ARTICLE IN PRESS

The British Accounting Review xxx (2017) 1–14

Contents lists available at ScienceDirect

The British Accounting Review

journal homepage: www.elsevier.com/locate/bar

How do mentoring rewards influence experienced auditors?

Michelle Chandler Diaz [a], Tina M. Loraas [b], Barbara Apostolou [c,*]

[a] *Mays Business School, Department of Accounting, Texas A&M University, College Station, TX 77843, USA*
[b] *Raymond J. Harbert College of Business, School of Accountancy, Auburn University, Auburn, AL 36849, USA*
[c] *Department of Accounting, West Virginia University, Morgantown, WV 26506, USA*

A R T I C L E I N F O

Article history:
Received 9 October 2016
Received in revised form 20 September 2017
Accepted 21 September 2017
Available online xxx

Keywords:
Auditing
Mentor
Protégé
Rewards
Willingness to mentor
Mentoring advice

A B S T R A C T

The benefits of mentoring are well documented, and include lower employee turnover, heightened employee success, and higher employee satisfaction. In an effort to acquire these benefits, audit firms are structuring rewards for mentoring. However, we predict that rewarding mentors can prove problematic, leaving needy young auditors without a mentor or perhaps receiving advice that might prove detrimental. We test our expectations in an experiment with 111 Big 4 auditor participants. As expected, we find that in the presence of mentoring rewards, experienced auditors are less willing to mentor the young auditors who likely would benefit the most. We also find that in the presence of mentoring rewards, experienced auditors are more likely to provide advice that might be counterproductive. Yet interestingly, in our study, when rewards are absent, experienced auditors are more willing to mentor and more likely to provide beneficial advice. Our results inform the audit mentoring literature though our focus on mentor behavior, as opposed to protégé behavior. Our results also have implications for audit firms as they consider the structure of mentoring rewards, training on mentoring advice, and the effects of this advice.

1. Introduction

Connecting young auditors with experienced mentors is an effective means of reducing turnover and increasing job satisfaction and success for young auditors (Herbohn, 2004; Scandura & Viator, 1994; Viator & Pasewark, 2005; Viator, 1999, 2001). However, experienced auditors are often unwilling to initiate mentoring relationships with young auditors, and at times experienced auditors perform poorly when they do mentor (Kaplan, Keinath, & Walo, 2001; Ragins & Cotton, 1993; Ragins, Cotton, & Miller, 2000). Experienced auditors work long hours in an industry characterized by competitiveness (Dirsmith & Covaleski, 1985; Kaplan et al., 2001; Reinstein, Sinason, & Fogarty, 2013) and as such, initiate mentoring relationships selectively and even then, provide selective advice to their protégés (Dirsmith & Covaleski, 1985). In this study, we focus on the factors that influence an experienced auditor's decision to initiate a mentoring relationship. Further, we study how such factors influence the nature of an experienced auditor's advice to protégés. The importance of our study rests in its ability to inform how rewards offered by the firm to mentor can influence the mentor-protégé relationship.

The key feature of our study involves how rewards influence experienced auditors' mentoring behavior. While audit firms have struggled with whether to reward mentors, it appears that rewards are becoming more common. The American Institute

* Corresponding author. Department of Accounting, College of Business and Economics, PO Box 6025, West Virginia University, Morgantown, WV 26506, USA.

E-mail addresses: mdiaz@mays.tamu.edu (M.C. Diaz), loraatm@auburn.edu (T.M. Loraas), Barbara.Apostolou@mail.wvu.edu (B. Apostolou).

https://doi.org/10.1016/j.bar.2017.09.009
0890-8389/© 2017 Elsevier Ltd. All rights reserved.

of Certified Public Accountants (AICPA) reports that for 15 percent of audit firms, mentoring is included as an activity in their partner compensation formula—an increase from 3 percent only a few years ago (Drew, 2014). While the management literature has investigated mentoring rewards in traditional business structures, we expect there could be different effects in an audit setting (Ragins & Cotton, 1993; Scandura, 1992a). In the competitive and time-constrained audit environment, direct supervisors and peers change regularly, and there is significant focus on individual measureable performance. As such, we expect that offering rewards will make mentoring a part of the competitive audit landscape, altering both the type of protégé sought by experienced auditors and the nature of the advice provided to protégés.

