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Drivers of Organizational Performance in Accounting Firms: Price Competition, Professional Standards (SPJA) Effectiveness, and Firm Reputation under the Moderating Role of Professional Regulation

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Abstract: Accounting Service Firms (KJA) play a vital role in supporting SMEs in Indonesia, yet they face challenges from price competition and dynamic of accountant professional regulations. This study aims to analyze the effects of price competition, the effectiveness of implementing the Standards of Accountants Services (SPJA), and reputation on organizational performance, with the regulation of the accounting profession as a moderating variable. A quantitative approach with an explanatory survey was employed, targeting 500 KJA registered on the Find KJA IAI Global platform as of May 5, 2025, with 144 firms participating. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The findings reveal that price competition and effective SPJA implementation have positive and significant effects on organizational performance, whereas firm reputation does not show a significant effect. Moreover, accountant professional regulation does not strengthen these relationships; instead, it tends to weaken the effect of SPJA effectiveness on performance. These results suggest that for small-medium scale KJA, accountant professional regulations are perceived more as an administrative burden than as strategic support. This study underscores competitive pricing and effective SPJA implementation as the main drivers of KJA performance, while reputation has yet to emerge as a determining factor. Theoretically, the findings challenge the relevance of Public Interest Theory and Interest Group Theory in the context of smaller KJA, while practically highlighting the need for proportional regulations that focus on strengthening internal capabilities.

Keywords: Accounting Service Firm (KJA), Price Competition, Professional Standards (SPJA) Effectiveness, Firm Reputation, Accountant Professional Regulation, Organizational Performance.

INTRODUCTION

Accounting Service Firms (Kantor Jasa Akuntan/KJA) play a strategic role in supporting Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, which serve as the backbone of the national economy. KJA assist MSMEs in preparing reliable, transparent, and standardized financial statements, enabling them to adapt to dynamic market demands and regulatory environments. However, KJA face a complex challenge stemming from two opposing forces: price competition and the demand for regulatory compliance. This condition aligns with Porter's (2007) concept of two strategic options for firms—cost leadership or differentiation through service quality and reputation.

Despite their critical role, KJA encounter significant challenges regarding price competition in the accounting service industry. Pressure to lower fees often risks compromising service quality, which is essential for building trust and reputation (Li & Wei, 2023; Kotler & Armstrong, 2020). Such competition frequently takes the form of low-balling, offering an initial fee far below market rates to secure client engagements. Research by Desai et al. (2025) highlights the complex implications of this practice, particularly its effects on subsequent fees and, more importantly, service quality. These findings underscore the need to understand the strategic impact of price competition, which forms the central focus of this study.

To address this dilemma, KJA require mechanisms that ensure differentiation and cost-efficiency strategies do not compromise service quality and integrity. In this study, regulation is proposed to play such a moderating role. Rather than being viewed solely as constraints, regulations may act as reminders and guidelines that influence how KJA respond to price competition, build reputation, and implement standards to achieve sustainable superior performance.

According to Porter's (2007) theory of competitive advantage, two main strategies can be adopted: differentiation and cost leadership. Differentiation allows KJA to provide unique value-added services, while cost leadership emphasizes operational efficiency. Previous studies reveal that price competition may force audit fee reductions, which could lower audit quality (Anggraita et al., 2024). Conversely, auditor specialization in specific industries may increase audit costs but maintain quality (Nisrina, 2021; Reynara, 2021; Sucipto & Agustina, 2022). Wahyuni and Suprapti (2024) further note that the relationship between audit fees and audit quality remains inconclusive, warranting deeper analysis.

Beyond pricing, reputation is another critical factor strengthening KJA's long-term client relationships and competitive positioning. Unlike Public Accounting Firms (KAP), whose reputation is often externally driven and linked to size and branding, KJA reputation is more internally defined. It reflects organically developed perceptions of credibility and reliability built through consistent service, integrity, and direct client interactions (Coombs & Holladay, 2002; Ukrinas & Ambrasė, 2025).

Normatively, the Professional Standards for Accounting Services (SPJA) issued by the Indonesian Institute of Accountants (IAI) function as critical instruments to ensure service consistency and integrity among KJA. Together with Educational Materials (ME), SPJA harmonizes local practices with international IAASB-IFAC standards while ensuring their applicability in Indonesia's regulatory and business context (Suherman & Aryati, 2022). Sustainable implementation of SPJA not only enhances service quality but also strengthens public trust and competitiveness. Beyond compliance, SPJA represents a long-term strategic investment in reputation-building (Aula & Heinonen, 2016).

Nonetheless, implementing SPJA is not without challenges. Coetzee et al. (2019) found that small and medium-sized audit firms in South Africa often face dilemmas between commercial profitability and maintaining audit quality. Uneven compliance with professional standards remains a global issue, particularly for small-scale accounting firms with limited

resources. Human resource capacity—including competence, experience, and commitment—thus becomes a fundamental prerequisite for effective SPJA adoption (Crook et al., 2011).

Regulations and codes of ethics also play a significant role in moderating the relationships between price competition, SPJA implementation, reputation, and KJA performance. For example, PMK No. 17/PMK.01/2008 mandates auditor rotation to maintain independence, while PMK No. 216/2017 requires continuing professional education (PPL). The P2PK regulatory body ensures practicing accountants complete at least 40 credit hours annually, including 4 credits on regulatory materials. Although the empirical effectiveness of policies such as auditor rotation remains debated (Yasmin, 2023; Ardhityanto, 2020; Rizaldi et al., 2022), such regulations create a dynamic and complex environment. KJA thus face not only market pressures but also continuous adaptation demands to regulatory changes. In this regard, regulation is treated not as a static rule, but as a dynamic variable that influences compliance, cost, oversight, and reputation.

