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Better Environment, Better Staff

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BETTER ENVIRONMENT, BETTER STAFF

Results of a survey of audit staff and partners revealed staff dissatisfaction in the work environment. Changes in that environment are necessary to induce staff to stay and thus better serve clients who expect experience and expertise from their CPAs.

by Roger H. Hermanson, Joseph V. Carcello, Dana R. Hermanson, Bernard J. Milano, Gerald A. Polansky and Doyle Z. Williams

The watchword in American business today is "creating customer value." Public accounting firms are not immune to this trend. Clients are becoming less tolerant of excessive turnover and are demanding the expertise that comes with experience. No longer satisfied with just an auditor's signature, today they expect to receive service from professionals who understand their business and who can help it grow and prosper. Given the competitive nature of public accounting, CPA firms can no longer afford to train staff accountants for two years and then see them leave. Firms are transforming themselves to meet increasing client expectations.

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These changes have profound implications for the recruitment, development and retention of professional staff. Firms are hiring fewer entry-level accountants and devoting more resources than in the past to their development. Because firms are investing more in each individual, the ability to retain staff is an increasingly important human resource issue. Those firms that are better able to retain their high performers will be the ones to succeed in an ever more competitive professional services market.

CHANGING THE WORK ENVIRONMENT

The public accounting profession historically has operated by hiring large numbers of staff accountants and expecting only a very few to progress to executive positions. In such a scenario, the quality of the work environment was not a paramount issue; today that environment may persuade outstanding staff members to pursue other career options.

In identifying the steps CPA firms could take to retain staff, we made a list of 33 changes in the work environment that might motivate staff accountants to view the profession as a long-term career option. We looked at these changes through the eyes of staff and partners and explored how desirable and how feasible they appeared to each group. The list, which included financial and nonfinancial factors as well as short- and long-term concerns, was developed in part from recommendations of the accounting education change commission in its *Issues Statement on Improving the Early Employment Experience of Accountants*. The commission, which works to make accounting education more relevant to the needs of the profession, was established several years ago by the then eight largest national accounting firms and is administered by the American Accounting Association. (See "Reforming Accounting Education," by Doyle Z. Williams, JofA, Aug.93, page 76, for a full discussion of the commission's activities.)

We sent the survey to a random sample of 750 staff accountants and 500 partners from five of the six largest firms, who were all on the audit staff. Of the staff members, 371 responded (49.5%), and 203 partners responded (40.6%).

When we asked the staff accountants how long they planned to remain in public accounting, the median response was "two more years," indicating the typical staff accountant did not view audit or public accounting as a long-term career. Staff members were asked to rank the importance of each change in convincing them to stay in public accounting and how feasible they believed it would be for their firm to make that change within the next three years. Partners were asked to rank how important they believed each change would be to their staff and how feasible it would be for their firm to make the change within the next three years. Exhibit 1, page 41, lists the changes and indicates how important they appeared to staff and how feasible they appeared to partners.

WHAT IS IMPORTANT TO STAFF?

The changes rated most important by staff generally related to the day-to-day work environment, rather than to the financial rewards of public accounting. Notably, the two changes they wanted most were the proper staffing of engagements and the establishment of realistic time budgets and deadlines.

Perhaps because of their generally short-term view of the profession or because they did not fully appreciate the severity of the liability crisis, the staff members were not very concerned about limiting partners' legal liability. They didn't place a high value on reducing the amount of out-of-town travel—not surprising since they reported average travel time of only six weeks per year. They also viewed a reduction of the time between promotions as relatively unimportant.

In terms of feasibility, it is encouraging that 10 of the 13 changes most desired by staff were viewed by the partners as feasible. Four of them—realistic time budgets and deadlines, enhanced professional training, greater use of microcomputers and establishment of a mentoring system—should be addressed immediately because they were rated as very important and most feasible. Eight changes were not considered feasible by the partners, of which the only one that staff valued highly was allowing staff a greater role in selecting their client portfolios.

