

Auditee Satisfaction impact on Compliance and Corporate image concerning Malaysian SMEs

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ABSTRACT

This research aims to analyze the possible effects of auditee satisfaction on compliance audit and corporate image in receiving audit services in Malaysia. Raw data were collected via structured questionnaires through email communication. The collected data were analyzed first using descriptive statistics, then followed by correlation analysis to establish the relationship effects of auditee satisfaction as an independent variable on compliance audit and corporate image, both as dependent variables. Lastly, a regression analysis was borne on the model to test the hypotheses. The study found that auditee satisfaction has a significant relationship with compliance and corporate image. This deemed essential to manage SME firms and audit firms alongside academics who may want to further pursue the subject matter. Many SMEs have embraced audits, and according to previous studies, expenditures on audits have substantially increased. Therefore, it is necessary to supervise the spending amount of audit fees to ensure value for money. The research findings are also imperative to scholars, academics, scientists, and researchers by adding to the body of current knowledge on internal audit and risk management. Nonetheless, its sample size limits the study. Therefore, the results do not represent the whole business organization because it is only limited to retails and wholesale of SMES firm in Malaysia.

Keywords: Service Quality, Auditee Satisfaction, and Corporate Image

Introduction

Satisfaction is a complex concept with various definitions and applications. There are expressions and widespread applications in multiple disciplines such as sociology, economics, region, law, psychology, urban and regional planning, marketing, music, and entertainment. Satisfaction is generally conceptualized as subjective and value-laden (Sirgy, 2019; Norazmi et al., 2019; Zaid et al., 2020; Norazmi, 2020; Fauziyana et al., 2021; Zaid et al., 2021) because it is based on set standards, expectations, cherished values, and beliefs, among others, as can be harvest from the literature on satisfaction. The subjective nature of the concept largely accounts for the different parameters used to measure satisfaction in various spheres of life. The level of satisfaction or what constitutes satisfaction to an individual or group could be a function of many interrelated factors, including the social class like ethnicity or economic parts to which they have (Sirgy, 2019; Een et al., 2021; Aminah et al., 2021; Azlisham et al., 2021; Firkhan et al., 2021; Ishak et al., 2021). It could also reflect personnel's psychological makeup, norm and value systems, and environmental and cultural

factors, to mention a few all concerning the context-specific satisfaction like the job, consumption of product or services, and life itself.

The increasing competition and innovation in the audit firms are beneficial to customers. Competition advantages between audit businesses have to lead many companies to consider quality as a strategic tool capable of influencing auditee satisfaction. Several audit firms have adopted an auditee relationship management (ARM) platform to serve different auditee segments' specific needs. Audit firms could differentiate their services by providing a higher quality of services. To have a competitive advantage, a firm may improve service quality to differentiate its service from its competitor.

In fulfilling the auditee's need and desires, an audit firm's adherence to audit compliance was set up by the Malaysian Institutes of Accountants (MIA). Because of these issues, the researchers are taking the initiative to test the auditee satisfaction variable as independent, compliance audit and corporate image whether this couple variable impacts an audit firm adhere and obey the standard and procedures to meet the auditing compliance and corporate image. In meeting the audit quality, at the same time, an audit firm must put auditing compliance and corporate image when performing an audit service to SMEs. The auditees know how perceiving service quality referred to both variables of compliance audit and corporate image, which may benefit audit firms in quantitative and qualitative ways.

Conceptualization of satisfaction

There are many definitions of satisfaction that were mention in the literature of satisfaction. "Longman Dictionary of Contemporary English (1981) defines satisfaction as contentment (leasure); something that pleases, the fulfilment of need or desire, payment of a claim or money owned, condition of being fully persuaded (certainty), and the chance to defend one's honour in a duel. According to Wikipedia (2016) Free Dictionary, accord and satisfaction in Contract law are about the purchase of the release from a debt obligation, while in religious nature, there is the satisfactory theory of atonement referring to the Christian side of salvation. Referred to Oxford Advance Learner's Dictionary (2000) asserted that satisfaction is a good feeling that you have when you have achieved something or when something you want to happen does happen; something that gives you feeling to attain satisfaction from something. While satisfaction by Locke (1979), as cited in (Elegba and Adah, 2019), is an emotional response of affection toward an object or services provided by the producers. On the other side, satisfaction is seen as an expression of the fulfilment of an expected outcome influenced by previous expectation referring to the level of quality of services provided (Festinger's, 1957; Rosnee et al., 2021; Roszi et al., 2021, Mohd Norazmi et al., 2021; Nik Nurhalida et al., 2021).