Much of the existing literature on competition and performance dynamics in accounting services focuses on Public Accounting Firms (KAP). Studies by Azizkhani et al. (2022) and Zhang & Wei (2023) examined pricing strategies and industry specialization among large KAP, while Desai et al. (2025) analyzed low-balling practices in global audit firms. By contrast, research on KJA remains limited, despite their unique operational scale, client base (MSMEs), and competitive pressures. KJA, as the backbone of accounting services for Indonesian MSMEs, face tight local-level price competition and complex SPJA implementation demands, all within a context of constrained resources compared to larger KAP. This research aims to fill that gap by examining the determinants of KJA performance, which carry distinct operational characteristics yet remain underexplored in existing literature.

Based on this background, the study seeks to address four key questions: (1) How does price competition influence KJA performance, given its potential impact on profitability? (2) To what extent does the implementation of SPJA contribute to performance improvement, considering compliance as a key indicator of service quality? (3) How does KJA reputation affect performance, given its role as a strategic asset in client trust and loyalty? and (4) Can regulation moderate the relationships among price competition, SPJA implementation, and reputation, thereby serving not just as oversight but as a factor enhancing the effectiveness of KJA's operational strategies? KJA performance in this study is conceptualized multidimensionally, encompassing both financial and non-financial aspects, operationalized using an adaptation of the Balanced Scorecard model (Kaplan & Norton, 1996).

Literature Review

Regulation of the Accounting Profession and Legality of KJA

Accounting practices in Indonesia, particularly those conducted by Accounting Service Firms (Kantor Jasa Akuntan/KJA), are regulated by a comprehensive regulatory framework. The primary authority overseeing the accounting profession lies with the Financial Profession Development Center (P2PK) under the Ministry of Finance, while the Indonesian Institute of Accountants (IAI) serves as the professional association responsible for standard-setting. In this study, regulation specifically refers to the accountant professional regulations issued by these authorities.

The Ministry of Finance Regulation (PMK) No. 216/PMK.01/2017 concerning Registered Accountants serves as the main legal foundation for the operation of KJA. This accountant professional regulation requires KJA to implement a strict quality control system, ensuring higher professional standards and stronger legality compared to individual consultants. This aligns with the study by Anggani, Nurhayati, and Puspitosarie (2023), which emphasizes that the implementation of a Quality Control System (SiPM)—including independence, personnel assignment, consultation, supervision, and internal inspection—

significantly influences audit quality. Thus, accountant professional regulation not only functions to protect the public interest but also acts as a strategic instrument to build the credibility and legitimacy of KJA.

Price Competition Pressure and Competitive Strategies of KJA

Dynamic business competition requires firms to understand competitors' strategies in order to create sustainable competitive advantage (Kotler & Keller, 2021). In the accounting services industry, this is reflected in pressure to lower service fees while simultaneously meeting rising quality demands. Empirical evidence shows that such price pressure drives cost efficiency, but excessive reductions risk lowering profit margins and service quality (Azizkhani et al., 2022; Zhang & Wei, 2023; Litt et al., 2015). These risks are more severe for KJA compared to Public Accounting Firms (KAP), particularly as low-balling practices (offering extremely low fees) significantly undermine accountants' independence, posing a real threat to resource-constrained KJA (Kuntadi, 2020).

Professional Standards for Accounting Services (SPJA) of KJA

Although SPJA has been issued, the greatest challenge lies in uneven levels of compliance among KJA. A survey by DSPJA IAI (2023) indicated that KJA with greater resources and urban locations demonstrate higher adoption levels. This finding is consistent with Zainal Abidin, Nelson, & Ahmad (2021) on small and medium practices in Malaysia, which empirically showed that compliance levels with standards (such as ISQC 1) vary significantly. The study concluded that limited financial and physical resources are the main obstacles to compliance. Thus, SPJA implementation is not automatic but highly dependent on KJA's internal capacity and commitment. Consequently, KJA that are able to overcome resource constraints and demonstrate strong commitment—for example, through continuous training and effective leadership will exhibit higher quality in implementing the standards.

Reputation of KJA and Client Trust

Reputation is a valuable and difficult-to-imitate strategic asset (Barney, 1991). For KJA, reputation is primarily built through service quality, integrity, and client trust (Fombrun & van Riel, 1997; Rizki & Sudarno, 2020). Unlike KAP, whose reputation is often categorized based on size and global networks (Big Four vs. Non-Big Four), KJA reputation is unique, internal, local, and organic. It is largely built through word-of-mouth and client referrals within limited market scopes (Wahyuni & Sari, 2022). Fundamentally, reputation is a perceptual construct shaped by stakeholders' direct experiences with the organization (Ukrinas & Ambrasė, 2025).

Regulation of the Accounting Profession and Its Impact on Accounting Service Practices

Theoretically, regulation in the accounting services firm aims to protect the public interest and maintain service quality. Two perspectives explain the motivations behind regulation: Public Interest Theory emphasizes that regulation is established to safeguard the public from market failures and unethical professional practices, while Interest Group Theory argues that regulation may reflect the influence of specific groups (Scott, 2015; Mahendra & Soedibyo, 2023). In practice, regulations such as the Indonesian Code of Ethics for Accountants (KEAI) serve as normative references for maintaining professionalism, objectivity, and service quality.

Organization Performance

Organization performance is influenced by the ability to innovate, adapt to market changes, and manage regulatory dynamics. Porter's (2007) theory of competitive advantage and McGee's (2015) value chain concept highlight the importance of differentiation strategies,

cost efficiency, and coordination of internal activities in creating value and competitiveness. Amid technological disruption, digital transformation, human resource capacity building, and service diversification have become key strategies for KJA to maintain relevance and expand market reach (Kurniawan et al., 2023; Indriyani et al., 2025).

