



# Career growth opportunities and employee turnover intentions in public accounting firms<sup>☆</sup>



Hossein Nouri<sup>a,1</sup>, Robert J. Parker<sup>b,\*</sup>

<sup>a</sup> Department of Accounting, School of Business, The College of New Jersey, PO Box 7718, Ewing, NJ 08628-0718, USA

<sup>b</sup> Department of Accounting, College of Business Administration, University of New Orleans, Lakefront Campus, New Orleans, LA 70148, USA

## ARTICLE INFO

### Article history:

Received 19 April 2011

Received in revised form 6 July 2012

Accepted 9 July 2012

### Keywords:

Career growth opportunities

Organisational commitment

Organisational prestige

Public accounting firms

Training effectiveness

Turnover intentions

## ABSTRACT

This study examines the role of career growth opportunities in explaining turnover intentions of junior auditors in public accounting firms via a survey of them. Prior studies in applied psychology and organisational behaviour argue that employees and their organisations have a social exchange relationship in which employees and organisations provide reciprocal benefits to each other. Extending this research, this paper proposes that career growth opportunities represent a critical benefit to lower level employees in accounting firms. When these employees believe that their firm provides this benefit, they reciprocate with stronger commitment to the firm which, in turn, leads to lower turnover intentions. This study also seeks to identify the causes or antecedents of employee beliefs about career growth opportunities. Two antecedents are proposed: the effectiveness of the firm's training programmes; and, the organisational prestige of the firm. Results of path analysis suggest that both training effectiveness and organisational prestige enhance employee beliefs about the career growth opportunities offered by the public accounting firms, which, in turn lead to higher commitment and lower turnover intentions.

© 2013 Elsevier Ltd. All rights reserved.

Employee turnover is a critical issue in public accounting firms as firms struggle to reduce its high costs (e.g., Hall & Smith, 2009). This issue has generated a long stream of accounting research that attempts to provide insights into turnover so that firms can better control it. As evidence of the international nature of the turnover problem and the related research effort, studies have been conducted in variety of locations such as Australia, Canada, Hong Kong, Ireland, Singapore, and United States (e.g., Ang, Goh, & Koh, 1994; Aranya & Ferris, 1984; Barker, Monks, & Buckley, 1999; Hall & Smith, 2009; Herbohn, 2004; Law, 2010; Scandura & Viator, 1994; Sweeney & Boyle, 2005; Viator, 2001). Researchers have proposed that several factors influence turnover including: organisational justice (Parker & Kohlmeyer, 2005); work-family conflict (Pasewark & Viator, 2006); flexible work arrangements (Almer & Kaplan, 2002); burnout (Fogarty, Singh, & Rhoads, 2000); and mentoring (e.g., Barker et al., 1999; Hall & Smith, 2009; Herbohn, 2004; Scandura & Viator, 1994; Sweeney & Boyle, 2005; Viator, 2001).

The current study proposes that employee perceptions of career growth opportunities influence turnover in accounting firms through a social exchange process. To the knowledge of the authors, no study in the accounting literature (or in related fields) has examined turnover from this perspective. As theorized by researchers in applied psychology and organisational behaviour, organisations and their employees have a social exchange relation in which they reciprocate services and benefits (e.g., Masterson, Lewis, Goldman, & Taylor, 2000; Rupp & Cropanzano, 2002; Wayne, Shore, & Liden, 1997). As argued in the

<sup>☆</sup> The authors gratefully acknowledge the assistance of two anonymous reviewers and the editors including Mike Jones.

\* Corresponding author. Tel.: +1 504 280 6437; fax: +1 504 280 6426.

E-mail addresses: [hnouri@tcnj.edu](mailto:hnouri@tcnj.edu) (H. Nouri), [rjparker@uno.edu](mailto:rjparker@uno.edu) (R.J. Parker).

<sup>1</sup> Tel.: +1 609 771 2176.

current study, accounting firms offer career advancement opportunities to junior level employees and that this benefit is critical to these educated and ambitious employees who are in their early phase of their business careers. This benefit involves not only opportunities within the firm but also potential future opportunities with other employers. When employees believe that their firm provides this benefit, they reciprocate with stronger commitment to the firm. Higher organisational commitment, in turn, may lead to lower turnover and a number of other positive outcomes such as greater employee effort and performance (e.g., Mathieu & Zajac, 1990; Meyer & Allen, 1997; Randall, 1990; Riketta, 2002).