Discussion about the concept of satisfaction through biased toward auditee satisfaction opines that "satisfaction is a judgment of the pleasurable level of consumption-related fulfillment including levels of under-fulfillment or over-fulfillment". This definition highlights the making of satisfaction judgment focusing on fulfillment which can vary between an individual and others. Rai (2013) defines satisfaction as "gratification, pleasure or fulfillment of desire. Satisfaction is a feeling that emanates from the fulfillment of needs and wants". According to Rai (2013) and Saadiah et al. (2021), satisfaction can be conceptualized either as an emotional or a cognitive experience, and its evaluation is based on what is received against what was expected. Geis and Cote (2000) identified the components of satisfaction as:

- A response (emotional or cognitive)
- The response pertains to a particular focus such as expectations, product, consumption, experience, service, and etcetera, and
- The response occurs at a particular time, such as after consumption, after choice, based on accumulated experience, and etcetera.

Problem Statement

Literature gap - One of the issues raised in the literature is that service providers who intend to increase their auditee base and compete for market share need to provide excellent service deliveries. Keeping auditees requires the audit services providers are continuously creative in matching their needs and offer superior services. It becomes essential to evaluate performed strategies of retaining customers' loyalty in any industry, especially the audit service industry. Thus, this study's main objective was to investigate how auditee satisfaction influenced auditor compliance and corporate image in the audit service industry. The study is essential in that its findings may furnish auditors and auditees in this industry with information that may be used to develop auditee satisfaction strategies in the meantime without compromised integrity in following the compliance and procedure set up by MIA, which finally leads to the prosperity of audit firms while providing audit service to SME firms in Malaysia.

Theoretical gap – research has been done on service quality, auditing (Ismail, Haron, Ibrahim, & Isa, 2006; Parasuraman, Zeithaml, & Berry, 1985, 1988; Pringviriyaya, Hanim, Fadzil, Soffian, & Ismail, 2015). Service quality of performance of audit firms (Yang, Yang, & Lee, 2015), research on service quality and customer satisfaction of SMEs firm in (Fredrick . Mukoma Kalui, 2014; Hasnah Haron, Ishak Ismail, Sofri Yahya, Siti Nabiha Abdul Khalid, & Ganesan, 2010; Morton & Scott, 2007). However, all the above research is not testing the variable of auditee satisfaction on its relationship towards compliance and corporate image of an audit firm in Malaysia.

Research questions

The study will analyze and determine the following questions about auditee satisfaction, which may positively affect compliance audit and corporate image as dependent and independent variables. The study examined the impact of auditee satisfaction on compliance audit and corporate image of audit firms.

- I. Does auditee satisfaction have a significant relationship with a compliance audit?
- II. Does auditee satisfaction have a significant relationship with a corporate image?

The objective of the study

This study aimed to evaluate and investigate auditee satisfaction on auditor compliance and corporate image for the Malaysian SME firm. The following purposes and objective guided the study:-

- I. To determine the relationship between auditee satisfaction and auditor compliance.
- II. To determine the relationship between auditee satisfaction and corporate image.

Research Hypothesis

The following hypothesis monitored the research objectives and questions:-

H1: Satisfaction is significantly influenced compliance

H2: Satisfaction is significantly influenced corporate image

Scope of the study

In the current business of an audit firm, they are providing more than the core services such as sustainability reporting, reporting on prospective financial information (i.e., financial forecast, financial projection), reporting and assurance on an entity's internal control over financial reporting, agreed-upon procedures, compilation, and internal auditing (Knechel, Wallage, Eilifsen, & Praag, 2006) which an audit service is the main objective of an audit firm.

Only Small and Medium Enterprises are limited companies and above registered at CCM only to be studied in this study. It is not because the SMEs who are not limited companies are not essential to society and the country's economy, but the research is limited to companies who are the retails and wholesale of SMEs in Malaysia.