Research Framework

Based on the background discussion, this study develops a research framework that highlights the determinants of KJA sustainability. The framework positions KJA performance as the dependent variable, directly influenced by independent variables, namely price competition, reputation, and SPJA implementation. Furthermore, regulation is proposed to act as a moderating variable that strengthens the relationships between the independent and dependent variables. A visualization of this conceptual framework is presented in Figure 1.

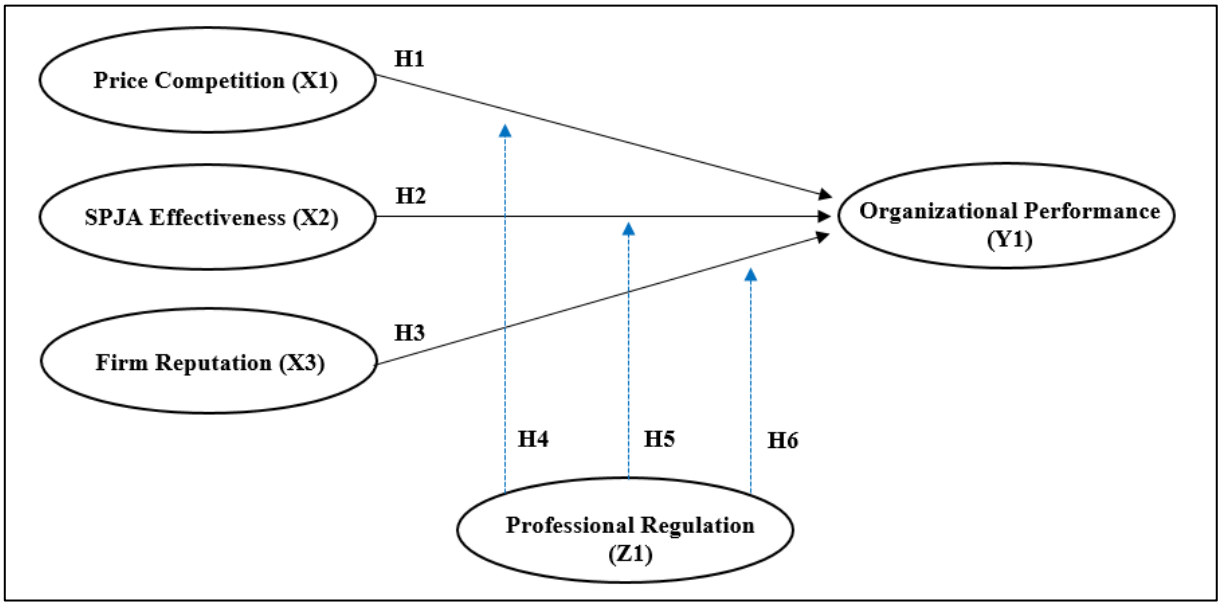


Figure 1. Framework

Hypothesis Development

Based on the research framework outlined above, the following hypotheses are formulated:

H1: Price competition has a significant effect onorganizational performance.
H2: SPJA effectiveness has a significant effect on organizational performance.
H3: Firm reputation has a significant effect on organizational performance.
H4: Professional regulation moderates the effect of price competition on organizational performance.
H5: Professional regulation moderates the effect of SPJA effectiveness on organizational performance.
H6: Professional regulation moderates the effect of firm reputation on organizational performance.

METHOD

This study employs a quantitative approach with an explanatory survey method to examine causal relationships among variables (Sugiyono, 2017). Data analysis was conducted using Structural Equation Modeling (SEM) with a Partial Least Squares (PLS) approach. The choice of PLS-SEM was based on the consideration that this study aims to predict variables, the research model is still in theoretical development, and the data were suspected to be non-

normally distributed. In addition, PLS-SEM was also selected to handle a complex model with moderating variables (Hair et al., 2019; Purwanto & Sudargini, 2021).

The study population comprised all Public Accounting Firms (KJA) registered on the Find KJA IAI Global platform (https://kja.iaiglobal.or.id) as of May 5, 2025 (N = 500). Referring to the rule of thumb in PLS-SEM (Hair et al., 2017), the minimum sample size is 10 times the number of indicators in the construct with the most indicators. In this study, the SPJA Implementation construct had 13 indicators; therefore, the minimum targeted sample size was 130 respondents. A probability sampling technique was employed to ensure that the entire population was adequately represented.

Data were collected through an online questionnaire distributed via Google Forms using a 5-point Likert scale. Prior to distribution, the questionnaire was tested for validity and reliability through a pilot study involving 30 respondents. The main data collection was carried out using a mixed-mode approach during July 2025 by distributing the questionnaire link in KJA IAI WhatsApp groups, via email, and through personal WhatsApp follow-ups. The response rate obtained was approximately 30%.

Data analysis was conducted using SmartPLS version 4, selected for its ability to process data that do not meet the normality assumption (Tanjoyo et al., 2021). The analysis was performed in two stages: (1) evaluation of the measurement model (outer model) to ensure instrument validity and reliability, and (2) evaluation of the structural model (inner model) to test hypotheses, including moderating effects, using the bootstrapping technique (Hair et al., 2017).

RESULTS AND DISCUSSION

Prior to the main data collection, a pilot study was conducted with 30 respondents to ensure the validity and reliability of the instrument. The results showed that all items met the validity and reliability requirements (Cronbach's Alpha value > 0.60 for all constructs). Based on these results, the questionnaire was declared suitable for distribution in the main data collection.

Respondent Characteristics

Research data was collected through an online survey by distributing a structured questionnaire to accounting service firm (KJA) owners registered on the IAI Find KJA platform. A total of 144 KJA owners participated and provided complete responses. This number met the previously established minimum sample size target. For analytical purposes, respondents were clustered based on firm size, adapting the criteria outlined in the Ministry of Cooperatives and SMEs Regulation No. 11/2021 on the Classification of Micro, Small, and Medium Enterprises. Considering the professional service nature of KJA, classification was conducted using the number of professional staff as the primary indicator, with the following adaptation:

1. Micro KJA : 1 professional staff member (owner as sole practitioner)
2. Small KJA : 2–5 professional staff members
3. Medium KJA : 6–20 professional staff members
4. Large KJA : more than 20 professional staff members

This classification reflects the specific characteristics of professional service firms, where the core operational capacity lies in human capital rather than assets or revenue. The profile of participating respondents is presented in Table 1.