DIFFERENCES BETWEEN PARTNERS' AND STAFF'S VIEWS

Retention problems may arise if partners and staff have differing views of the desirability of changes in the work environment. Future retention of staff also will depend partly on convincing them that changes in

EXECUTIVE SUMMARY

■ TO MEET THE CHALLENGE of providing high-quality client services, CPA firms are changing their human resources strategies. In the future, they will hire fewer entry-level accountants, provide new hires with more extensive industry training and seek to retain a much higher percentage of their new staff members. According to the authors, improving the work environment in specific areas will help firms retain staff.

■ A SURVEY OF PARTNERS AND staff by the authors gathered evidence on both the importance and the feasibility of possible changes to the work environment of CPA firms that can make the profession more attractive as a long-term career.

■ ENCOURAGINGLY, RESPONSES from nearly 600 partners and staff from five of the six largest national firms indicated that the changes most important to staff accountants were essentially the same ones the partners rated as most feasible.

■ BASED ON THE SURVEY RESULTS, the authors offer several recommendations on ways to retain staff and help them envision their futures in public accounting.

the work environment are possible. Exhibit 2, page 42, shows the changes about which the two groups held significantly different views. There were particularly large differences concerning four items that partners saw as more important than did staff: advanced placement for holders of a graduate degree, limitation on partners'

EXHIBIT 1
Staff importance ratings and partner feasibility ratings

	Average importance rating by staff	Average feasibility rating by partners	
Changes most desired by staff			
Engagements properly staffed	4.38	3.70	*
Realistic time budgets and deadlines	4.35	4.07	**
Enhanced professional training	4.23	4.29	**
Greater variety of assignments	4.22	3.75	*
Greater use of microcomputer	4.13	4.18	**
"Big picture" explained to staff	4.06	3.83	*
Mentoring system	4.06	4.05	**
Timely, constructive performance evaluations	4.00	3.89	*
Increased communication with partners	3.99	3.81	*
Alternative work arrangements	3.94	3.55	*
Staff select client portfolio	3.94	2.42	NF
Return home each weekend	3.93	3.20	
Upward performance evaluations	3.91	3.28	
Changes moderately desired by staff			
Increased personal recognition	3.79	3.75	
10%-15% salary increase	3.77	1.82	NF
More contact with superiors	3.73	3.65	
More even workload throughout year	3.65	2.64	
Eliminate lock-step pay and promotion	3.62	3.22	
Schedule set far in advance	3.60	2.34	NF
Increased reward for communication skills	3.49	3.34	
Increased reward for accounting knowledge	3.36	3.11	
CPA exam study time	3.35	3.13	
De-emphasize class structure	3.32	3.18	
Strictly cap hours	3.30	2.27	NF
De-emphasize profits and "low-balling"	3.24	2.39	NF
Hire paraprofessionals	3.22	3.27	
Changes least desired by staff			
Stress management course	3.10	3.46	
Limit personal liability of partners	3.09	3.25	
Reduce out-of-town travel	3.03	2.44	NF
Child-care assistance	3.02	2.87	
Reduced time to promotion	2.95	1.97	NF
Know "quitting time" each day	2.88	2.17	NF
Advanced placement for master's degree	2.29	2.59	

Note: The response scale for importance and feasibility ranges from 1 (not important or feasible) to 5 (very important or feasible).
* Change viewed by partners as moderately feasible (> 3.5).
** Change viewed by partners as quite feasible (> 3.9).
NF: Partners do not view this change as feasible.

personal liability, reduction of the time between promotions and increased personal recognition.

The table also lists 12 potential changes the staff accountants viewed as more important than did the partners. Of the latter group, the most substantial differences concerned realistic time budgets and deadlines, upward performance evaluations, a 10% to 15% salary increase and greater staff input in determining their client portfolios.

Overall, how feasible are the changes? The partners were much more optimistic than the staff. Partners rated 21 of the changes as more feasible than did the staff (in a section of the survey not illustrated here); staff saw only four changes as more feasible than did the partners.

DIFFERENCES BETWEEN MALE AND FEMALE STAFF'S VIEWS

The survey also showed differences between the opinions of males and females. Exhibit 3, page 43, shows changes that were viewed differently by male and female staff. With the increased hiring of women by public accounting firms, it is vital that firms understand these differing opinions. Furthermore, it must be understood that changes implemented to please all the staff may be viewed more or less positively depending on a staff member's sex.

