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Reducing Employee Turnover in the Big Four Public Accounting Firms

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Abstract

Employee turnover is extremely costly to any business in terms of training costs and loss of pertinent knowledge and experience. This paper explores the contributors to the high rates of employee turnover seen in public accounting by focusing on the Big Four accounting firms, Deloitte, EY, KPMG, and PricewaterhouseCoopers. Employee retention is a factor of corresponding employee motivation, as seen through the analysis of popular motivational theories and their applications to a career in public accounting. This paper also delves into the possible contributors to the differences in retention rates between males and females in this occupation. Lastly, an analysis of current firm programs and initiatives is conducted, with suggestions for ulterior areas of focus and improvements to current programs.

The popular motivational theories explored signify important areas of focus for current and suggested programs. The opportunities presented by effective and accessible mentors are of extreme importance to reducing turnover and aiding an employee in developing ownership over a firm's mission. Additionally, stereotypes associated with females in the business world and the inherent work of public accounting inhibits young professionals from establishing longevity with a firm. The current programs offered by the Big Four firms are likely to be enhanced and improved upon by new generations of professionals entering into the higher ranks of leadership.

Introduction

The value of a company is oftentimes measured according to the numbers on the balance sheet; a company has a certain number of assets and a certain number of liabilities. However, in the service industry, there is a substantial emphasis on the importance of human capital. The business slogan stating that 'the people are our most important assets' is becoming a bigger focus for recruiting purposes and for the organizational structure of businesses. As new generations of professionals enter the workforce, there seems to be a shift from monetary motivation to an emphasis on the importance of work-life balance. This work-life balance takes into consideration the existence of employee benefits, time-off, and the ability to pursue extraneous interests and hobbies while maintaining a strong relationship with the firm. Despite this shift towards increased employee satisfaction, the field of public accounting continues to see a relatively high rate of employee turnover. The primary concern for any business is determining a way to motivate employees to establish a future with the firm and therefore reduce employee turnover.

According to BloombergBusinessweek, the Big Four accounting firms all sit amongst the top ten employers for college graduates.[1] Accounting careers have become much less about crunching numbers and more about interpersonal skills and management potential. Professionals with a few years of public accounting experience under their belts move on to become leaders in the business world, in the form of CEOs, CFOs, and the like. However, there are also many accounting professionals that drop out to pursue other

[1] Lavelle, Louis & Joel Stonington. 50 Top Employers for College Grads. BloombergBusinessweek, 17 May 2011.

paths, such as raising a family, working for other organizations, traveling, etc. Employee turnover is extremely common in public accounting, which can prove detrimental to firms through the loss of pertinent knowledge and experience, as well as increase training and development costs for replacement hires. As shown in Figure 1, voluntary employee turnover rates for the year of September 2005 to August 2006 are relatively high for

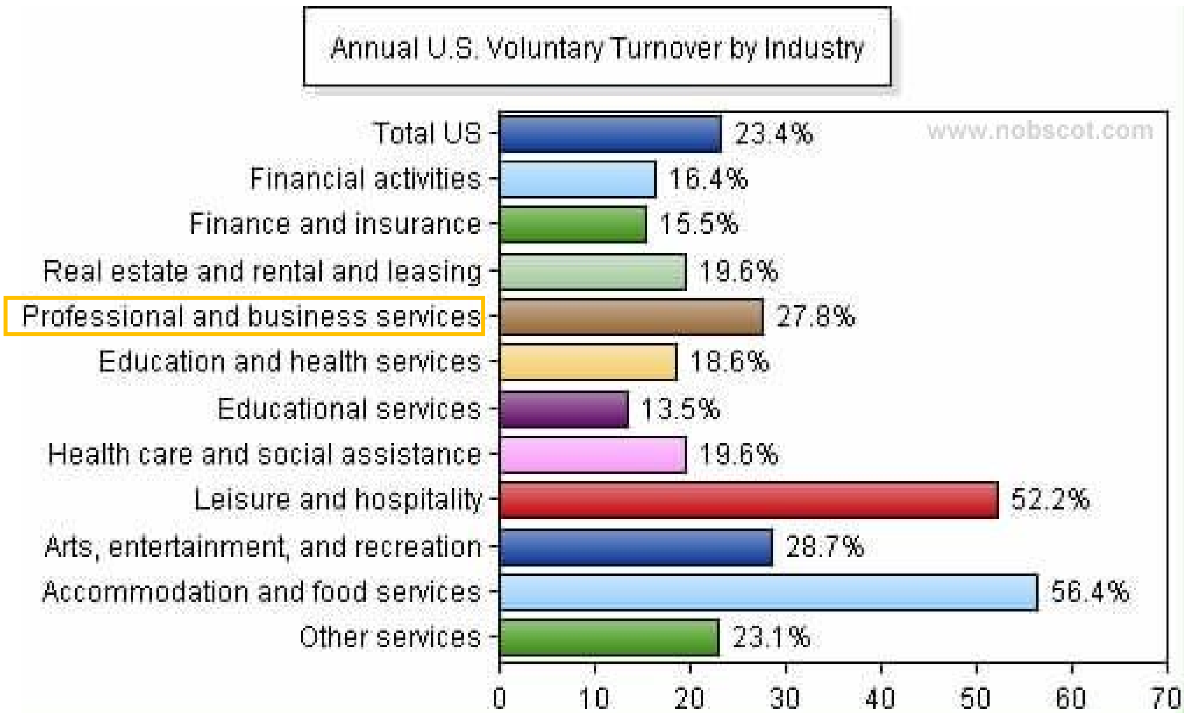

Figure 1: "US Annual Employment Turnover Rates by Industry and by Geographic Region Through Aug/06." Noboscot Corporation (2000-2013)

employees in the professional and business services industry, where public accounting sits. It is most effective to compare these rates to those industries that require similar skill sets and educational and professional experience, namely financial activities, finance and insurance, and real estate. The professional and business services industry rate of 27.7% is also noticeably higher than the total US average voluntary turnover rate of 23.4%. The challenge then for public accounting firms involves ways to motivate employees and increase retention so that they can progress through the various stages of their careers and take ownership of their organization's goals.

As stated earlier, employee turnover is extremely costly. Public accounting requires primarily on-the-job training: real work experiences in which employees apply their educational knowledge to real accounts and client issues. Replacing these familiarities with an inexperienced new hire takes years of recovery. Additionally, there are the costs of recruiting for both the old and new employees, training, and time off while a position might be held vacant. As a benchmark, the average cost of replacing an employee who makes $50,000 per year amounts to 20 percent of the person's annual salary.[2] This statistic is the median from a series of case studies exploring the relationships between technical skills needed and costs of replacement. Researchers found that it becomes exponentially more costly to replace highly paid individuals, such as senior level executives; the replacement costs amounted to an astounding 213 percent of that employee's salary.[3] For public accounting, which requires extensive training and higher education, plus additional certifications for progression, the costs will be in the higher range.

In order to analyze the impact of high rates of employee turnover on a company, as well as develop strategies to mitigate the problem, one must investigate at which level of the company hierarchy the dropout most often occurs. The typical career path for public accountants at the Big Four firms – Deloitte, EY, PricewaterhouseCoopers, and

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[2] Lucas, Suzanne. How much does it cost companies to lose employees. CBS: MoneyWatch. 21 November, 2012, <http://www.cbsnews.com/8301-505125_162-57552899/how-much-does-it-cost-companies-to-lose-employees/>

[3] Boushey, Heather and Sarah Jane Glynn. There Are Significant Business Costs to Replacing Employees. Center for American Progress. 16 November 2012, <http://www.americanprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>

KPMG – averages at about 2-3 years at the Staff/Associate level, 2-3 years as a Senior/Supervisor, 3-4 years as a Manager, 3-6 years as a Senior Manager, and 10-13 years at the Partner level.[4] In short, reaching the highest level of the firm requires at least 10-16 years of service. Studies on recently promoted Partners were performed in both 1991, with 392 participants, and the early 2000s, with 402 participants. The more current estimate on the time taken to reach the Partner level is 13 years. Additionally, the percentage of new Partners under the age of 36 has decreased over the ten year gap from 73% to 49% by the early 2000s.[5] This data indicates that, in order to reach the top, employees are putting in more time and effort to their work than ever before. In 2001, Hiltebeitel and Leauby followed the career paths of 53 accountants in the public sector. Of 53 respondents who left their first public accounting job, 53% moved to the private sector. 71% of those that moved to the private sector left after the first or second year in public accounting.[6] This quick turnover can be attributed to the ability of employees to gain valuable experience within the first couple years in order to attain higher positions at smaller, private firms. At least one year of professional work experience is also necessary to sit for the CPA exam and acquire the certification, a predominantly common goal for public accountants.