Table 1. Respondent Profile

No	Description	Characteristics	Total	Percentage
1	Age	< 30 Years	2	1
		30 – 50 Years	75	52
		> 50 Years	67	47
2	KJA Location (Province)	Jawa	101	70
		Sumatera	17	12
		Kalimantan	10	7
		Sulawesi	4	3
		Bali	8	6
		Maluku	1	1
		Papua	3	2
3	KJA Year Established	2015 – 2019	78	54
		2020 – 2025	66	46
4	Position in KJA	KJA Leader	122	85
		Partner KJA	19	13
		Etc.	3	2
5	Number of KJA Employees	<= 1 Person	14	10
		2 - 5 Person	92	64
		6 - 10 Person	20	14
		> 10 Person	18	13
6	KJA Social Media Accounts	Have a Social Media Account	86	60
		Don't Have a Social Media Account	58	40

Most respondents were aged 30–50 years (52%) or above 50 years (47%), indicating that KJAs are largely managed by experienced practitioners with high levels of professionalism. Geographically, respondents were dominated by firms located in Java (70%), followed by Sumatra (12%), Kalimantan (7%), Bali (6%), and other regions each contributing less than 5%, suggesting that the findings mainly reflect the dynamics of KJAs in Java. In terms of establishment, most KJAs were founded between 2015–2019 (54%) and 2020–2025 (46%), reflecting modern and adaptive practices. The majority of respondents were in strategic positions, with 85% serving as leaders and 13% as partners, ensuring reliable insights into KJA operations. Most firms employed 2–5 staff (64%), while 10% operated with only one person, indicating that the sample was dominated by small and medium-sized KJAs with simple organizational structures. Furthermore, 60% of KJAs had adopted social media for marketing and communication, while 40% had not, reflecting varied levels of digital adoption across the sample.

Measurement Model Test Results (Outer Model)

The measurement model (outer model) was evaluated to ensure that the indicators used were valid and reliable in measuring the latent variables. This evaluation included tests for convergent validity, discriminant validity, and reliability (Amiruddien et al., 2021). The evaluation process was conducted iteratively to obtain the optimal measurement model.

Based on the recommendations of Hair et al. (2017), an indicator is considered convergently valid if it has an outer loading value of ≥ 0.70. In the initial stage, several indicators had values below this threshold. Therefore, a filtering process was carried out by eliminating items with values between 0.40 and 0.70, especially if their removal would increase the overall Average Variance Extracted (AVE) value. Full details of this iterative process are presented in Appendix 3.

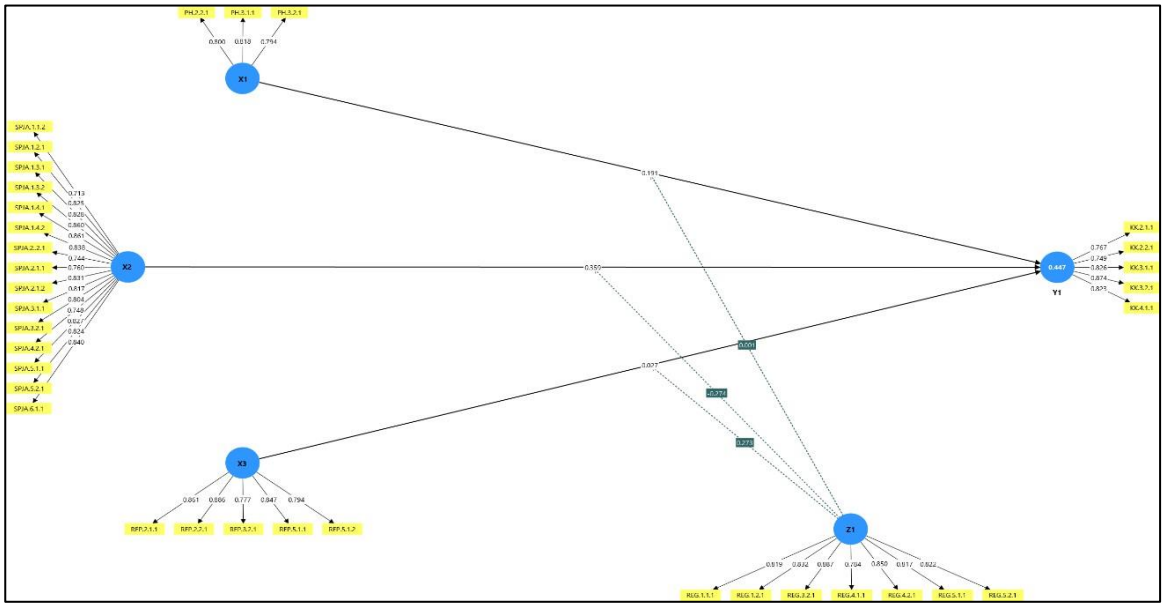
After this process, a final model was obtained in which all remaining indicators met the criteria (outer loading > 0.70). The convergent validity values of the final model, which include outer loadings and AVE, are presented in Table 2 below.