Of the 12 items that showed significant differences in responses between male and female staff, only two of the changes were rated as more important by the male staff

EXHIBIT 2

Changes rated significantly different in importance by partners and staff

	Average importance rating by partners	Average importance rating by staff	Difference
Partners viewed as more important			
Advanced placement for master's degree	3.02	2.29	0.73
Limit personal liability of partners	3.52	3.09	0.43
Reduced time to promotion	3.34	2.95	0.39
Increased personal recognition	4.16	3.79	0.37
Hire paraprofessionals	3.50	3.22	0.28
Timely, constructive performance evaluations	4.25	4.00	0.25
Child-care assistance	3.25	3.02	0.23
Increased communication with partners	4.19	3.99	0.20
Eliminate lock-step pay and promotion	3.81	3.62	0.19
More contact with superiors	3.89	3.73	0.16
Staff viewed as more important			
Realistic time budgets and deadlines	3.67	4.35	0.68
Upward performance evaluations	3.28	3.91	0.63
10%-15% salary increase	3.30	3.77	0.47
Staff select client portfolio	3.54	3.94	0.40
Engagements properly staffed	4.07	4.38	0.31
Enhanced professional training	3.94	4.23	0.29
Know "quitting time" each day	2.59	2.88	0.29
De-emphasize profits and "low-balling"	2.97	3.24	0.27
Return home each weekend	3.70	3.93	0.23
Greater use of microcomputer	3.93	4.13	0.20
Schedule set far in advance	3.42	3.60	0.18
"Big picture" explained to staff	3.91	4.06	0.15

Note: The response scale is from 1 (not important) to 5 (very important). Any factors not listed were viewed the same by the two groups.

EXHIBIT 3

Changes rated significantly different in importance by male and female staff

	Average importance rating by male staff	Average importance rating by female staff	Difference
More important to male staff			
Hire paraprofessionals	3.38	3.05	0.33
10%-15% salary increase	3.91	3.63	0.28
More important to female staff			
Child-care assistance	2.57	3.46	0.89
Alternative work arrangements	3.52	4.36	0.84
Know "quitting time" each day	2.60	3.17	0.57
Stress management course	2.84	3.38	0.54
More even workload throughout year	3.45	3.84	0.39
Advanced placement for master's degree	2.10	2.48	0.38
Reduce out-of-town travel	2.88	3.20	0.32
Strictly cap hours	3.17	3.44	0.27
"Big picture" explained to staff	3.93	4.19	0.26
Engagements properly staffed	4.26	4.50	0.24

Note: The response scale is from 1 (not important) to 5 (very important). Any factors not listed were viewed the same by the two groups.

members: the hiring of paraprofessionals and a 10% to 15% salary increase. The other 10 changes were more important to the female staff, and the four changes with the greatest differences of opinion were: child-care assistance, alternative work arrangements, knowing the daily "quitting" time and the availability of a stress management course. (The differences in responses between male and female staff members in the other 21 items were minor.) Because women generally still bear the majority of the household burden, they are especially challenged in balancing their personal and professional responsibilities.

RECOMMENDATIONS

It is encouraging that many of the changes most desired by staff were viewed as feasible by the partners. Given the results of the survey, what can firms do to improve their future staff retention rates? Three issues should be addressed.

■ Firms should attempt to effect the ten changes that were identified as being important to staff and at least moderately feasible. Their implementation would substantially improve the day-to-day work environment.

■ Firms should continue to expand the opportunities for flextime, reduced hours during slow periods and other arrangements since the female staff members, who account for approximately half of all accounting graduates entering the profession, placed special emphasis on alternative work arrangements.

■ Firms should consider the use of variable staffing to reduce the burden of the busy season (see "The Shape of Firms to Come," JofA, Jul.94, page 39). The survey results suggest that the conflict between job demands and personal life is one reason that staff—both male and female—view public accounting as a short-term career.

To stay competitive, public accounting firms can no longer afford the high turnover among staff accountants that was typical in the past. Clients are demanding experienced professionals and firms are responding by hiring fewer entry-level accountants and investing more in training. Making the work environment changes that are important to staff members will encourage them to stay and enable the firms to offer their clients the services of experienced and knowledgeable professionals. ■