There is a noticeable difference in employee turnover, motivation, and career aspirations between men and women in public accounting. Women make up about half of the total new hires in each of the Big Four companies, while less than 20% of the Partners

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[4] "Accounting Career Brief." *Eller College of Management*. University of Arizona, 2012. 2 Oct. 2013. <http://ugrad.eller.arizona.edu/career/planning/briefs/accounting.asp>.

[5] Guinn, Robert E., Sak Bhamornsiri, & Cindy Blanthorne. Promotion to Partner in Big Firms: Truths and Trends. The CPA Journal, 2009 < http://www.nysscpa.org/cpajournal/2004/404/essentials/p54.htm>

[6] Hiltebeitel, Kenneth M. & Bruce A. Leauby. Migratory Patterns of Entry-Level Accountants. The CPA Journal: April 2001 <http://www.nysscpa.org/cpajournal/2001/0400/dept/d045401.htm>

at those same companies are women.[7] There is an obvious disconnect between the woman who makes Partner and the woman who leaves public accounting to pursue other interests. Currently a hot topic in the business world, retaining women has been the focus for many businesses in the last few years. In 2007, Bill Gates spoke to a segregated audience at a business seminar in Saudi Arabia to answer questions and give tips on the technology potential of the country. Gates was quoted saying to the people that, "if you're not fully utilizing half the talent in the country, you're not going to get too close to the top."[8] This quote marks the current focus of many firms on developing programs and strategies to keep intelligent and hard-working women from dropping out of corporations. Public accounting firms are embracing this new movement toward workplace equality and developing programs in which they hope all employees can reasonably obtain a healthy and desired work/life balance.

This paper will discuss the motivational theories that must be applied to all businesses in order to retain employees and provide them with fulfillment. These motivational theories are necessary in developing programs and strategies to decrease employee turnover and reduce costs to public accounting firms. In order to understand the reasons for turnover, we must analyze the reasons inherent to the public accounting profession that contribute to burnout and then reasonably suggest alternatives that do not break down the structure of the occupation that is already in place. Employers must also address the evident difference between turnover rates in men and women by exploring the various explanations for the difference and finding a common trend amongst those

[7] Catalyst. Catalyst Quick Take: Women in Accounting. New York: Catalyst, 2013.
[8] The Associated Press. Gates: Women Key to Saudi Arabia Economy. The Washington Post. 27 January, 2007.

explanations. Common misconceptions blame motherhood, a woman's inability to lead, or her lack of aggression for the lack of women in executive positions. By analyzing common trends amongst varying perceptions, we may be able to attack a deeper issue that fuels the more surface-level outcomes.

The following chapter will explore more in depth the motivational theories for all businesses, emphasizing their applications to public accounting, as well as highlight the areas that highly contribute to employee turnover on this career path. The subsequent chapter will delve into the differences in retention rates between males and females and possible contributors to the lack of women in the higher ranks of public accounting firms, namely the Big Four. This analysis of contributing factors to employee turnover can then be used to analyze the current programs instituted by the Big Four firms and suggest additional and alternative areas of focus.

Chapter 1: Motivation in a Business Setting

A prolonged career in public accounting requires dedication to a firm and positive factors by that firm that aid employees in progressing through their career paths. The focus on employee retention finds a basis in basic motivation theories. Without motivation, an employee loses interest in the firm and finds little reason to stay with the company. Despite the many motivation factors that a company can provide an employee, there are aspects of public accounting that are intrinsic to the nature of the work and contribute to employee turnover. By analyzing these factors of turnover, as well as understanding the theories of motivation, organizations can develop solutions to reduce high turnover rates.

As discussed earlier, a career in public accounting is marked by varying levels of responsibility and tasks based on the employee's position in the organization. The majority of employee turnover occurs within the first 2-4 years in the business. Therefore, the focus of public accounting firms should be on motivating Staff and Senior level employees to develop long term goals and see a future with the company. In order to motivate employees at this level, management must focus on popular motivation theories and apply them to the responsibilities and goals at these levels of employment.

Maslow's Hierarchy of Needs

Career progression is primarily backed by motivation. The most well-known motivational theory, developed by Abraham H. Maslow in 1943, proposes the idea that human actions are directed towards goal attainment. This attainment can only be achieved by satisfying needs, beginning at a very basic level and progressing upwards in a pyramid-like fashion. This "hierarchy of pre-potency"[9] calls for the satisfaction of needs in order – you cannot reach the top without the support of the others. This means that, in order to reach the third level of the pyramid, one must previously satisfy the first two levels and keep them satisfied. These needs, as proposed by Maslow, are (1) physiological needs, (2) safety needs, (3) love/belonging needs, (4) esteem needs, and (5) the need for self-actualization. An individual is not fully satisfied until he reaches self-actualization, or the becoming of "everything that one is capable of becoming" by "doing what he is fitted for."[10] This theory can be applied to motivational strategies in business, namely public accounting.

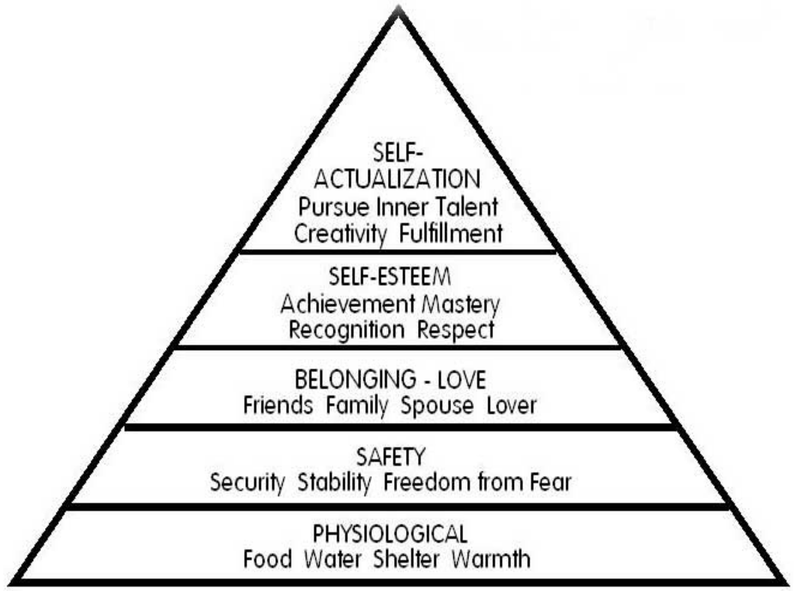

Figure 2: Maslow's Hierarchy of Needs
McLeod, Saul. "Maslow's Hierarchy of Needs." *SimplyPsychology* (2007)

According to the Bureau of Labor Statistics, almost two-thirds of all employed recent college graduates entered the fields of management, business, financial operations, and professional services.[11] The challenge for employers is figuring out how to retain those new hires. Employee turnover is concerning based on the training costs and the loss

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[9] Maslow, A. H. "A Theory of Human Motivation." *Psychological Review, ed. 50* (1943): pp. 371.
[10] Maslow, A. H. "A Theory of Human Motivation," pp. 377.
[11] Spreen, Thomas Luke. "Recent college graduates in the U.S. labor force: data from the Current Population Survey." *The Bureau of Labor Statistics*. Monthly Labor Review (February 2013).

of employee knowledge and experience.[12] Management must therefore decide how to develop a program which satisfies the needs of each individual employee. First and foremost, with the guidance of Maslow's theory, an organization must address the physiological needs of its employees to maintain homeostasis: a kitchen to store food or nearby restaurants, employee restrooms, and other fundamental accommodations. Next, there is the need for safety. Maslow's findings can be applied to the business world through the preference for a job that is stable and secure. Businessmen and women look for opportunities for job security; since public accounting follows an up-or-out strategy, the job can be overly stressful and lack the safety fulfillment that young professionals seek. Employees must therefore obtain job security through satisfactory performance. Safety can also be provided through company insurance programs, such as medical, dental, unemployment, disability, etc.[13] Without the safety net these insurance programs provide, a professional may be uneasy and consistently on edge over where her career will take her next.