Significance of the study

From the services industry's world, clients (SME firms) may be described as being "loyal" because they tend to select audit firms' specific services more often than others. Clients of audit firms may express high satisfaction levels with an audit firm in a survey, but satisfaction level is not equal to loyalty. Loyalty is said when the customers demonstrated they are satisfied by their actions, but sometimes customers may be delighted and still not be loyal. The research's feedback data may inform the researcher, who often stays loyal to the firm, who is the best audit firm. This research also gives benefits the same in terms of the customer (Small and Medium Enterprise/SMEs) and practitioners (an audit firm of Small and medium practitioners/ SMPs)

LITERATURE REVIEW

The new era of development of business and along with the inception of economic of genital. The auditing industry should prepare itself with the new economy model to gradually expand its business in terms of its interest. Previous traditional objects such as financial statements have not necessarily lost their role and position but cannot meet the expectations and concerns of managers and investors about the organization's situation (Hanh, 2021). Audit quality (Ahmad & Taylor, 2009) has become a significant challenge for the accounting profession. So much pressure from the multiple parties to monitor the work and demands to increase audit quality processes. To fulfil the excellent audit quality, auditors in the execution of their profession as an examiner should be driving on the accounting code of ethics, professional standards, and applicable accounting standards in Malaysia. Each auditor must hold integrity and objectivity in carrying out their duties by acting honestly, firmly, without pretensions so that he can serve legally, regardless of pressure, or demand certain parties to fulfil their interests.

Basuki and Krishna (2006) state that audit quality is a complex issue because so many factors that can impact the audit quality depend on each party's point of view. Making audit quality difficult to measure becomes a matter that is sensitive to individual behaviour conducting the review. Theoretically, the quality of work is commonly associated with auditor qualifications, expertness, timeliness of completion of the work, a competent examination of the evidence's

sufficiency at the lowest cost, and the client's independence. Rudyawan and Badera (2007) state that the auditor who has a reputation can better audit quality, including disclosure going concern problems to maintain their status. Referred to Cheng, Liu, and Chien (2008) reputation of the auditor has a relationship with the audit office's human resources, human resources (human capital) is the most critical asset of a public accounting firm. The audit firm must ensure that they have enough personnel equipped with the competencies and professional characteristics to perform according to standards, legal requirements, and community expectations. To address these expectations, audit firms should establish a strategy process of human resource management. To ensure the viability and flexibility, and capability to meet investors' needs, audit firms must continue to recruit, develop, educate, and train auditors at all levels are prepared to conduct high-quality audits in a dynamic environment. The work examines public accounting and gives an opinion on the fairness of a business entity's financial statements based on standards set and compliance with the Malaysian Institute of Accountants (MIA).

(Oliver, 1999) Defines satisfaction as the auditee's fulfilment response, the degree to which the fulfilment level is pleasant or unpleasant. Zeithaml and Bitner (2000) determine satisfaction as the auditee's evaluation of a product or service regarding whether that product or service has met their needs and expectations. Dissatisfaction with the products or services fails to meet the customers' needs and expectations. Satisfaction and perceived quality are highly inter-correlated (Nejadjavad & Gilaninia, 2016). Some studies find that satisfaction drives a general perception of quality, while others find those perceptions of quality drive satisfaction (Tenreng, 2016). Most marketing researchers accept a theoretical framework in which quality leads to fulfilment (Oliver, 1999), influencing purchasing behaviour (Fazzarudin, Sabri, & Ramely, 2015; Oliver, 1999). These arguments suggest that perceived service quality is likely to affect auditee satisfaction. By the above statement, researchers need to test the effect of auditee satisfaction relationship auditor compliance and corporate image (Chien & Chi, 2019; Hassan, Sallaudin, et al., 2019; Pakurár, Haddad, Nagy, Popp, & Oláh, 2019)

Auditee Satisfaction

Across and continues time of literature of auditee satisfaction non-accept of auditee satisfaction, several attempts have been made to define the concept of auditee satisfaction: Satisfaction is the auditee's fulfilment response. It is a judgment that a product or service shape, or the product or service itself, provided (or providing) a pleasurable level of consumption-related fulfilment, including levels of under-or-over fulfilment" a statement of (Oliver, 1999). What is implied in these elaborations is the auditee's satisfaction is a function of the difference between the performance of the services delivered and what the auditee expects. Ismail et al. (2006) believe that auditee satisfaction is the individual's perception of the product's performance or service concerning his or her expectations. Therefore, it means that in the search for services that will fulfil their desire and intentions, auditees expect a certain level of service performance that the audit firm must meet to ensure that such desires and intentions are satisfactorily were fulfilled. An auditee whose experience falls below expectations will be dissatisfied, while those whose experiences match expectations will be satisfied even as auditees whose expectations are exceeded or over will be very satisfied or happy (Kotler, 2003; Kotler & Armstrong, 2017; Kotler, 2016)

