Very much
2)	Stakeholders	4.27	0.79	Very much
3)	Internal Management Process	4.25	0.85	Very much
4)	Learning and Growth	4.26	0.80	Very much
<b>Total</b>		<b>4.35</b>	<b>0.51</b>	<b>Very much</b>

3) The business environment factor has a  $\beta$  value of 0.279, organizational management has a  $\beta$  value of 0.268, strategic management has a  $\beta$  value of 0.249, and innovation has a  $\beta$  value of 0.242, which indicates that it has a positive influence on the audit firms in the Thai capital market with statistical significance at the 0.05 level. The Sig. values are 0.002, 0.002, 0.010, and 0.000, which are consistent with the hypothesis. When analyzing the correlation coefficient (R), it is equal to 0.729, which indicates that the group of independent variables has a high relationship with the dependent variable. The prediction coefficient is equal to 0.605, which indicates that the group of independent variables has an effect on the audit firm operators in the Thai capital market by 60.5 percent.

In order, the equation can be written as follows

$$Y = 0.793 + 0.279X_1 + 0.268X_2 + 0.249X_3 + 0.242X_4$$

From the regression coefficient analysis, it was found that the factors of external organizational environment, organizational management, strategic management, and innovation were able to jointly predict the entrepreneurship of auditing firms in the Thai capital market. The external organizational environment factor had the greatest effect on the forecast (Beta = 0.234), followed by innovation (Beta = 0.190), organizational management (Beta = 0.172), and strategic management (Beta = 0.134), with details as shown in Table 2.

**Table 2** Multiple regression analysis of factors influencing the entrepreneurship of audit firms in the Thai capital market

Factors	Unstandardized (b)	SE	Standardized (β)	t	Sig.
(Fixed value)	0.793	0.072		7.615	0.000
Technology acceptance	0.234	0.023	0.279	5.816*	0.002
Management strategy	0.172	0.103	0.268	2.314*	0.007
Service quality	0.134	0.056	0.249	2.223*	0.010
Management innovation	0.190	0.034	0.242	3.168*	0.000
R = 0.729		Adjusted R <sup>2</sup> = 0.583			
R <sup>2</sup> = 0.530		SE = 0.075			

\* Statistical significance at the 0.05 level

## DISCUSSION & CONCLUSION

In the study of factors affecting the success of audit firms in the Thai capital market, the researcher has brought important issues to discuss the results according to the research objectives as follows:

1) Overall, the success of the auditing firm in the Thai capital market was found to be of the highest importance. When considering each aspect, the internal management process had the highest average value, followed by finance, stakeholder engagement, and learning and growth. This may be because entrepreneurs analyze opportunities and obstacles from the external environment of the organization, have good management and strategic management, and apply innovations to their business operations, leading to greater success. This is consistent with the research results of the study by Yaowapha Pathomsirikul (2018), who studied the success model of healthcare business management in private hospitals in Thailand. The results of the study found that the success of healthcare business management in private hospitals in Thailand is at a high level.

2) The acceptance of technology, organizational management, management innovation, and service quality influence audit firms' success in the Thai capital market by 58.3 percent. This may be because entrepreneurs analyze opportunities and obstacles from the external environment of the organization, have good management by planning, organizing, coordinating, budgeting, and monitoring and evaluating past performance, have strategic management to develop current organizational strategies to be up-to-date with changes, and have applied innovations to conduct business, resulting in increased success. This is consistent with Pinruthai Suthiraphong (2021), who studied the causal relationship model of the success of SMEs in Bangkok and found that the external environment, organizational management, strategic management, and innovation influence success.

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**Data Availability Statement:** The raw data supporting the conclusions of this article will be made available by the authors, without undue reservation.

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