Once these basic, organizational needs are fulfilled by the employer and the actions of the employee, the employee must then discern whether or not the organization can fulfill his more advanced needs. The first pertains to the relationships that an individual holds, both in and out of the workplace. The love/belonging needs are the next step up the motivational pyramid. The feeling of belongingness with peers contributes heavily to a healthy lifestyle. If relationships are rocky with coworkers, advisors, and superiors, an individual will have difficulty finding a place within the company to excel

[12] Padgett, Margaret, Kathy Paulson, Gjerde & Susan B. Hughes. "The Relationship Between Pre-Employment Expectations, Experiences, and Length of Stay in Public Accounting." *Journal of Leadership and Organizational Studies, Vol. 12, No. 1* (2005).
[13] Maslow, A. H. "A Theory of Human Motivation," pp. 375.

and feel needed. On the other hand, a synergetic relationship with coworkers and mentors may prove to be one of the most important parts of retention. Fulfilling the belongingness need allows an individual to strive for the next step up the pyramid: the esteem needs. One of the most used self-reflective techniques to establish esteem is evaluation, which can be done by self or by others. In human nature there is a desire for achievement, adequacy, confidence, and independence,[14] the internal motivators that drive us to achieve our personal goals. Then, there is the need for reputation, recognition, attention, and importance.[15] These motivators are derived externally and, with the internal motivators, illustrate the esteem needs. The self-esteem needs provide an individual with their feelings of worth and usefulness in a company. At this stage, employees lacking these feelings may burn out and find that their continuation with the company is not within the scope of their current life goals.

The most coveted of needs, according to Maslow, is the need for self-actualization. No person can be ultimately happy until he/she is doing what he/she "must" do or is most fitted to do.[16] Each individual has a purpose on this planet, and in finding this purpose she will find self-actualization. Evidently, the actualization will differ from person to person. Maslow illustrates this point by indicating that these differences can range from being an ideal mother to expressing themselves athletically or artistically. This top-tier need may prove difficult to attain by those two-thirds of employed graduates in business and professional services who may not know right out of college where their true passions lie; a job in public accounting is often referred to as a great place to *start* a

[14] Maslow, A. H. "A Theory of Human Motivation," pp. 376.
[15] Maslow, A. H. "A Theory of Human Motivation," pp. 376.
[16] Maslow, A. H. "A Theory of Human Motivation," pp. 377.

career and build up the experience in order to transfer out to another career that requires less hours and less travel. Therefore, Staff level employees in public accounting will not all reach self-actualization in this current career choice. Additionally, there may be other factors in play when deciding to pursue the accounting career path in college, such as parental expectations for a business degree, monetary pressures to obtain a high paying job, and a skill set associated with accounting work; self-actualization can only be achieved in a career that manifests the employee's true passion. As a recent graduate, there is the opportunity to pursue different occupational paths until one fits. High employee turnover, especially in careers such as public accounting, may be attributed to the regard for these careers as purely starting points and not somewhere to stay long term.

Motivation-Hygiene Theory

There is also a possibility that some of the positive job factors provided by public accounting firms have little effect on whether or not someone remains in the industry, as illustrated through factors of satisfaction and dissatisfaction. Frederick Herzberg developed the motivation-hygiene theory in 1959 to illustrate motivation through these two factors. His theory builds upon the idea that these factors are independent of one another. The factors leading to job satisfaction are the result of achievement, recognition, the work itself, responsibility, and advancement. On the other hand, the factors which

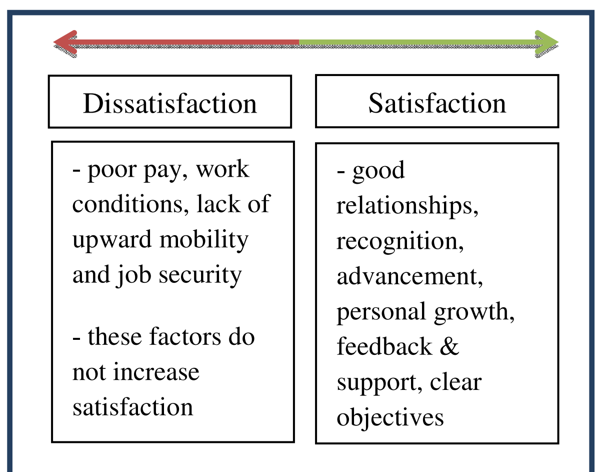

Figure 3: Herzberg's motivation-hygiene theory example
Redmond, Brian F. "Job Satisfaction." *PennState*, 10 November 2013

lead to job dissatisfaction result from company policies and administration, supervision, interpersonal relationships, job security, benefits, and salary.[17] The factors that lead to job dissatisfaction can be alleviated, but can only contribute marginally to overall job satisfaction. Herzberg explains that organizational factors can only benefit the worker to a certain extent – increasing job satisfaction must rely on the strengthening of intrinsic factors. Intrinsic factors can be defined as the work itself: planning and executing an audit of a public company, managing teams, identifying tax fraud, etc. Though the intrinsic factors cannot be significantly altered, public accounting firms have made moves to address and minimize the hygiene, or dissatisfaction, factors of a career in public accounting through the use of new company strategies and corporate governance programs. These strategies will be discussed in subsequent chapters.

Goal Theory

In the 1960s, Dr. Edwin Locke performed research on the intrinsic factors of a job by studying the relationship between conscious goals or intentions and performance. Locke's study resulted in a couple different conclusions: 1) the harder the goal, the higher the level of performance, and 2) more specific goals are attained more often than vague ones.[18] Locke then paired with Gary Latham to develop a Goal Theory that could be applied to motivational programs in all corporations. The two defined successful goal setting with goals that have clarity, challenge, commitment, feedback, and task

[17] Miner, John B. *Organizational Behavior: Essential theories of motivation and leadership. Volume 1*. M.E. Sharp, 2005.
[18] Locke, Edwin A. Toward a Theory of Task Motivation and Incentives. Organizational Behavior and Human Performance 3. American Institutes for Research, Washington: 1968, pp. 157-189.

complexity.[19] The importance of goal setting to motivation can be illustrated through Locke and Latham's findings on the areas of feedback and commitment. In relation to feedback, goals determine whether or not feedback will affect future performance. Maximum motivation and performance will occur when there is negative discrepancy between the outcome of an act and the standard for which that act is held (the goal), as well as a dissatisfaction with that discrepancy. For example, if a marketing employee sets a goal to acquire 100 new customers in a month and she only succeeds in getting 80, there is a negative discrepancy between her outcome (80 new clients) and her goal (100 new clients). Assuming that she is dissatisfied with this outcome, her feedback from her boss will motivate her to work harder the next month. This, in turn, requires the employee to feel a level of commitment to the firm and to her boss. Locke and Latham's findings show that a legitimate and powerful authority figure turned out to be a powerful indicator of a high level of commitment.[20] Goal Setting Theory is widely applicable to all forms of business and can be used to increase the level of commitment and motivation of an employee to stay longer in public accounting.

Contributions to Employee Turnover

In order to analyze the effectiveness of the Big Four's contributions to an employee's career progression, one must look at the factors that contribute to the high rates of employee turnover in these careers. Though employee turnover is common in any occupation, there are certain areas of public accounting that weed out potential

[19] Locke's Goal Setting Theory: Understanding SMART Goal Setting. Mind Tools Ltd, 1996-2013.
[20] Locke, Edwin A. "Goal Theory vs. Control Theory: Contrasting Approaches to Understanding Work Motivation." *Motivation and Emotion, Vol 15, No. 1* (1991): University of Maryland, 20.

employees from becoming top executives. These areas include the heightened amount of responsibility with each promotion, long hours, and difficulty balancing each aspect of life; these, in turn, contribute to the stress and emotional exhaustion that lead to employee burnout.

Public accounting is more or less regarded as an “up or out” occupation. In only as little as two years on the job, individuals are able to step into a Supervisor role in which she is given the responsibility of leading a team of associates. One possible contribution to the excessive amount of employee turnover in public accounting is the perceived notion that not all individuals are fit for leadership positions. By the time an individual reaches the Supervisor level, she is already stepping into a role with exponentially increasing amounts of discretionary leadership in which she has the power to make important decisions for the bettering of the company; for example, the Supervisor has frequent, direct contact with the client in which he/she can question the validity of accounts and decisions and determine when additional transparency is needed in order to perform a sufficient audit. Public accounting careers are known to quickly shoot employees up the ranks, especially with the amount of new hires being trained every year and the expansion of the market. As a team effort, Staff level employees, as well as interns, look to their Supervisor to guide them at the employee site and act as the general liaison between the firm and the client. Since Managers and other upper level executives spend more time at the office and less time at the client site, the Supervisor is generally responsible for the work that gets done to complete the audit, consultation, or tax evaluation. That being said, there is little research that has been successful in identifying universal traits of an effective leader. Mark Alan Smith and Jonathan M.

Canger studied the effect of the Big Five Personality Traits – Emotional Stability, Extraversion, Openness, Conscientiousness, and Agreeableness – on subordinate attitudes. They found these traits to lead to positive attitudes of subordinates, but did not show any findings in the effectiveness of these leaders on overall productiveness of the team.[21] Therefore, it seems to be more of a situational determination of leadership potential and not specific innate traits. The theory that employees leave public accounting due to lack of leadership potential does not hold. Instead, amongst the various types of leaders that exist in business, it's the perception and fear of failure in a leadership role that can prove detrimental.