Given the importance of career growth opportunities in the theorized model, this paper seeks to identify its causes or antecedents. With such knowledge, firms potentially could influence it and the favourable consequences associated with it. According to the theoretical model, effective training programmes enhance the beliefs of junior employees regarding career growth opportunities. Training effectiveness is a neglected topic in the accounting literature despite the perception of many academics and practitioners that it is critical to employee and firm success. Also, perceptions regarding organisational prestige may influence employee beliefs about how their employment benefits their career. Employees who believe that their firm has high prestige in the business community may believe that such prestige enhances their career opportunities. Organisational prestige is another neglected area in accounting research (with the notable exception of Iyer, Bamber, and Barefield (1997) who examine it with regard to the willingness of accounting firm alumni to help their former firm).

To assess the proposed theoretical model, a survey was administered to junior auditors in large public accounting firms in the Northeast and Southern United States. The results of path analysis support the theoretical model. Training effectiveness and organisational prestige are associated with perceptions of career growth opportunities. Further, career growth opportunity is linked to organisational commitment, which, in turn, is linked to employee turnover intentions. The results suggest that firms can increase commitment and reduce turnover by focussing on the career growth of their employees.

Results may be most applicable to public accounting environments that are similar to that of the United States. Work in American accounting firms has a reputation for high stress due to long hours and deadlines. Competition for promotion to senior level is keen within large firms as the firms have a pyramidal hierarchy (e.g., Kalbers & Cenker, 2007). Senior level employees at firms must obtain a Certified Public Accountant (CPA) certificate which is roughly equivalent to Chartered Accountant designation in United Kingdom. To obtain a CPA certificate, employees must pass the national CPA exam and have relevant accounting experience. Regarding employee turnover, the focus of the current study, staff retention has been cited as one of the top management issues in public accounting firms for several years (Brundage & Koziel, 2010). In 2010, accounting firms in United States reported annual employee turnover of 12.8% (Defelice, 2011).

## 1. Theory development

The theoretical model in Fig. 1 shows that career growth opportunity is the key variable in the model. The current study first discusses its proposed antecedents (training effectiveness and organisational prestige), then its relation with its consequences (organisational commitment and turnover intentions). The antecedents were selected, in part, based upon the experience of the authors who worked in large public accounting firms and subsequently became accounting instructors. Conversations with co-workers in the firms and former students who pursued careers in the firms suggested the importance of training and prestige in the career considerations of employees.

### 1.1. Training effectiveness and career growth opportunities

Discussions of career are found in a number of literatures such as psychology, human resources, sociology, and organisational behaviour (see: Adamson, Doherty, & Viney, 1998; Arthur, 2008). While each field defines the career concept somewhat differently, there is considerable overlap (Arthur, 2008). Synthesising the various literatures, Arthur (2008) defines career as the sequence of work experiences during an individual's lifetime. Career development (i.e., career growth) is defined in the current study as: "progression through a sequence of jobs, involving continually more advanced or diverse activities and resulting in wider or improved skills, greater responsibility and prestige, and higher income" (Bloomsbury Business & Management Dictionary 2007, p. 1353). An individual's career may develop within the same organisation or, through job

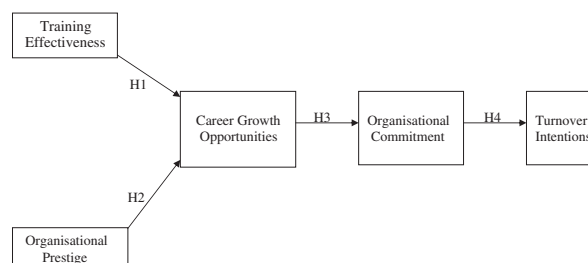


Fig. 1. Theoretical model.

Download English Version:

<https://daneshyari.com/en/article/1003980>

Download Persian Version:

<https://daneshyari.com/article/1003980>

[Daneshyari.com](https://daneshyari.com)