Table 2. Convergent Validity Values

Variable		Indicator	*Outer Loading*	AVE	Desc.
Price Competition	(X1)	PH.1.1.1	-	0.646	Eliminated
		PH.1.2.1	-		Eliminated
		PH.2.1.1	-		Eliminated
		PH.2.1.2	-		Eliminated
		PH.2.2.1	0.800		Valid
		PH.2.3.1	-		Eliminated
		PH.3.1.1	0.818		Valid
		PH.3.2.1	0.794		Valid
		PH.4.1.1	-		Eliminated
		PH.4.2.1	-		Eliminated
		PH.5.1.1	-		Eliminated
		PH.5.2.1	-		Eliminated
SPJA Effectiveness	(X2)	SPJA.1.1.1	-	0.655	Eliminated
		SPJA.1.1.2	0.713		Valid
		SPJA.1.2.1	0.825		Valid
		SPJA.1.3.1	0.828		Valid
		SPJA.1.3.2	0.860		Valid
		SPJA.1.4.1	0.861		Valid
		SPJA.1.4.2	0.838		Valid
		SPJA.2.1.1	0.744		Valid
		SPJA.2.1.2	0.760		Valid
		SPJA.2.2.1	0.831		Valid
		SPJA.3.1.1	0.817		Valid
		SPJA.3.2.1	0.804		Valid
		SPJA.4.1.1	-		Eliminated
		SPJA.4.2.1	0.748		Valid
		SPJA.5.1.1	0.827		Valid
		SPJA.5.2.1	0.824		Valid
		SPJA.6.1.1	0.840		Valid
Firm Reputation	(X3)	REP.1.1.1	-	0.695	Eliminated
		REP.2.1.1	0.861		Valid
		REP.2.2.1	0.886		Valid
		REP.3.1.1	-		Eliminated
		REP.3.2.1	0.777		Valid
		REP.4.1.1	-		Eliminated
		REP.4.2.1	-		Eliminated
		REP.5.1.1	0.847		Valid
		REP.5.1.2	0.794		Valid
		REP.5.2.1	-		Eliminated
Professional Regulation	(Z1)	REG.1.1.1	0.819	0.690	Valid
		REG.1.2.1	0.832		Valid
		REG.2.1.1	-		Eliminated
		REG.3.1.1	-		Eliminated
		REG.3.2.1	0.887		Valid
		REG.4.1.1	0.784		Valid
		REG.4.1.2	-		Eliminated
		REG.4.2.1	0.850		Valid
		REG.5.1.1	0.817		Valid
		REG.5.2.1	0.822		Valid
Organizational Performance	(Y1)	KK.1.1.1	-	0.655	Eliminated
		KK.1.1.2	-		Eliminated

	KK.2.1.1	0.767	Valid
	KK.2.2.1	0.749	Valid
	KK.3.1.1	0.826	Valid
	KK.3.2.1	0.874	Valid
	KK.4.1.1	0.823	Valid
	KK.4.2.1	-	Eliminated

Source: Processed data, 2025.



Source: PLS-SEM Output, 2025.

Figure 2. Convergent Validity Test - Outer Loading

Furthermore, the test results also show that the Average Variance Extracted (AVE) value for each construct is >0.50. Thus, each construct meets the convergent validity criteria because more than 50% of the indicator variance can be explained by the construct in question (Fornell & Larcker, 1981; Hair et al., 2019). The discriminant validity values can be seen in Table 3 below.

Table 3. AVE Value and AVE Root Value (Discriminant Validity)

Variabel	AVE	√AVE	Desc.
PH	0.646	0.804	Valid
SPJA	0.655	0.809	Valid
REP	0.695	0.834	Valid
REG	0.690	0.831	Valid
KK	0.655	0.809	Valid

Source: Processed data, 2025.

Description:
PH: Price Competition; SPJA: SPJA Effectiveness; REP: Firm Reputation; REG: Professional Regulation; KK: Organizational Performance

Based on Table 3, the square root of the AVE (√AVE) for each construct is greater than the correlation between the other constructs. This confirms that all variables in this study have good discriminant validity (Fornell & Larcker, 1981). Thus, the measurement model is deemed appropriate and can proceed to the structural model analysis stage (inner model). The results of the reliability test can be seen in Table 4 below.

Table 4. Reliability Test

Variable	*Cronbach Alpha*	*Composite Reliability*	Desc.
PH	0.728	0.846	Reliable
SPJA	0.962	0.966	Reliable
REP	0.891	0.919	Reliable
REG	0.925	0.940	Reliable
KK	0.867	0.904	Reliable

Source: Processed data, 2025.

Description:
PH: Price Competition; SPJA: SPJA Effectiveness; REP: Firm Reputation; REG: Professional Regulation; KK: Organizational Performance

The reliability of the model was measured using Composite Reliability and Cronbach's Alpha. As shown in Table 4, the Composite Reliability values for all constructs far exceeded the threshold of 0.70, which is the main criterion in SEM-PLS (Hair et al., 2017). The Cronbach's Alpha value, also above 0.60, further strengthens this finding. Thus, it can be concluded that all variables have met the reliability requirements.

Structural Model Test Results (Inner Model)

After the Outer Model test, the Inner Model test was continued. The structural model, or Inner Model, is a model that shows the predictive (estimated) relationships between latent variables in the research model (Amiruddien et al., 2021). In assessing a structural model using PLS, we begin by examining the path coefficient (β) for each latent variable to determine the magnitude and direction of the influence between the structural models. The results of the path coefficient test are presented in Table 5.

Table 5. Path Coefficient (β) Value

Variable		KK (Y1)	Desc.
PH	(X1)	0.191	
SPJA	(X2)	0.359	
REP	(X3)	0.027	
REG x PH	(Z1) (X1)	0.001	No effect
REG x SPJA	(Z1) (X2)	-0.274	Negative moderation (weakening the influence of SPJA)
REG x REP	(Z1) (X3)	0.273	Positive moderation (strengthening the influence of REP)

Source: Processed data, 2025.