Another common and often forthcoming issue that young professionals have with the field of public accounting is the long hours it requires. According to a study by Collins and Killough in 1992, public accountants reported working an average of 59 hours per week during the busy season, which lasts, on average, about sixteen weeks.[22] These long hours put a lot of stress on employees, especially since the work depends on strict deadlines and high levels of client satisfaction. In turn, the long hours required by the job contribute to the difficulty of maintaining a healthy work/life balance and starting a family. It then becomes a problem of prioritizing family and work commitments, which leads to a struggle over what needs to be sacrificed to pursue one over the other. The difficulty of maintaining an ideal work/life balance is often attributed to job burnout.

Christina Maslach developed a model for assessing job burnout that consists of three dimensions: emotional exhaustion, depersonalization, and reduced personal

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[21] Smith, Mark Alan & Jonathan M. Canger. "Effects of Supervisor "Big Five" Personality on Subordinate Attitudes." *Journal of Business and Psychology, Vol. 18, No. 4*. (Jun. 2004): Springer, pp. 465-481.
[22] Greenhaus, Jeffrey H., Karen M. Collins, Romila Singh & Saroj Parasurman. "Work and Family Influences on Departure from Public Accounting." *Journal of Vocational Behavior 50* (1997): 251.

accomplishment.[23] The Maslach Burnout Inventory (MBI) is studied and developed in hopes of finding intervention strategies for organizations to catch burnout inducers and reduce them. These three components must be addressed individually and with different strategies. First and foremost, the individual component of emotional exhaustion deals with a depletion of emotional resources that can be dedicated to the job.[24] As a young adult, emotional resources are split between work, family, friends, etc., making it difficult to dedicate all that is necessary to excel in an occupation. Secondly, the interpersonal component of depersonalization causes a detachment with colleagues and clients.[25] The depletion of emotions causes disconnect with a job, therefore depersonalizing the experience for the employee to the point that he or she does not develop a sense of ownership of the company. Lastly, the self-evaluative component of reduced personal accomplishment leads to a negative self-image, which in turn reduces perceived achievement and job competency.[26] Due to the lack of perceived ownership of the company's goals, the employee now feels less accomplished within the company and is getting less out of the work. There are several areas of a career in public accounting that contribute to job burnout along these criteria. Long hours, deadlines, and travel combined with raising a family lead to emotional exhaustion since it is impossible to give 100% effort to each aspect of life. Exhaustion with work can prove detrimental to relationships formed there, leading to a depersonalization that causes employees to feel disconnected

[23] Guthrie, Cynthia P. & Ambrose Jones, III. « Job Burnout in Public Accounting: Understanding Gender Differences." *Journal of Managerial Issues, Vol XXIV, No. 4* (2012): 390.
[24] Guthrie, Cynthia P. & Ambrose Jones, III. "Job Burnout in Public Accounting: Understanding Gender Differences," 391.
[25] Guthrie, Cynthia P. & Ambrose Jones, III. "Job Burnout in Public Accounting: Understanding Gender Differences," 391.
[26] Guthrie, Cynthia P. & Ambrose Jones, III. "Job Burnout in Public Accounting: Understanding Gender Differences," 391.

from the people they want to serve. Additionally, deadlines and disagreements with clients, as well as colleagues, put stress on relationships and make it harder to work effectively. Since public accounting is regarded as an "up-or-out" career, the inability to move up in the ranks on the standard career path may lead to a reduction in self-perceived achievement.

Conclusion

According to the common contributors to employee turnover – negative self-perceptions of leadership potential, long hours, and the inability for many to reach self-actualization – accounting firms must focus on motivational techniques that will address these specific areas. The motivational concepts that will prove most effective in motivating public accounting professionals are goal-setting and the reduction of hygiene factors in the workplace. An additional area that must be addressed is the discrepancy in the turnover rates for men and women. After analyzing these additional contributing factors, we can discern whether or not public accounting firms are taking the necessary steps to increase employee retention; then, suggest alternate motivators that may have been overlooked or need to be strengthened.

Chapter 2: Gender Differences in Employee Retention

In the early 2000s, 56% of bachelor's degrees in accounting were awarded to women, compared to the 10% in 1970.[27] Though women have made astounding moves towards entering previously predominantly male professions, the high turnover rate inhibits them from breaking the "glass ceiling" of public accounting and becoming a majority presence in management. As of October 2012, women made up a meager 14-17% of Partners at the Big Four firms.[28] As seen in the following charts, the majority of women in public accounting remain in the Staff and Supervisor levels, while the men inhabit the Manager and Partner positions. There are multiple explanations that researchers have discussed as to why the differences exist in the turnover rates between

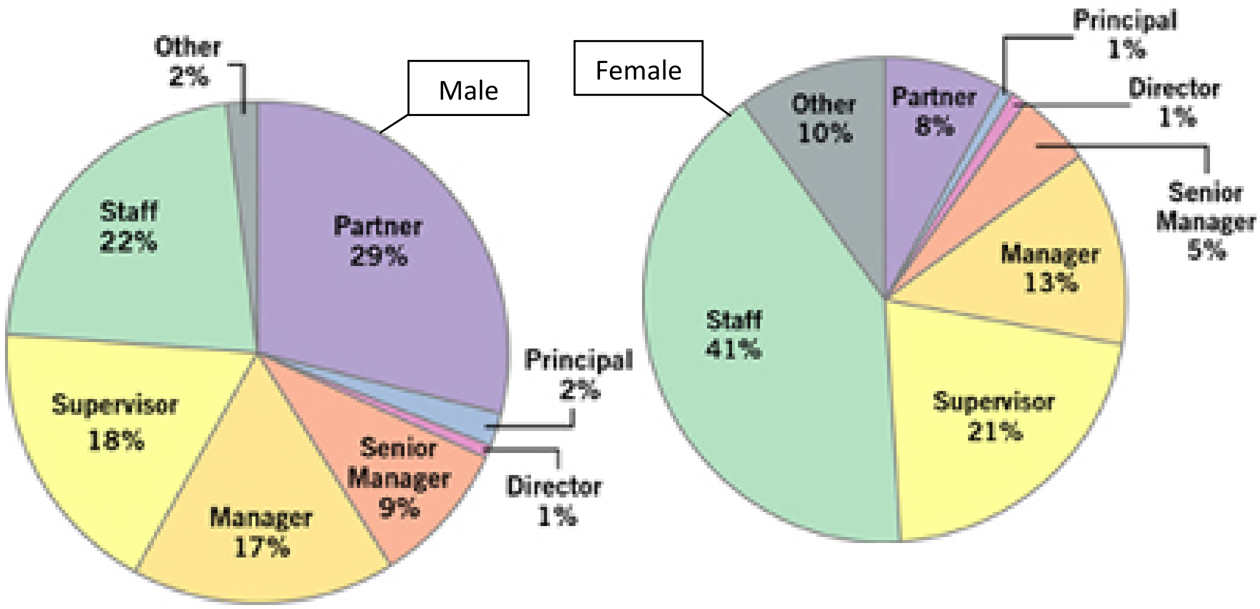

Figure 4: Baldiga, Nancy R. and Mary S. Doucet. "Having It All : How a Shift Toward Balance Affected CPAs and Firms." *Journal of Accountancy* (May 2001).

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[27] Wooten, Lynn Perry. "What Makes Women-Friendly Public Accounting Firms Tick? The Diffusion of Human Resource Management Knowledge Through Institutional and Resource Pressures." *Sex Roles, Vol. 45, Nos 5/6* (2002): University of Michigan Business School, 278.

[28] Chivers, Jessica. "Female Partners at the Big Four." *Jessica Chivers: The Thinking Woman's Coach*, 8 October 2012 <http://jessicachivers.com/2012/10/08/female-partners-at-the-big-four/>

men and women. These explanations include, but are not limited to, the existence of familial pressures, personality differences, and situational factors that inhibit women from excelling in the workplace.

Work-Family Balance

The most obvious and well-known hypothesis for the high turnover rates of women in public accounting is the pressures associated with starting a family. According to developmental psychologists, the optimal age of reproduction ranges from 20-35.[29] This is when the stress of child-bearing is healthiest for the mother and the child. Employees at the Big Four accounting firms, on average, reach Partner with 12-15 years of experience. For women entering public accounting after graduation, or at roughly 22 years of age, they immediately face the pressures of starting a family before reaching Partner in hopes of reproducing before the age of 35. The stresses of family life make it extremely difficult to balance both work and family, especially when the work requires over 40 hours of work per week. The expectation is that women generally assume more responsibilities of child rearing and taking care of the home, which in turn leads them to sacrifice a career in public accounting due to the long hours and extensive travel responsibilities it requires.