Oliver (1999) believes that the concept of auditee satisfaction is the function of auditee expectations and that it is a construct that encounters experience while using the services. This implies that before an auditee's satisfaction level with a service can be ascertained, the auditee must have used the service in question. This, in turn, implies that auditee satisfaction is a product of accumulated experience with the service provider. It is equally crucial to state that the concept is an emotional construct (i.e. what organizations do to the minds of their auditees)

Other definitions of auditee satisfaction exist, but Anderson et al. (1994) stressed that the conceptualizations of auditee satisfaction could be broadly categorized into the couple transaction-specific and cumulative satisfaction. The first view clearly shows that auditee satisfaction is a short-term emotional feeling, while the current view sees auditee satisfaction as a long-term emotional feeling which results from a series of transactions (Anderson, Fornell, & Lehmann, 1994). Anderson et al. (1994) viewed auditee satisfaction as “overall evaluation based on the amount of purchase and consumption experience with a good or service in regular time basis” while Carman (1990) and Cronin and Taylor (1992) both state that auditee satisfaction is the transaction-specific (Cronin, J.J. Jr & Taylor, 1992). However, irrespective of the viewpoint held, what remains important is that auditee satisfaction according to the dominating expectancy-disconfirmation paradigm is defined as a function of the auditee's expectations of the performance of the provider of the services (Anderson et al., 1994)

Oliver (1999), Spreng et al. (1996) all argue that auditee satisfaction is one of the vital outcomes of marketing processes. In their study of marketing, Ferrel and Lucas (1987) state that 32 per cent showed that creating auditee satisfaction was the most important concept in a definition of marketing. Furthermore, a commonly cited study conducted by Jones and Sasser (1995) that linked auditee satisfaction with auditee behaviour identified several types of auditees:-

| No | auditee's characteristics | explanations |
|----|---------------------------|--|
| 1 | loyalists auditee | One hundred per cent satisfied auditees who are either loyal or who keep purchasing or apostles whose experiences exceed expectations and are ready to inform others via word-of-mouth regarding the provider of the services. |
| 2 | defectors | Who feel neutral or merely satisfied and are likely to end up in a relationship with the provider of the services. |
| 3 | terrorists | Auditee who had to have bad experiences the provider and who spread word-of-mouth to the potential clients. |
| 4 | Hostages | Who is an unpleasant auditee who has a relationship with the provider because of a monopolistic environment or low prices and is difficult and costly to deal with because of their frequent complaints? |
| 5 | Mercenaries | Who are very satisfied but who have no real loyalty and may defect because of the lower price elsewhere or on impulse, defying the satisfaction-loyalty rationale. |

Following the characteristics of the above customer and auditee, the researcher argues that providers of the services, especially audit services, should strive to create apostles, raise the satisfaction of defectors and turn them into loyalists, avoid having terrorists or hostages and try to minimize the number of mercenaries when providing services to the Small and Medium Enterprise SMEs firm in Malaysia.

What is involved in compliance auditing?

Depending on the type of organization, different approaches to a compliance audit can be taken. In most cases, a specially experienced auditor is assigned to work through a checklist, ensuring that all requirements are met. Nothing falls short of regulation and procedures. For Financial Institutions and Service providers, the audit includes information about personal data security, disaster recovery, or information backup. For medical facilities, compliance auditing might require similar points of information. At the same time, IT consultancies are often subject to queries about processes, data storage, and protection (Lim, 2012; Malaysian Institute of Accountants, 2015). Requirements and regulations will differ from country to country and industry to industry. Many governments put compliance requirements in place to protect both enterprises and their auditees and stakeholders. In short, the auditor's report provides determines whether or not the company or organization complies with the applicable rules (Lim, 2012; Malaysian Institute of Accountants, 2015)

Why is compliance auditing necessary?

Laws, requirements, guidelines, and regulations are prone to change, much like everything else in life, as it turns out. As these rules change, companies need to adapt their compliances to match or risk losing accreditations and their ability to do business. These rules and regulations are in place to protect consumers and the industries that serve them. Ensuring that all providers offer the same standard, both legally and covering all necessary parameters. Failure to comply can lead to all sorts of trouble, including fines and, in the worst case, shutdowns (Lim, 2012; Malaysian Institute of Accountants, 2015)

Who performs compliance audits?