Description:
PH: Price Competition; SPJA: SPJA Effectiveness; REP: Firm Reputation; REG: Professional Regulation; KK: Organizational Performance

Based on Table 5, the SPJA Effectiveness variable has the highest positive influence on Organizational Performance (β = 0.359), followed by Price Competition (β = 0.191). Meanwhile, the Firm Reputation variable shows a very small influence (β = 0.027). For the moderating effect, the interaction between Professional Regulation and SPJA Effectiveness has a negative influence (β = -0.274), while the interaction between Professional Regulation and Firm Reputation has a positive influence (β = 0.273). The interaction between Professional Regulation and Price Competition shows a negligible influence (β = 0.001). The statistical significance of all these influences will be discussed further in the hypothesis testing results.

The predictive power of the structural model is evaluated by examining the R-square values for the endogenous latent variables. The test results are presented in Table 6 below.

Table 6. R-Square Value

Variabel		*R-Square*	Ket
Organizational Performance	(Y1)	0.419	Moderat

Source: Processed data, 2025.

According to Table 6, the coefficient of determination (R-square) for the Organizational Performance variable is 0.419. This indicates that the combination of independent variables (Price Competition, SPJA Effectiveness, and Firm Reputation) explains 41.9% of the variance in Organizational Performance. Based on Hair et al.'s (2017) criteria, this value falls into the moderate category. Therefore, 58.1% of the performance variance is explained by factors outside this research model. This finding indicates the need to explore other variables to provide a more comprehensive understanding of Organizational performance.

Next, the F-square value was analyzed to determine changes in the R-square value for the endogenous construct. Changes in the R^2 value will indicate whether the exogenous construct has a substantive influence on the endogenous construct. The F-square values are shown in Table 7.

Table 7. F-square Values

Variable		PH (X1)	SPJA (X2)	REP (X3)	REG (Z1)	KK (Y1)
PH	(X1->Y1)					0.043
SPJA	(X2->Y1)					0.091
REP	(X3->Y1)					0.000
REG	(Z1xX1->Y1)					0.000
REG	(Z1xX2->Y1)					0.055
REG	(Z1xX3->Y1)					0.045

Source: Processed data, 2025. Description:

Description:
PH: Price Competition; SPJA: SPJA Effectiveness; REP: Firm Reputation; REG: Professional Regulation; KK: Organizational Performance

Based on Table 7, the effect size (F-square) of each variable and its interaction on Organizational Performance can be interpreted as follows. The SPJA Effectiveness has the largest direct effect ($f^2 = 0.091$), although it is still considered small according to Cohen's criteria (cited in Hair et al., 2017). Price Competition has an even smaller direct effect ($f^2 = 0.043$). Meanwhile, Firm Reputation has no direct effect ($f^2 = 0.000$). For the moderating effect, the Professional Regulation x SPJA Effectiveness and the Professional Regulation x Firm Reputation interactions show small effect sizes ($f^2 = 0.055$ and $f^2 = 0.045$, respectively), indicating that Professional Regulation acts as a weak moderator. The Professional Regulation x Price Competition interaction had no effect ($f^2 = 0.000$).

Overall, this effect size finding is consistent with the path coefficient test results, where the SPJA Effectiveness was the strongest predictor. The weak effect sizes of the other variables indicate that the model could be improved by exploring other explanatory variables in future research.

Hypothesis Test Results

Hypothesis testing aims to answer the research questions using the bootstrapping method. The results of the research hypothesis testing are presented in Table 8.

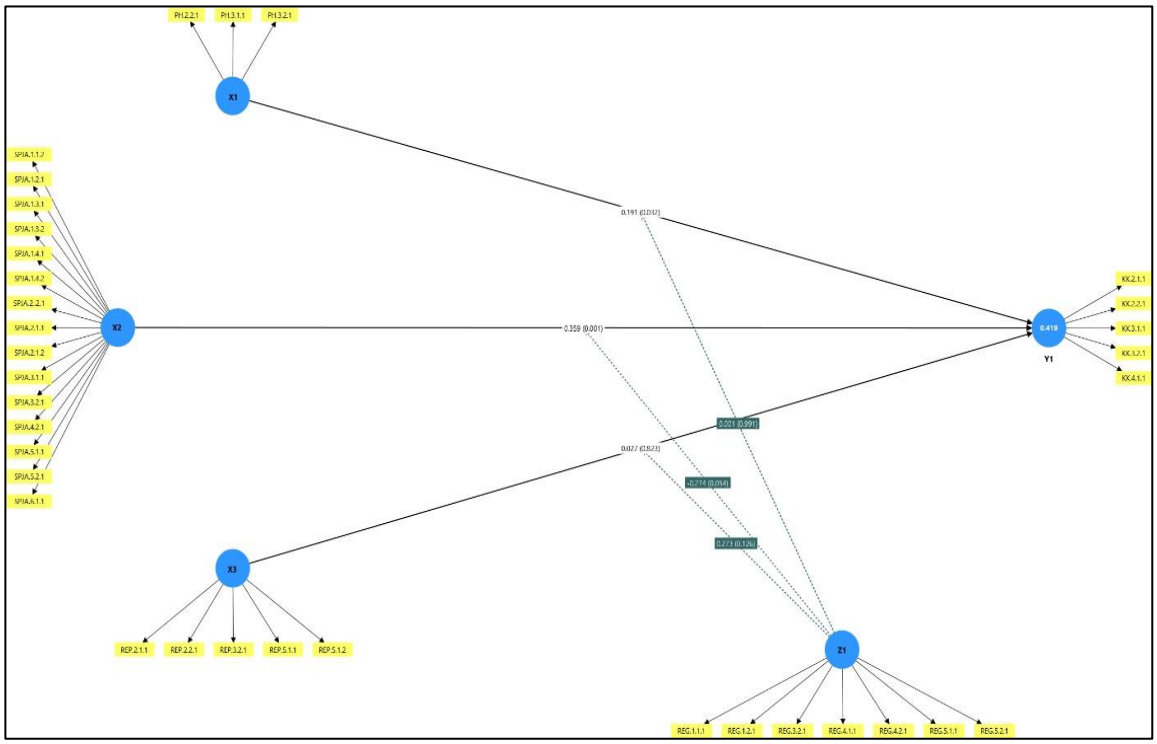
Table 8. Hypothesis Test Results

Hipotesis		Variabel		P *Values*	Result
H1	PH	KK	(X1->Y1)	0.032	X1 has a positive and significant effect on Y1