This explanation, however, has not been fully supported, as researchers agree that both men and women experience pressures from family life. Greenhaus et al. performed a study examining four sets of potential influences on departure from public accounting:

[29] Laurance, Jeremy. "The Big Question: So is there an optimum age for a woman to have a baby?" The Independent, 26 October 2006, < http://www.independent.co.uk/news/science/the-big-question-so-is-there-an-optimum-age-for-a-woman-to-have-a-baby-421597.html>

work experiences, family responsibilities, work-home conflict, and stress. Surprisingly, this study found no differences between men and women's feelings of family responsibilities and their effect on departure. The most important indicator of departure in this study was stress. Stress is a result of work overload, work-home conflict, and low expectations for advancement.[30] Both men and women will undoubtedly experience work overload and work-home conflict during a career in public accounting simply due to the nature of the work. However, it is the "low expectations for advancement" factor that may provide the key to departure for women over men. With the minimal representation by women in the higher ranks of public accounting, it may be difficult for women to see the achievement of becoming a Partner as a likely and relevant goal. Instead of familial pressures illustrated by child-rearing and nurturing, it may be the *expectations* of a woman associating with the home that is the problem.

Person-Centered v. Situation-Centered Explanations

The profound rate of female employee turnover has also been explained via person-centered and situation-centered explanations. The person-centered explanation contributes the failure of women to reach upper management positions to the woman herself – her personality, upbringing, and understanding of human nature. Female socialization practices discourage women from acquiring the personality traits and behaviors that would make them successful in management positions. This is primarily due to how little girls are raised compared to little boys; for example, since girls are less likely to engage in team sports, they do not learn the teamwork and leadership skills that

[30] Greenhaus, Jeffrey H., Karen M. Collins, Romila Singh & Saroj Parasurman. "Work and Family Influences on Departure from Public Accounting," 265.

boys do.[31] Matina Horner (1969) proposed a Theory of Female Fear of Success that emphasizes the incompatibility between achievement and femininity.[32] There is often a negative stereotype surrounding a woman who pursues a nontraditional field. This fear is rooted in the stereotype that nontraditional fields contribute to a woman's masculinity, an undesirable trait for women who seek a mate. This discrimination is further emphasized by the gender wage gap, which was 23% in 2010, showing that gender equality in the workplace is still far from where it should be.[33]

The opposing explanation for disconnect between women and upper level management positions is the situation-centered explanation. This explanation shifts the blame from the woman herself to the organizational factors that inhibit women from moving up in the ranks. Women may often feel as if there are no opportunities for them to succeed given the lack of aid programs and female role models. Once close to the top, women are primarily surrounded by male colleagues. Stereotypes come into play again in this explanation as a woman's success is attributed less to ability and more to extra effort, especially since there are so few women in high ranks.[34] These stereotypes are also further exemplified when an organization decides on promotions; people are more likely to select those with whom they share an in-group relationship.[35] In social psychology, and individual's in-group is that which he or she shares commonalities; since most

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[31] Maupin, Rebekah J. "How Can Woman's Lack of Upward Mobility in Accounting Organizations Be Explained?" *Group & Organization Studies* (1993): Proquest, 134.
[32] Maupin, Rebekah J. "How Can Woman's Lack of Upward Mobility in Accounting Organizations Be Explained?" 136.
[33] Casserly, Meghan. "How Women's Low Expectations Perpetuate The Gender Pay Gap." *Forbes.com*, 10 September 2013.
[34] Maupin, Rebekah J. "How Can Woman's Lack of Upward Mobility in Accounting Organizations Be Explained?"
[35] Maupin, Rebekah J. "How Can Woman's Lack of Upward Mobility in Accounting Organizations Be Explained?"

managers are male, it is more likely a male will be selected to replace or join them in that responsibility.

Rebekah J. Maupin surveyed male and female accountants to gauge a sense of which explanation people are more drawn to, the person-centered or situation-centered explanation. The results of the study, a questionnaire based on a 7-point scale, illustrated a difference between the attitudes of men and women on the scarcity of women in management positions in public accounting: over 90% of men placed more emphasis on the person-centered explanation while a majority of women placed more emphasis on the situation-centered explanation.[36] Men disregarded the possibility that the reasons for the lack of female advancement related to firm culture and the perpetuation of traditional gender norms through the organization's social composition. One of the main written explanations that men gave was that women were not aggressive enough to become Partners.[37] On the other hand, women regarded their inhibitions in terms of the existence of gender stereotypes in the organization that disregards a woman's ability to perform up to par with men. Women placed the most importance on the difficulty of working under the current discriminatory conditions. Overall, it seems that most explanations thus far have pointed to the idea that social norms and stereotypes are the most prevalent contributing factor to female turnover.

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[36] Maupin, Rebekah J. "How Can Woman's Lack of Upward Mobility in Accounting Organizations Be Explained?"
[37] Maupin, Rebekah J. "How Can Woman's Lack of Upward Mobility in Accounting Organizations Be Explained?"

Personality Differences

An integral part of the person-centered explanation that has been considered is the idea that personality differences between men and women lead to a disconnect between a typical female personality and the personality needed for a management position. As stated earlier, the perceived traits associated with management, namely aggression, is not one that women actively seek due to social implications. The lack of female aggressiveness in the workplace can be attributed to a lack of confidence in her abilities and negative self-perceptions rooted in typical social norms.

Albert Bandura's Self-Efficacy Theory defines the self-perceptions that individuals hold about their personal capabilities.[38] His theory found that women feel more confident in their ability to relate well to others and less confident in their technical skills.[39] Women are typically regarded as being empathetic, nurturing, and soft. As women move up the ranks in public accounting, they may feel the pressure to take a step back due to their lack of confidence in providing the technical skills necessary to help the organization grow. Sheryl Sandberg, Chief Operating Officer of Facebook and author of *Lean In*, describes her interactions with female employees when attempting to encourage them to take on more challenging roles: Sandberg heard phrases such as, "I'm just not sure I'd be good at that" and "I still have a lot to learn in my current role", those which she did not hear from men.[40] The existence of these negative self-perceptions inhibit a woman's ability to gain the confidence necessary to be assertive in the workplace,

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[38] Pajares, Frank. "Self-Efficacy Theory." *Education.com*. 23 December, 2009, <http://www.education.com/reference/article/self-efficacy-theory/>

[39] Guthrie, Cynthia P. & Ambrose Jones, III. "Job Burnout in Public Accounting: Understanding Gender Differences," 406.

[40] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*. New York: Alfred A. Knopf, 2013, pp. 34-35.

especially if she constantly second guesses her assertions. Current leaders in the accounting world do not help the situation, as they continue to reward those with more in-group, masculine traits through promotion and recognition.

A Synthesis of Prevailing Explanations

All popular explanations for the lack of female representation in the upper ranks of public accounting, as stated above, point to the idea of social stereotypes and gender norms. In short, there is the generalization that an individual just cannot do it all: succeed in a career and contribute equally to family. When family pressures become evident, it is expected for a woman to be the primary caregiver. Sandberg explains the dangers of stereotype threat on social norms. When stereotypes are brought to our attention, members of the group being stereotyped are more likely to perform accordingly.[41] For example, in a study done by Spencer et al. on stereotype threat and performance, females performed significantly worse than males on a mathematical skills test when made aware that the test was meant to study gender differences.[42] The stereotype associated with the lesser competency of females in mathematical skill actually negatively affects performance. The same threat can be applied to many aspects of women in the business world. Sandberg uses a popular culture example to illustrate the notion that women are surrounded by a culture that does not help them to excel intellectually; in 2011, Gymboree sold clothing that said "Smart like Daddy" for baby boys and "Pretty like

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[41] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 23.
[42] Spencer, Steven J., Claude M. Steele, & Diane M. Quinn. "Stereotype Threat and Women's Math Performance." *Journal of Experimental Social Psychology* (1999), 4.

Mommy" for baby girls.[43] This gives both men and women the idea that the woman will be the one to take over caregiving responsibilities when beginning a family because the man is the "smart" one who will have the most success in pursuing a career.

Women are used to being complacent. Carol Frohlinger and Deborah Kolb, founders of Negotiating Women, Inc., call this the "Tiara Syndrome" where women sit back and expect good work to naturally result in rewards.[44] Sandberg explains that rewards will often not result unless the employee advocates for themselves more aggressively like men do. The problem with this, of course, comes back to the negative stereotype of aggression. Social Role Theory explains that men and women develop gender roles based on social position.[45] This means that women will act according to society's expectations of them, based on injunctive and descriptive norms. Cialdini (2003) defines injunctive norms as those behaviors that are perceived to be acceptable ones; he then defines descriptive norms as those behaviors that are typically performed by a specific social class.[46] Injunctive and descriptive norms can be applied to this discussion of social roles in the workplace; the difference between the two is that one focuses on what is morally *acceptable* while the other focuses on the *expected*. One injunctive norm for women in U.S. society, depending on the moral standing of the individual doing the perceiving, would be equality between the sexes. This means that any individual who believes it is just as acceptable for a woman to work a full time job as it is for a man would perceive a working woman as following acceptable social roles.