That depends. Some organizations use internal systems for auditing their processes and procedures. In contrast, others hire third-party auditors to come in and do the work from a clear perspective. In some instances, where the compliance regulations are unusually strict and complicated, it pays to have a specialist come in and go through the whole system piece by piece (Lim, 2012; Malaysian Institute of Accountants, 2015)

Corporate image

There is a various definition of the corporate image found in the psychology and marketing literature. For instance, the corporate image has been defined as the overall view made on the public's minds about an organization (Bloemer & Peeters, 1998). It is related to the numerous physical and behavioural attributes of the organization. Examples that refer to the corporate image include tradition, ideology, company name, reputation, price levels of service, and the impression of quality communicated by persons experiencing the service from the provider of services. Other criteria, such as corporate identity, status and quality of advertising, and delivery systems, also contribute to building its corporate image. (Berger et al., 2002) Define corporate image as the "overall impression" of a firm left on consumers' minds after

experiencing its product or service. In other words, the corporate image reflects the firm's superiority, trustworthiness, strength, reliability, and efficiency of its delivery system in its customers' view. Different from (Bloemer & Peeters, 1998) define a corporate image as the customer's overall impression concerning the organization based on their multiple encounters with its product or service. The numerous messages received about the organization from various media communications. (Balmer & Gray, 1998) define a corporate image as a general impression of the customers about an organization generated from its successful inventions, achievements, and social contribution. (Francoeur, 2004) Define corporate image as "a psychological personal profile" energized by an individual regarding the organization. In the meantime (Francoeur 2004), define the corporate image as an individual's current "idiosyncratic representation" of a particular organization, including related attitudes, beliefs, and impressions about its behaviour, the favourable corporate image of a firm may be helpful in the competitive market since it might differentiate the firm from its competitors. (Andreassen & Lindestad, 2015)

(Abratt, 2011) In Kennedy (1977), the corporate image was divided into two principal components: functional and emotional pieces. The practical feature is related to the organization's physical characteristics, such as buildings, infrastructure facilities, location, and people. The moving part is associated with psychological dimensions that are manifested by feelings and attitudes towards an organization. These feelings are derived from individual experience favourable an organization and from the processing of information on attributes that constitute functional corporate image indicators. The service marketing guru (Gronroos Nandan, 1984) argues that corporate image is of the utmost importance, especially to service to a great extent is deterred auditees and customers' assessment of the service organization. Furthermore, (Gronroos, 1984; Gronroos Nandan, 1984) A favourable and well-known corporate image would be an asset of a firm's service industry. This is because the image impacts customer perceptions of the communication and the operation of the firms in many aspects. If a service provider has a positive image in customers' minds, minor mistakes will be forgiven and will not affect their perceived quality towards the firm. As time progresses, more and more business organizations offering similar products and services emerge, thus creating competition for customers among themselves"

CONCEPTUAL FRAMEWORK

To empirically test the interrelationships between auditee satisfaction, compliance, and corporate image, a conceptual model is developed premised on the reviewed compliance and corporate image literature. In this conceptualized model, satisfaction are the predictor influences compliance and corporate image.

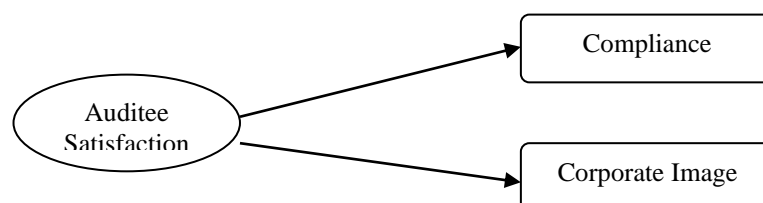


Figure 1. Conceptual Framework

Figure 1 depicts this conceptualized research model. The hypotheses are developed as per below:

H1: Satisfaction is significantly influenced compliance

H2: Satisfaction is significantly influenced corporate image

RESEARCH METHODOLOGY

Research design

The nature and the purpose of our study are Hypothesis Testing. Besides, this study is conducted in a natural environment with minimum interference. This study used a cross-sectional research design which is a study based on accumulated data analysis to provide insights to answering our research questions. According to Cresswell 1998, cross-sectional studies allow the researchers to integrate variables highlighted within the relevant literature, a pilot study, and the actual survey as the main procedure to gather accurate and less biased data. This research design was used to conduct our study of SMEs in the Southern region of Peninsular Malaysia (Melaka, Negeri Sembilan, and Johor). We have also collected information from numerous literature and research linked to our research to understand the nature of auditees' satisfaction, compliance, and corporate image and distinguish the relationship among these variables. Eventually, upon gathering, refining, categorizing, and comparing the data and information from various sources, they are used to provide the content and format of our survey questionnaires for the actual research. In this research, we acquire primary data by distributing questionnaires among auditees receiving audit services and emails.

Sample

Since this study investigates the relationship of auditee's satisfaction on compliance and corporate image of audit firm's services in the context of the audit services sector, Malaysian auditees of the auditing sector have been perceived to be the population of the study. Thus, the research concentrates on primary data collected by distributing self-administered questionnaires at major parts of Malacca, Negeri Sembilan, and Johor. The sampling method uses in this study is probability sampling. In addition to this method, we also use unrestricted or simple random sampling technique to gather primary data because this sampling technique gives each element an equal and independent chance of being selected. Three hundred fifty-six (356) paper questionnaires are distributed in different parts of Malacca, Negeri Sembilan, and Johor. From the number of questionnaires, the researchers only managed to collect 216 sets of questionnaires.

Study Population

The population of this research consists of Small and Medium Enterprises (SMEs). These companies should have to receive audit service from independent audit firms in Malaysia. 356 companies registered with SMEs for the area of Melaka, Negeri Sembilan, and Johor.

In this study, data was collected using a self-administered direct mail survey. Self-administered mail surveys are generally criticized as having a low response rate and slow (Borges W.G. et al., 2017; Joseph F. Hair Jr., William C. Black, Barry J. Babin, 2019). In

conjunction with the low response rate in reply by the respondents, the questionnaires were sent with separate cover letters. The respondents were informed about the purpose and importance of the study. Besides, to encourage the respondent's willingness to fill out a questionnaire and return it, a self-addressed stamped return envelope is included in each mailing. A second mailing and emailing were employed four weeks after the first mailing, and it was followed up with a telephone call after two weeks when no response was returned.

The non-response bias was assessed with an analysis of variance between the early and late respondent groups. There were no statistical differences between the early and late respondents' survey responses, indicating a lack of non-response bias. The 216 usable questionnaires were received with a response rate of 61%

Descriptive Analysis

Table 1 depicts the demographic profile of the respondents. It shows that majority of the respondents were males (56.5%) and females (43.5%). The department comprised of accounting (44.4%) as majority, followed by finance (35.2%), administration (12.5%), auditors (7.4%), and insurance (0.5%). Malay was the leading race among the respondents (73.1%), then Chinese (13.0%), and next, Indian (13.9%). The religion was led by Muslims (72.7%), Buddhists (13.4%), and Hindu Christians (13.9%). As for the respondents' educational background, 66.8% had a bachelor's degree, 24.10% who have a master's degree, 0.5% had a PhD, and 8.8% were other levels of education. The result can be seen in Table 3 as follow:-

Table 1: Profile of the Respondents

| Characteristic | Description | Frequency | Percentage (%) |
|--------------------|----------------------|-----------|----------------|
| Gender | Male | 122 | 56.5 |
| | Female | 94 | 43.5 |
| Department | Auditor | 16 | 7.4 |
| | Financial | 76 | 35.2 |
| | Accounting | 96 | 44.4 |
| | Administration | 27 | 12.5 |
| | insurance | 1 | 0.5 |
| Age | below 25 years old | 46 | 21.3 |
| | 25-35 year old | 42 | 19.4 |
| | 36-45 year old | 68 | 31.5 |
| | 46-55-year-old | 54 | 25.0 |
| | over 56 years old | 6 | 2.8 |
| Race | Malay | 158 | 73.1 |
| | Chinese | 28 | 13.0 |
| | Indian | 30 | 13.9 |
| Religion | Muslim | 157 | 72.7 |
| | Buddhist | 29 | 13.4 |
| | Hindu Cristian | 30 | 13.9 |
| Level of education | PhD | 1 | 0.5 |
| | Masters | 52 | 24.10 |
| | Undergraduate/degree | 144 | 66.7 |
| | others | 19 | 8.8 |

DATA ANALYSIS DAN RESULTS

The measurement and the structural models were tested by employing structural equation modelling (SEM). The component-based partial least squares using the Smart PLS statistical approach were performed to evaluate the psychometric properties of measurement scales and to test research hypotheses proposed in this study. SEM enables the simultaneous examination of both the path (structural) and factor analysis (measurement) models in one model. For this study, the sample size is 216, and PLS focuses on predicting data and is better suited for exploratory models; it is considered more adequate for this study.