When rewards for mentoring are formalized, audit firms must monitor mentoring duties, and mentoring quality becomes part of individual evaluation feedback. Given that the inputs to mentoring quality are difficult to observe, the key measure of a mentor's success is typically the success of their protégés (Dirsmith & Covaleski, 1985; Scandura, 1992b).[1] Therefore, protégé quality is entwined with measures of mentoring quality. Accordingly, when experienced auditors are rewarded for mentoring, we expect that their willingness to mentor is influenced by their *ex ante* perceptions of protégé quality. Quality may be viewed in terms of raw ability, perceived "coach-ability," or both. Specifically, we expect that the presence of rewards makes experienced auditors (mentors) demand higher quality protégés. In turn, this may mean that young auditors most in need of mentoring (those with lower ability)[2] are the least likely to be mentored when formal rewards are part of the compensation structure.

We also expect that rewards influence the nature of advice that experienced auditors provide their protégés. Hall and Smith (2009) describe two primary types of advice: (1) career development and (2) psychosocial. Career development advice has been shown to enhance career advancement, whereas psychosocial advice has been shown to enhance personal connections to the firm and colleagues. Past research suggests that advice type can impact firm commitment (McManus & Subramaniam, 2014), making it important to understand if rewards might also influence this advice. We predict that explicit rewards may cause mentors to over-value career development advice since career performance is more easily measured and observed.

We test our expectations in a case-based experiment with 111 Big 4 senior auditor participants. The experimental case centers on a first-year associate auditor. Participants are first provided the hypothetical associate's background, indicating his ability and willingness to learn, both manipulated as higher or lower. Next, participants are given the firm's policy for rewarding mentoring, manipulated as either present or absent. These three manipulated variables are fully crossed, resulting in eight treatments. Each participant responded to a dependent variable, willingness to mentor, which asked whether the senior auditor would be willing to mentor the hypothetical associate.

When mentoring rewards are *present*, we find that our senior auditor participants are less willing to mentor an associate both lower in ability and lower in willingness to learn compared to the associates that are "higher" on at least one attribute. Further, when just considering the lower ability associates, we find that mentors are less willing to mentor when rewards are present. These results indicate that rewards for mentoring create disincentives to mentor the audit firms' neediest employees, ostensibly those who would benefit most.

We find that when an associate is both lower in ability and willingness to learn, the senior auditor participants provide "better" advice when mentoring rewards are *absent*. However, when mentoring rewards are *present*, we find that our senior auditor participants provide upward career development advice to these associates, even when it is likely that the associate would benefit more from psychosocial or remedial career advice at this point in their career (discussed subsequently). This suggests that in the absence of rewards for mentoring, auditors provide advice more in line with protégé needs, but when rewards are present mentors provide advice with the highest potential for maximizing the mentor's reward.

We contribute to mentoring theory by addressing a gap in the audit literature regarding the effects of mentoring rewards (Hall & Smith, 2009; Scandura, 1992a). First, we investigate whether mentoring reward programs increase senior auditors' willingness to mentor young associates. Our results suggest that they do not. Second, we investigate whether rewards change the type of advice senior auditors provide to young associates. Our results suggest that rewards do change advice type for auditors with different skills and ability. Formally rewarding mentoring activity in the competitive audit environment appears to push auditors towards maximizing the external reward for themselves. Such incentives (1) reduce the likelihood that young auditors might acquire a mentor, and/or (2) influence the type of advice provided. These results also have implications for audit firms because they suggest that audit firms should carefully structure mentoring rewards and train auditors about mentoring advice and its effects.

2. Theory and hypotheses

The value of the mentor-protégé relationship to the mentor, protégé, and organization is well-known and accepted (Allen & Eby, 2010; Ragins & Kram, 2007a). Research across disciplines demonstrates that the mentor-protégé relationship improves career satisfaction, effectiveness, and job advancement opportunities. Individuals who mentor gain satisfaction from a protégé's progress, and often find that their own career path is bolstered by participating in the protégé's success. The organization benefits with decreased turnover, enhanced job performance (Ragins & Kram, 2007b) and increased firm loyalty (Hall & Smith, 2009).

[1] Discussion with two Big 4 partners validates that protégé success is a key measure of mentoring success.

[2] Lower ability refers to staff auditors who appear not to be as gifted as their peers, but still well within the realms of a satisfactory employee.

Please cite this article in press as: Diaz, M. C., et al., How do mentoring rewards influence experienced auditors?, *The British Accounting Review* (2017), https://doi.org/10.1016/j.bar.2017.09.009