[43] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 19.
[44] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 63.
[45] Eckes, Thomas & Hanns M. Trautner. "Developmental Social Psychology of Gender: An Integrative Framework." *Lawrence Erlbaum Associates, Inc* (2000): pp. 130.
[46] Eckes, Thomas & Hanns M. Trautner. "Developmental Social Psychology of Gender: An Integrative Framework," pp. 131

However, the descriptive norm that is typically expected of a woman is the perception that the woman is the primary caregiver and the man's duty to his family is to carry the economic burden. The expectation of a woman to act in a feminine way and a man to act in a masculine way is rooted in Social Role Theory. A woman who rebels against typical descriptive norms is often disliked. Sandberg explains this concept with the negative stereotype associated with being a feminist; she quoted Marianne Cooper, writer of the article "The New F-Word", saying that "being called a feminist was to suspect that some foul epithet had been hurled your way."[47] Though many women believe in gender equality, it is difficult to be an advocate for such a sensitive topic due to the fear of being negatively labeled.

[47] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 142.

Chapter 3: Solutions to Employee Turnover and a Firm's Contribution

In 1989, Ann Hopkins won a lawsuit against Price Waterhouse for discrimination based on rarity and ambiguity in criteria for making decisions on promotions. She was the only woman among 88 candidates for Partner positions.[48] Her case marked a shift in the public eye regarding workplace discrimination on the basis of gender, and public accounting firms began to make moves towards women-friendly, and overall more inclusive, policies. This case also illustrates a more general shift in firm policies to address the greater issue at hand: high turnover rates among all professionals in public accounting, regardless of gender. As stated earlier, contributions to employee turnover include the long hours required, increasing amounts of responsibility with each promotion, and an inability to find a desirable work/life balance. These contributions are further heightened when paired with the stereotype that women are not fit for leadership positions.

The Big Four public accounting firms, Deloitte, EY, PricewaterhouseCoopers, and KPMG, have adapted policies to address employee turnover and incentivize employees to find longevity with the firm. These policies include financial incentives, recognition of a healthy work/life balance, and mentorship opportunities, while simultaneously addressing the ever present gender differences. Additional solutions touch upon these aforementioned areas, but also see the need to focus on breaking down gender stereotypes and aiding an individual in developing ownership over his or her career.

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[48] Wooten, Lynn Perry. "What Makes Women-Friendly Public Accounting Firms Tick? The Diffusion of Human Resource Management Knowledge Through Institutional and Resource Pressures," 286.

Financial Incentives

Young professionals will often be told by guidance counselors and motivational speakers to follow their passions and not worry about the paycheck. However, no other motivational tool provides comparable sustenance, security, and privilege to that of financial incentives such as income.[49] Jack and Suzy Welch describe money as a "way of keeping score" to measure one's worth against colleagues, friends, etc.[50] Additionally, Malka and Chatman (2003) found a positive correlation between income and job satisfaction.[51] Income is a tangible and comparable indicator of how well an employee is performing in the company, but is also essential in providing the necessary means by which to live.

In order to fulfill the need for safety, as defined by Maslow, a firm must provide the essential monetary rewards for service. Financial incentives, such as a relatively high salary, provide motivation for employees to remain in an organization. Other financial incentives that public accounting firms tack on to an offer include According to Yahoo! Finance's list of best careers for recent college graduates, accounting and auditing sits amongst the top with software development, market research analysts positions, and education.[52] When you compare these top careers' mean salaries from the Bureau of Labor Statistics, it is easy to see why some careers are so popular. Accountants and

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[49] Judge, Timothy A. et al. "The relationship between pay and job satisfaction: A meta-analysis of the literature." *Journal of Vocational Behavior 77* (2010): 157.
[50] Welch, Jack and Suzy. Four Sure-Fire Ways to Motivate Your People, And Dinner With You Isn't One of Them. LinkedIn. 4 November 2013, <http://www.linkedin.com/today/post/article/20131104192204-86541065-four-sure-fire-ways-to-motivate-your-people-and-dinner-with-you-isn-t-one-of-them>
[51] Judge, Timothy A. et al. "The relationship between pay and job satisfaction: A meta-analysis of the literature." 158.
[52] Jacobs, Peter.   The 10 Best Careers Right Now for Recent College Graduates. Business Insider, 18 October 2013 <http://finance.yahoo.com/news/the-10-best-careers-right-now-for-recent-college-graduates-211643700.html>

auditors sit amongst the top for annual mean wage, closely followed by the average income of various computer and mathematical occupations. These high wages are meant to offset the grueling hours associated with public accounting and provide incentive to stay with the company

Industry	**Annual Mean Wage**
Accountants and Auditors	$68,170
Education, Training, and Library Occupations	$36,190
Market Research Analysts	$53,350
Computer and Mathematical Occupations	$65,350
Financial Analysts and Advisors	*$86,220*

Figure 5: "May 2012 National Industry-Specific Occupational Employment Wage Estimates." *Occupational Employment Statistics. Bureau of Labor Statistics*, 29 March 2013.

Also included are the salaries for financial analysts and advisors because these careers are typically regarded as having high rewards for hard work and longer hours. Though the annual mean wage is higher for financial analysts and advisors than for accountants and auditors, the latter are provided much more flexibility in scheduling and have a much shorter busy season. Public accounting is therefore an extremely attractive career for recent graduates, especially as the annual pay increases with each promotion.

Besides salary, public accounting firms provide additional financial incentives to remain within the company. Traditional benefits include medical, dental, and vision coverage, as well as contribution to 401(k) plan to prepare for retirement.[53] In short, the longer an employee remains with the firm, the easier his or her financial life will be after full-time work is completed. Additionally, EY[54] and Deloitte[55] offer a discount system for

[53] Total Rewards: Your benefits and more. Ernst & Young, LLP, 2012, pp. 2-3.
[54] Total Rewards: Your benefits and more. Ernst & Young, LLP, 2012, pp. 9.

products and services associated with daily needs. KPMG provides a similar program called "Perks at Work", while also pairing with Marriott International and Chrysler, Dodge, and Jeep to provide employee discounts.[56] Though these benefits provide potential perks for choosing one Big Four firm over another, they do little to provide an ultimate reason for choosing public accounting and sticking it out for more than a couple years. More importantly, business professionals are likely to seek out work flexibility.

Time Off/Flexibility

The Family and Medical Leave Act of 1993 provides employees with unpaid, job-protected leave for medical reasons, including maternity leave.[57] The fact that this protection is unpaid does not incentivize a nursing mother to reenter the workforce because she loses her connection with the firm; if she is already not being paid for her time off, then what loyalty does she owe the firm? Statistics show that a meager 74% of women will rejoin the work force in some way after leave, while only 40% will return to full-time jobs.[58] Therefore, EY provides six weeks of paid leave for the primary caregiver and two weeks for the other parent.[59] PwC and Deloitte provide similar benefits with six weeks of paid parental leave for PwC employees, eight for Deloitte,[60] and three paid

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[55] Benefits: Option you can customize to fit your needs. Deloitte LLC, 2013 <http://mycareer.deloitte.com/us/en/life-at-deloitte/worklifefit/benefits/life-and-family>
[56] MyLife Benefts. KPMG LLP, 2013 < http://www.kpmgcampus.com/kpmg-family/life-discounts.shtml>
[57] Family and Medical Leave Act. Wage and Hour Division (WHD). United States Department of Labor.
[58] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 102.
[59] Total Rewards: Your benefits and more. Ernst & Young, LLP, 2012.
[60] Benefits: Option you can customize to fit your needs. Deloitte LLC, 2013 < http://mycareer.deloitte.com/us/en/life-at-deloitte/worklifefit/benefits>

weeks for the non-primary parent.[61] At KPMG, the required 12 weeks of unpaid time off under the FMLA is extended to 26 weeks.[62] By providing financial compensation and flexibility for the inability to work during maternity leave, a firm can potentially increase the number of women that will return to the workforce after recovery.