Measurement model

The measurement model analysis was conducted for construct validity. Construct validity is comprised of two convergent components and discriminant validity. Convergent validity analysis comprises average variance extracted (AVE) and composite reliability (CR). There no items deleted because of a higher loading value of 0.6 (Hair et al., 2017). The reliability coefficient of factor structures was measured using Cronbach's alpha. The coefficient alpha values for the three constructs ranged from 0.907 to 0.957, demonstrating good internal consistency. The constructs' validity was further examined using the convergent analysis. The results suggested strong convergent validity. Specifically, the computation of AVE ranged from 0.653 to 0.968, higher than the recommended value of 0.50 by Fornell and Larcker (1981). The reported CR exceeded the recommended value of 0.7 by Hair et al. (2012). Collectively, these results provided good support for the soundness of scale structures (Table 1).

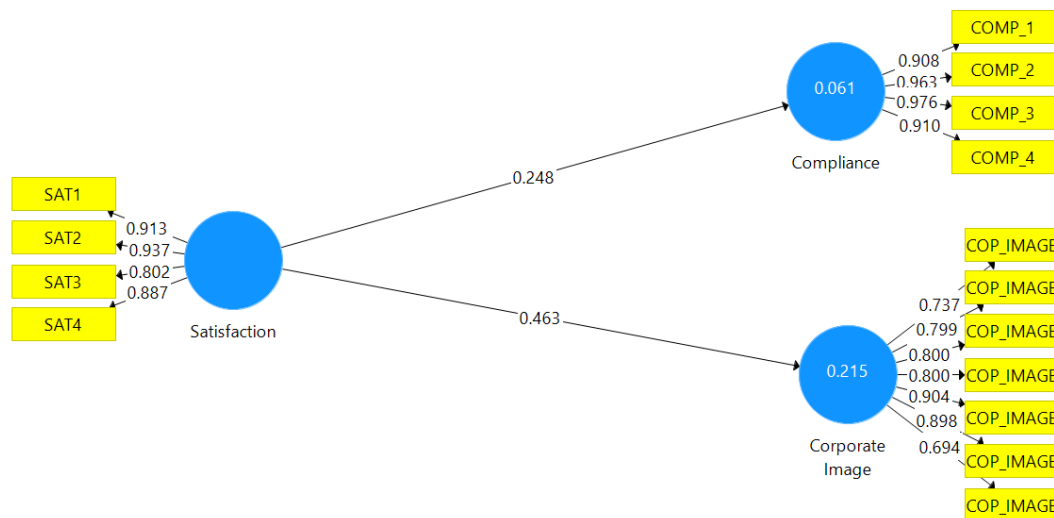


Figure 2. Measurement Model Results

Table 2: Construct Reliability and Validity

| Constructs | Cronbach's Alpha | CR | AVE |
|-----------------|------------------|-------|-------|
| Compliance | 0.957 | 0.968 | 0.883 |
| Corporate Image | 0.913 | 0.929 | 0.653 |
| Satisfaction | 0.907 | 0.936 | 0.785 |

Discriminant validity was assessed with thresholds of 0.85, acknowledged as the Fornell-Larcker criterion (Henseler et al., 2017). Table 2 demonstrates that the readings of the

associations between all factors were not above the critical value of 0.85. Further, all constructs had provided evidence of satisfactory discriminant validity.

Table 3: Discriminant Validity

| | Compliance | Corporate Image | Satisfaction |
|-----------------|------------|-----------------|--------------|
| Compliance | 0.940 | | |
| Corporate Image | 0.025 | 0.808 | |
| Satisfaction | 0.248 | 0.463 | 0.886 |

Structural Model

To estimate the structural model path coefficients and the statistical significance of each path, this study uses Smart PLS 3.3 with bootstrapping as a resampling technique (5000 random samples). The path coefficient, p values, and t-values were used to check the statistical significance (Chin, 1998). Figure 2, Table 4 presents the PLS analysis results. The statistical significance of the path coefficients allows us to see which hypotheses were supported.