H2	SPJA	KK	(X2->Y1)	0.001	X2 has a positive and significant effect on Y1
H3	REP	KK	(X3->Y1)	0.823	X3 does not have a significant effect on Y1
H4	REG -> PH	KK	(Z1xX1->Y1)	0.991	There is no moderating effect of Z1 on the relationship between X1 and Y1
H5	REG -> SPJA	KK	(Z1xX2->Y1)	0.054	The moderating effect of Z1 on the relationship between X2 and Y1 is approaching significance
H6	REG -> REP	KK	(Z1xX3->Y1)	0.126	There is no significant moderating effect of Z1 on the relationship between X3 and Y1

Source: Processed data, 2025.

Description:
PH: Price Competition; SPJA: SPJA Effectiveness; REP: Firm Reputation; REG: Professional Regulation; KK: Organizational Performance



Source: PLS-SEM Output, 2025.
Figure 3. Bootstrapping Test

Based on Table 8, it can be concluded that the Price Competition (X1) and the SPJA Effectiveness (X2) variables have a positive and significant effect on Organizational Performance (Y1), with P-values of 0.032 and 0.001, respectively. Conversely, the Firm Reputation (X3) variable has no significant effect (P-value = 0.823). Furthermore, the results of the moderation effect test indicate that Professional Regulation (Z1) does not significantly influence the Price Competition-Performance relationship (P-value = 0.991) or the Firm Reputation-Performance relationship (P-value = 0.126). For the SPJA Effectiveness - Performance relationship, Profesionnal Regulation moderation shows a P-value of 0.054.

Discussion

The Effect of Price Competition on Organizational Performance (H1)

Based on the results of hypothesis testing H1, it can be concluded that the price competition variable has a positive and significant effect on Organizational performance (β =

0.191, p = 0.032). The path coefficient indicates that price competition makes a positive but relatively moderate contribution to performance. This finding is consistent with Porter's Five Forces framework (1980), which positions pricing strategy as a key instrument in responding to competitive pressure. It also aligns with the studies of Azizkhani et al. (2022) and Zhang & Wei (2023), which highlight the role of competitive pricing in driving transaction volume and efficiency.

Theoretically, this study reinforces the argument that price competition remains relevant as a determinant of performance, particularly when implemented through value-creation strategies. Practically, the findings emphasize that KJA management must carefully manage pricing strategies competitive but not destructive—and always balance them with value-added improvements. For future research, the main challenge lies in designing more contextual instruments and adopting a mixed-methods approach (Creswell & Plano Clark, 2011) to explore the complexity of pricing strategies that are not fully captured by quantitative methods.

The Effect of SPJA Effectiveness on Organizational Performance (H2)

Based on the results of hypothesis testing H2, it can be concluded that the Effectiveness of Professional Standards for Accounting Services (SPJA) variable has a positive and significant effect on Organizational performance (β = 0.359, p = 0.001). The path coefficient shows that SPJA makes a positive and relatively strong contribution to performance. This finding is consistent with the normative theoretical framework underlying SPJA, which positions it as the primary guideline for ensuring service quality, accountability, and consistency (Mulyani & Suryandari, 2019). It also aligns with studies by Utami et al. (2019) and Apriliana & Sukaris (2022), which emphasize the role of compliance with standards in building credibility and public trust that ultimately drive organizational performance.

Theoretically, this study strengthens the argument that SPJA's contribution to performance is strategic and goes beyond mere administrative compliance, situating SPJA within the RBV and Dynamic Capabilities perspectives. Practically, the findings highlight the importance for KJA management to prioritize investments in strengthening quality control systems, fostering a documentation culture, and providing problem-solving training, while ensuring staff understanding and timeliness as the foundation of sound operations. For future research, the main challenge is to develop more comprehensive measurements for the SPJA construct, covering both strategic (value-creating) and fundamental (hygiene) dimensions, and to adopt a mixed-methods approach (Creswell & Plano Clark, 2011) to explore SPJA implementation mechanisms not fully captured by quantitative methods.

The Effect of Firm Reputation on Organizational Performance (H3)

Based on the results of hypothesis testing H3, it can be concluded that the reputation variable does not have a significant effect on Organizatioanl performance (β = 0.027, p = 0.823). The path coefficient, which is close to zero, indicates that reputation contributes very minimally and insignificantly to performance. This finding is inconsistent with the initial theoretical framework that positions reputation as a strategic asset in the sustainability of professional service organizations (Fombrun & Shanley, 1990). It also differs from studies by Barnett et al. (2006) and Money et al. (2017), which generally highlight the role of reputation as a trust-building mechanism in the service industry. However, through this insignificance, the study successfully uncovers the unique characteristics of reputation in small-scale KJAs in Indonesia.

The analysis reveals that reputation in KJAs is more effectively built through compliance, open communication, and proactive crisis management rather than external marketing activities. These three elements regulatory compliance, transparency in communication, and anticipatory crisis capability form the core of effective reputation for KJAs. This type of

reputation grows organically through client experience and word-of-mouth rather than through symbolic external signaling. Theoretically, this enriches the literature on reputation in credence services, showing that for small to medium KJAs, reputation is most effectively built on actual performance rather than branding. Practically, this provides strategic guidance for KJA leaders to allocate resources more effectively: instead of heavy investment in external branding, resources should be directed toward strengthening internal fundamentals such as continuous technical competence development, regulatory compliance, and proactive crisis management. Nevertheless, it should be noted that generalization of these findings is limited due to the sample's dominance by small-medium KJAs concentrated in Java (70%). Hence, the findings are most applicable to similar profiles, while generalization to larger KJAs or those outside Java requires caution and further research.