Employees in their first few years with a firm, where the most turnover occurs, already show concern with the ability to assert longevity with the firm and build a family simultaneously. Sandberg explains that, when speaking with women about new job opportunities, they often seem hesitant with taking on more responsibilities. When these hesitations arise, Sandberg asks the women very frankly whether or not their concerns involve the fact that they are hoping to have children soon and to "make sure they aren't limiting their options unnecessarily."[63] Public accounting firms can limit these concerns with programs aimed at the working mother and father, giving each various opportunities to successfully do both. These policies are clearly laid out in each of the Big Four's benefits packages, giving working professionals the ability to plan ahead in their careers to easily adapt family planning. EY provides back-up child care for both anticipated and unexpected needs, a College Coach to help prepare both parents and their children for college, and even adoption assistance to encourage employees to pursue their family goals.[64] Additionally, PwC offers paid adoption leave on top of other parental leave already provided[65] while Deloitte offers multiple sabbatical programs that can be taken

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[61] Employee Benefits. PricewaterhouseCoopers, LLP, 2011-2013 < http://www.pwc.com/us/en/careers/campus/ why-pwc/employee-benefits.jhtml>
[62] MyLife Benefts. KPMG LLP, 2013 < http://www.kpmgcampus.com/kpmg-family/life-time-off.shtml>
[63] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 96.
[64] Total Rewards: Your benefits and more. Ernst & Young, LLP, 2012.
[65] Employee Benefits. PricewaterhouseCoopers, LLP, 2011-2013

for any personal reason while continuing to receive 40% of pre-sabbatical base salary.[66] KPMG provides similar adoption assistance programs, as well as privacy rooms for nursing mothers so they feel at home within the workplace.[67]

In addition to warranted time off, there is an increasing focus of public accounting firms on flexibility. Each of the employee benefits packages provided to new hires lists a section entitled as such and includes a line or two on the firms focus on providing flexibility to succeed in both career and personal life. The firms provide varying options for flexible work options such as reduced or variable work hours, compressed workweeks, seasonal schedules, and the ability to work from home.[68] New technology has vastly increased the amount of flexibility that employees can practice. For example, EY uses an audit support program called GAMx where all audit papers and supports are stored for universal access. EYs 2013 Transparency Report defines the advantages of GAMx in driving uniform execution of EYs Global Audit Methodology (GAM) and allowing people to work together as if they are in the same location.[69] On various days, a working mother or father can spend time with the kids at home while maintaining connection to the office network; a nursing mother can drop an excel file into GAMx that she has been working on, and just as easily jump onto a conference call with the Partner and Senior Manager on the engagement to discuss audit risk. Additionally, the basic team structure that public accounting provides gives each employee the flexibility to coordinate responsibilities with other team members. If coordinated properly with team

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[66] Benefits: Option you can customize to fit your needs. Deloitte LLC, 2013 < http://mycareer.deloitte.com/us/en/
life-at-deloitte/worklifefit/benefits>
[67] MyLife Benefts. KPMG LLP, 2013 < http://www.kpmgcampus.com/kpmg-family/life-time-off.shtml>
[68] Total Rewards: Your benefits and more. Ernst & Young, LLP, 2012, pp. 6.
[69] "Transparency Report 2013." *Ernst & Young, LLP* (2013): 13.

members, employees have the ability to take time off every now and then to attend prior commitments as long as assigned work is completed in a timely manner; this flexibility comes with effective communication and reliance on team members' understanding and cooperation.

As stated above, the Big Four public accounting firms have established various programs to show potential employees their focus on flexibility by providing options. However, provided the nature of accounting work, these options are not always reasonable. The key for flexibility is giving employees the ability to make and maintain plans. Flexibility does not mean an employee can leave early one Friday, it means being home at a reasonable hour each night to pick up kids from soccer practice or participate in family dinner. Predictability in a daily routine reduces stress and allows proper management of both work and family life. Sandberg explains that fluctuating schedules offer little chances to plan, and even may fall short of the 40-hour work week.[70] Much of the inflexibility and unpredictability in public accounting depends on the client's needs and the client's overall preparedness for an audit; since public accounting is a professional services industry, employees receive time off when the client is satisfied. The nature of accounting work makes it difficult to maintain a steady schedule. The goal of public accounting firms must be to restructure an employee's schedule to fit his or her individual needs and reduce the amount of fluctuation and inconsistency as possible. Since most of the flexibility in the work day is based on the amount of work that needs to be completed, a more extreme solution could be to simply increase the amount of workers per team, therefore reducing the number of hours required by each member.

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[70] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 169.

Though this may lead to a decrease in salary, the increase in worker attitudes and retention may prove beneficial in the long run.

Mentorship Opportunities

Mentors are important for young professionals in that they provide guidance in helping set realistic goals with their mentees. Mentoring relationships are essential in fulfilling Maslow's love/belonging and esteem needs; they provide a network of connections with colleagues that help employees "fit in" in the company, while also allowing employees to set goals to provide a base level for career accomplishments. Mentors provide performance feedback, promote employees for upper level positions, and have been able to reduce stress by providing a psychological outlet.[71] As discussed earlier, there is an in-group/out-group segment to mentoring that proves disadvantageous for women in male-dominated careers such as public accounting. Social norms for mentoring relationships are often same sex relationships due to peer perceptions. Concerns over the public image of a male mentor and female protégée lead to less willingness of the male mentors to take on cross-gender relationships. These types of relationships can oftentimes be interpreted as inappropriate and sexual, leading to jealousy, resentment and gossip in the workplace and in the public eye.[72] Due to the sheer number of males in management positions in public accounting, the lack of mentors for females is increasingly concerning. Since males prefer male mentees, and upper level

[71] Noe, Raymond A. "Women and Mentoring: A Review and Research Agenda." *Academy of Management Review*, *Vol. 13, No. 1* (1998): 66.
[72] Noe, Raymond A. Women and Mentoring: A Review and Research Agenda, pp. 69.

management is primarily male, then mentorship only contributes to the vicious cycle of less female representation in upper level management.

The Big Four public accounting firms take advantage of formal mentoring programs to eliminate the negative stereotypes associated with cross-gender mentoring relationships. In these formal programs, new hires are assigned mentors to guide them through their first experiences with the firm, as opposed to informal mentoring programs in which mentees seek out their own mentors. For example, during the summer internship program at EY, interns are paired with three mentors to rely on for performance reviews and career guidance: a peer mentor (Staff level), counselor (Manager), and Partner mentor. As a female intern in a male-dominated firm, I was paired with three male mentors. All negative stereotypes surrounding an inappropriate relationship between a male mentor and female mentee were removed with the pre-assignment of mentors. Counselors and mentees are often paired based on common career interests of industry preference, as well as similar origins in hometown or university attended. The formal mentorship program also gives new hires a connection to a Partner at the firm; this exposure to upper-level management is one which a new employee may not otherwise be able to have due to the hierarchical nature of public accounting. An employee is still able to form alternative mentor-mentee relationships as desired if he or she finds this sort of connection with another colleague. The formal mentoring program gives women the same opportunities as men in these male-dominated occupations, which proves essential in providing women with the tools to establish longevity with a firm.

Jack and Suzy Welch describe the four ways for a leader to motivate employees: recognition, celebration, collective purpose, and challenge and achievement.[73] Mentors also have the ability to provide their mentees with the needed recognition associated with job motivation. Employee recognition allows an employee to feel a sense of personal accomplishment and connection with the firm, a direct fulfillment of Maslow's Esteem need. Recognition can be given in the form of awards or public appraisal that raises the bar for everyone and inadvertently gives each person a goal to work towards. This goes hand-in-hand with the second motivational tool of celebration; by celebrating a team's successes at each milestone, those milestones become more tangible and realistic. The last two motivational techniques proposed by the Jack and Suzy Welch, namely finding a collective purpose and finding challenge and achievement, revolve around goal setting. By giving someone a goal, there is instantly an incentive to remain in work until that goal is completed. By setting continuous and overlapping goals, employees will be constantly consumed by areas in which they can continue to develop and further their successes and the successes of the company.

As illustrated, mentors tend to have the most power in motivating individuals; therefore, the leaders of the company must also be willing and able to mentor. In the Big Four accounting firms, upper level management including Senior Managers and Partners take part in mentoring relationships. By increasing the number of these relationships across different levels of the organization, as well as increasing the amount of communication and meetings between mentors and mentees, motivation should also begin to increase. There is a great responsibility placed on mentors to provide mentees

[73] Welch, Jack and Suzy. Four Sure-Fire Ways to Motivate Your People, And Dinner With You Isn't One of Them.

with the resources to excel, as well as provide an open and understanding relationship for the mentee. The Big Four firms can facilitate this responsibility by providing mandatory mentor workshops and trainings to prepare upper-level employees for this important experience. Only through formal mentor training can all upper-level employees be expected to provide effective and streamline relationships to employees; the formal mentoring programs at the Big Four firms should include formal mentor training so that each new employee is provided with an equal opportunity to all other mentor-mentee relationships within the firm.