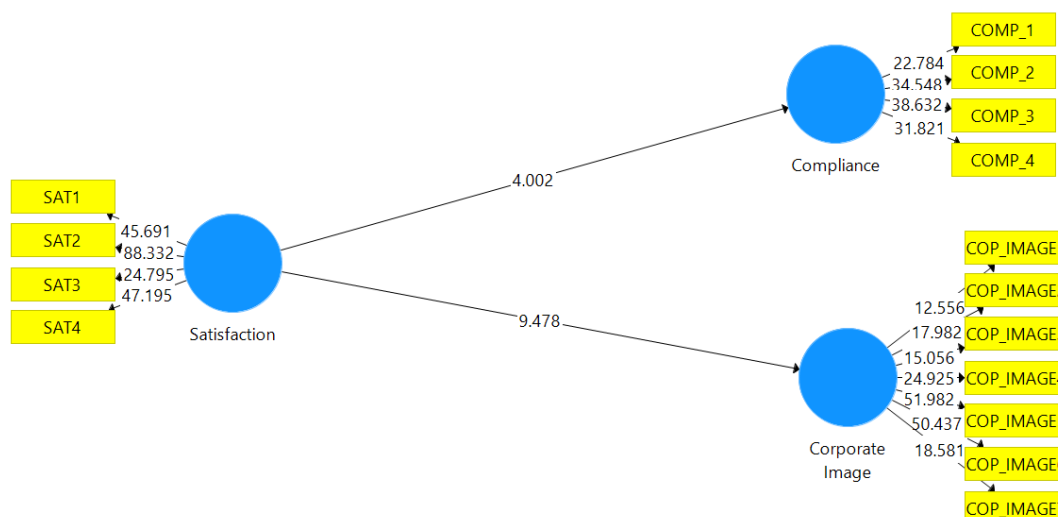


Figure 3. Structural Model Results

Table 4: Hypothesis Testing

| | Beta | Standard Deviation | T Statistics | P Values | Result |
|----------------------------------|-------|--------------------|--------------|----------|-----------|
| H1: Satisfaction→Compliance | 0.248 | 0.062 | 4.002 | 0.000 | Supported |
| H2: Satisfaction→Corporate Image | 0.463 | 0.049 | 9.478 | 0.000 | Supported |

Hypothesis (H1) posited a direct relationship between "satisfaction→compliance". The results are shown in Figure 3, and Table 3 support the hypothesis with the significant relationship ($\beta = 0.248$, p-value = 0.000). Hypothesis 2 (H2) predicts that increased levels of satisfaction enhanced the corporate image. However, the results are shown in Figure 3 and Table 3 support this hypothesized relationship and significant relationship ($\beta = 0.463$, p-value = 0.000). This finding does support a relationship between satisfaction and corporate image context. Thus, the hypothesis 1 and 2 were supported.

DISCUSSION AND CONCLUSION

The results analysis in Table 3 indicates that auditee satisfaction positively and significantly relates to compliance and corporate image variables. The results of this study concur with the outcome of other studies on the same variables of compliance and corporate image (Cham, Lim, Aik, & Tay, 2016; Diputra & Yasa, 2021; Hassan, Sallaudin, et al., 2019; Huei, Mee, & Chiek, 2015; Vashu, Masri, & Huei, 2018). The importance of auditee satisfaction in influencing compliance and corporate image suggests that a strong relationship between the management and auditees' should be emphasized for long-term sustainability. The management's strategy should be directed to focus on improving auditee satisfaction to strengthen auditee loyalty.

RECOMMENDATION

We believe that our findings could greatly benefit companies in smalls and medium enterprises. Acknowledge of the importance and positive effects of auditee satisfaction have critical importance in the service sector, which is inextricably linked to a client because indeed auditees are taking an important part in the service, and personal experiences are very crucial. Thus, both party's auditees and service providers influence the outcome of this relationship. The area of future research should primarily address the limitation of this study. An important limitation of this study was the scope of the sample, which was concentrated only in one location. Therefore, this study needs to replicate this study with samples from other Malaysian states to provide a cross-culture perspective. With advancements in technology, audit firms compete intensely to retain and satisfy their auditees for long-term sustainability.

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