The Moderating Effect of Professional Regulation on the Relationship between Price Competition and Organizational Performance (H4)

Based on the results of hypothesis testing H4, it can be concluded that professional regulation does not play a significant moderating role in strengthening the relationship between price competition and organizational performance ($\beta = 0.001$, $p = 0.991$). The near-zero path coefficient indicates that the interaction between regulation and price competition contributes minimally and insignificantly to performance. This finding is inconsistent with the initial theoretical framework, which assumed regulation could serve as a legitimizing mechanism ensuring fair business practices. However, this insignificance reveals a critical message of the study: the gap between regulatory theory and its implementation in KJAs.

The findings highlight that regulatory effectiveness depends heavily on the absorptive capacity of businesses. For small-medium scale KJAs, regulatory burdens are regressive—the smaller the firm, the heavier the compliance costs. This underscores the need for a proportionality principle in regulation, where compliance burdens for small firms should be simplified.

The Moderating Effect of Professional Regulation on the Relationship between SPJA Effectiveness and Organizational Performance (H5)

Based on the results of hypothesis testing H5, it can be concluded that professional regulation does not strengthen the relationship between the SPJA effectiveness and organizational performance. The negative moderating effect, while approaching statistical significance ($\beta = -0.274$, $p = 0.055$), suggests a tendency to weaken this relationship. The negative interaction coefficient provides preliminary empirical evidence of regulation as a regulatory burden that potentially diminishes SPJA's positive effect on performance.

Overall, this finding reinforces the argument that regulatory effectiveness depends on alignment between regulatory design and organizational capacity. This is closely linked to the respondent profile dominated by small-medium scale KJAs with limited resources. Such a profile explains why regulation more easily transforms into compliance costs rather than serving as a strategic enabler, where limited resources are diverted to administrative demands, undermining innovation capacity. Thus, these findings are most applicable to KJAs with similar profiles, while caution is needed in applying them to larger firms. Future research is encouraged to explore mediating variables such as adaptive capability and to develop more multidimensional measures of regulation that distinguish between substantive and administrative aspects.

The Moderating Effect of Professional Regulation on the Relationship between Firm Reputation and Organizational Performance (H6)

Based on the results of hypothesis testing H6, it can be concluded that professional regulation does not play a significant moderating role in strengthening the relationship between firm reputation and Organizational performance (β = 0.273, p = 0.126). The positive but insignificant interaction coefficient shows that regulation has not functioned as a consistent reinforcing mechanism for reputation's contribution to performance. This finding is inconsistent with the initial theoretical framework, which assumed regulation could provide formal legitimacy and enhance reputation's credibility signaling. However, it is consistent with studies by Yu (2019) and Mahendra & Soedibyo (2023), which demonstrate that regulatory effectiveness depends heavily on organizational capacity and market context.

Theoretically, this study reinforces the argument that the effectiveness of regulation as a moderator depends on alignment between regulatory design, organizational reputation, and internal capacity. Practically, the findings emphasize that for KJAs, investing in service quality and professional integrity is more effective in building reputation than relying on additional formal compliance. For regulators, the findings suggest the importance of designing regulations that are more responsive to KJA characteristics, focusing on substantive reputation enhancement while reducing unnecessary administrative burdens.

Collectively, the results of the three moderating hypotheses (H4, H5, H6) reveal a consistent pattern. Starting with the finding that accountant professional regulation is not significant in moderating price competition (H4), followed by evidence that regulation tends to weaken the SPJA effectiveness–performance relationship (H5), and ending with the insignificance of regulation in moderating firm reputation–performance (H6), this sequence consistently shows that the moderating function of accountant professional regulation does not work effectively for KJAs in this study. Instead, regulation acts more as a regulatory burden than a strategic enabler. The respondent profile dominated by small to medium KJAs with limited resources provides the key explanation for why regulation failed to serve as a reinforcing mechanism for all three independent variables. Consequently, regulatory burdens contribute significantly to the unfavorable strategic position faced by KJAs.

CONCLUSION

Based on the analysis and discussion, this study concludes that price competition and the implementation of Accounting Service Professional Standards (SPJA) have a positive and significant impact on the performance of Accounting Service Firms (KJA). Competitive pricing strategies and consistent application of professional standards are key factors for business sustainability. In contrast, reputation shows no significant effect, indicating that for small-medium scale KJAs, reputation is not yet a dominant strategic asset.

The moderation tests reveal that regulation does not significantly strengthen the relationship between price competition, effectiveness of SPJA, or firm reputation with organizational performance. In fact, accountant professional regulation tends to weaken the link between SPJA effectiveness and organizational performance, suggesting that professional regulation functions more as a regulatory burden than a strategic enabler.

Theoretically, this study provides critical empirical evidence against Public Interest Theory and Interest Group Theory by showing that for micro and small firms, regulation may produce unintended consequences in the form of administrative burdens. It also enriches the literature by applying the Resource-Based View (RBV) to explain why regulation fails as a moderator, emphasizing the role of limited internal capacity in shaping whether regulation is perceived as an enabler or burden.

This research is limited by its sample concentration in Java (70%), the narrow measurement of reputation and regulation, and its purely quantitative approach. Future studies should expand to non-Java regions, develop more comprehensive indicators that include long-term client trust and digital technology, and adopt mixed-methods.

Overall, the study highlights that regulatory effectiveness for small-medium KJAs cannot be assumed to mirror that of large accounting firms. Practically, regulators should design proportional policies focusing on substantive oversight, while KJAs should strengthen internal strategies such as operational efficiency, service differentiation, and technology adoption to enhance performance.

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