Breaking down Stereotypes

The Big Four accounting firms have all focused on establishing themselves as diverse communities, focused on the advancement of all professionals. Each of the Big Four firms appears on the list of Working Mother Magazine's Best Companies to work for in 2013.[74] In addition, women's initiative programs have been established to lighten the load of female pressures and encourage professional women to seek career advancement. For example, Deloitte created Deloitte Women's Initiative (WIN) in 1993 to "accelerate the retention and advancement of women.[75] WIN provides career counseling and structured coaching through its many sponsors. Through these programs, accounting firms hope to break down stereotypes associated with females in upper level management by facilitating the current transition towards equality. These programs, however, are developed to teach women the leadership skills necessary to excel in a

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[74] "2013 Working Mother 100 Best Companies." *Workingmother.com*. Working Mother Media (2013).
[75] Unleashing Potential: Women's Initiative Annual Report. Deloitte, LLC, 2010.

male-dominated firm. Instead, these workshops should be designed to help any individual further develop his or her unique strengths and apply those strengths to an effective form of leadership. Singling out women in initiative programs emphasizes the idea of tokenism: the disproportionate representation of an individual in a social category.[76] The "token" woman in management, seen as given preferential treatment for her gender, will often be resented and treated as if she does not deserve the position.

There is a common misconception in today's workplace that aggression and independence, and only these and similar traits, make a good leader. Women who display these masculine traits in leadership positions are often disliked by peers and treated as an anomaly, acquiring the position through luck or similar means. The narrow-mindedness of today's culture inhibits a woman from easily reaching these high ranks because of the sacrifices she must make. Sheryl Sandberg began to advocate for women when she acquired a position of power at Facebook and was immediately labeled; she and the other few women in executive positions at corporations become representatives of their entire gender, constantly in the spotlight and scrutinized for every move they make.[77] The pressures on women to step into leadership roles, mentor all other women below them, and change the face of corporate America are exhaustive. The real change is going to have to come from both inside and outside of the workplace – expectations of women in the workplace are that they are to act like men and just blend in. Sandberg so eloquently puts that, "instead of ignoring our differences, we need to accept and transcend them."[78] There are traits and perspectives in all individuals that can aid in the processes and goals

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[76] Noe, Raymond A. Women and Mentoring: A Review and Research Agenda, pp. 66.
[77] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 161.
[78] Sandberg, Sheryl. *Lean In: Women, Work, and the Will to Lead*, pp. 159.

of the Big Four firms. This change in stereotypical attitudes towards the professional world will not happen overnight; as new generations enter the workforce, the gender gap continues to decrease and the shift towards gender equality progresses. The focus for the Big Four firms must remain on providing women with the same mentorship and career facilitating relationships as men.

Developing Ownership

The Big Four firms employ upwards of 200,000 professionals each, all over the world. It is therefore rather difficult to see how each person makes an individual impact on the firm as a whole. The development of firm ownership, or the connection of employees to the firm's mission, is essential in reducing employee turnover. Once an employee feels personally related to a cause, he or she will feel the need to passionately contribute and remain with that cause until it is fulfilled.

The Big Four firms would benefit from an increase in career planning at an early stage. As stated earlier, the adoption of a formal mentorship program for all employees will prove very important for goal setting. Young professionals will be able to look to their mentors as a tangible representation of where they can be in the organization in the future. Due to the organizational hierarchy of these firms, mentors have the power to hold young professionals accountable for their personal goals by encouraging them throughout the process and providing them with resources to be successful; these resources may be connecting mentees with individuals elsewhere in the company or clients that suit their career interests. Setting and achieving goals help to fulfill Maslow's needs hierarchy of motivation through boosting an employee's esteem; Mentors give recognition for performance when a goal is met, which in turn will give the employee incentive to subsequently aim higher and set more challenging goals. Career planning helps a young employee find his or her niche in an organization and develop ownership of the organization's mission. The Big Four accounting firms employ hundreds of thousands of employees all over the world; as a little fish in a big pond, it may seem impossible to make any kind of difference in the organization. There is always the thought that it will not matter whether or not employees leave after their first year or after their tenth year, there will always be someone else in the same position that can do the same responsibilities. Actively engaging in career planning, goal setting, and mentorship opportunities will reduce these negative perceptions by allowing an employee to interweave his or her goals with the goals of the company as a whole, making it more difficult to part ways.

Conclusion

With the retirement of the Baby Boomer generation ever looming, public accounting firms must take advantage of the new generation's leadership abilities to change the ever-present issue of employee turnover. The retirement of this population from the upper ranks of firms presents an opportunity for the advancement of many women and men to vacant Partner positions, therefore marking a shift in firm expectations and culture. Generation Y brings a whole new perspective to the professional workplace in terms of seeking flexibility and balance and limiting time spent simply working. In concluding this analysis of motivation, current programs, and ways to improve them, there must now be a focus on future changes that may be facilitated by a new generation of business professionals.

Current and suggested programs, presented in the third chapter of this analysis, take advantage of the most widely used motivational theories available. Maslow's Hierarchy of Needs presents the basic levels of needs that must be fulfilled in order to achieve the ultimate satisfaction with a career. The fulfillment of this hierarchy can be facilitated by the reduction of hygiene factors, as presented by Herzberg, and the application of Locke's Goal Theory in mentorship programs. The Big Four firms have made excellent contributions to increasing motivation amongst employees by providing incentives and programs aimed at doing so. However, there are still areas in which public accounting receives negative exposure, in turn contributing to a young employee's inability to seek long-term employment with a Big Four firm; these areas include work/life balance and dull work.

Recruiters often sell the idea of a healthy work/life balance, indicating that you can have a percentage of one and a percentage of the other; the question is, do these two things always conflict or is there a way to incorporate one into the other? Just the awareness of the idea of a work/life balance perpetuates the idea that individuals have to choose one or the other. With the push for workplace flexibility in public accounting and other professional firms, there no longer is a need for separation between the two. Heidi Roizen, a successful entrepreneur and venture capitalist in Silicon Valley, is known to host dinner parties at her home for her large network of peers and professionals.[79] She is able to incorporate her business into her personal life, therefore making it easier for her to remain transparent in both. Accounting firms can increase the amount of bridges between these two worlds: company softball teams, social responsibility projects, the ability to work from home, etc. Incorporating family and social life into work life will make it harder for an individual to make an even break from the organization; it will also add to the fulfillment of the love/belonging needs that are essential to motivation according the Maslow. When asked why they still work in public accounting after more than five years, professionals will most often say, "the people", an indication that relationships play an irreplaceable factor in employee retention. A firm that fosters these positive relationships and hires professionals that are enjoyable to work alongside will see the highest rates of retention.

High rates of employee turnover may be a result of the actual work of public accounting, inherent to the business – working with numbers and conducting inventory counts and endless account walkthroughs. How then are employers expected to reduce

[79] McGinn, Kathleen and Nicole Tempest. "Heidi Roizen." *Harvard Business School* (2009): President and Fellows of Harvard College, 48.

this percentage? In other words, how do you spice up the lives of public accountants? The stereotype associated with public accountants is that they work boring desk jobs, crunching tedious numbers and working alone. With the passing of Sarbanes-Oxley Act of 2002, there has been a shift towards increasing employee interaction and interpersonal skills in order to achieve complete transparency between the accounting teams and the client for honest financial reporting.[80] In order to convince potential employees that they should seek a long term career in public accounting, this stereotype must be turned upside down. This is primarily the work of the recruiting teams at the Big Four firms, which is not limited to solely campus recruiters; everyone from new hires to Partners can contribute to the recruiting process by networking with and selling the company to interested and passionate hopefuls. Changing this stereotype can also contribute to the goals of long term planning. If employees come in with the idea that they will be leaving after 2-3 years, similar to many other employees who came before them, then they will contribute to this self-fulfilling prophecy. If instead young professionals are guided by those who have contributed years of experience to one of the Big Four firms, they will begin to see the value in seeking long-term employment and will develop their own paths to career fulfillment.

Further analysis of motivational techniques need to be applied by the Big Four firms to public accounting programs and initiatives in order to reduce employee turnover and increase the overall outlook of a career in public accounting. Public accounting provides employees with an abundance of opportunities to gain valuable experience in

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[80] "Taking a Look at Sarbanes-Oxley Overview." *For Dummies: A Wiley Brand*, 2006, <http://www.dummies.com/how-to/content/taking-a-look-at-a-sarbanesoxley-overview.html>

the areas of team work, time management, leadership, and problem-solving. Accounting firms also have the corporate responsibility to leave a mark on corporate America by creating a safe, efficient, and honest environment for financial activity through transparent financial reporting and disclosure of relevant information. It is important to focus on how seemingly miniscule contributions fit into the larger picture and help the company fulfill its ultimate goals; the suggestions presented here will contribute to this development.

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