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The Role of Job Satisfaction and Organizational Commitment on Turnover Intentions of Accounting Professionals in Big 3 Auditing Firms in the Philippines with Moderating Effect of Leader-member Exchange

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ABSTRACT

The main purpose of this paper is to determine whether job satisfaction, both intrinsic and extrinsic; as well as organizational commitment, both affective, continuance and normative; would predict the turnover intention of Certified Public Accountants working in Big 3 auditing firms in the Philippines. The effect are also studied whether it will be moderated by leader-member exchange (LMX). The impact of the predictors were determined using multiple regression and moderated multiple regression was used to test the moderating effects. The results showed that only extrinsic job satisfaction has a significant negative effect on turnover intentions. LMX on the other hand moderated the effect of normative commitment and continuance commitment on turnover intentions. Recommendations based on the conclusion as well as the limitations of the study were also discussed.

Keywords: Turnover Intention, Job Satisfaction, Organizational Commitment, Accounting Firms
JEL Classifications: M1, M4, M5

1. BACKGROUND OF THE STUDY

Voluntary turnover studies was started by March and Simon (1958) when they studied the employee turnover and turnover intention as affected by job satisfaction. The main difference between turnover and turnover intention is that the former is the actual separation of the employee while the latter is the employee's thought of leaving the company which may materialize and may not. At least one decade after, the turnover model which expalins the reason why employees are leaving was supplemented by the Lyman and Steers, (1972) Met Expectations Model. This model explains that when there is a difference between the employees expectations about the job and its actual encounter of the job, and that difference is negatively perceived by the employees, there is a higher chances that they will leave (Long et al., 2012). Few years after, a new turnover model was introduced by Mobley (1977) which uses the alternative jobs availability as predictor of turnover intentions and employee turnover. This was known as the intermediate linkages model. Almost a decade after Mobley (1977) introduced his turnover model and Jackofsy, (1984) published her own model of turnover. However, looking at it, the model almost capitalized from the model of March and Simon (1958) because this includes ease of movement and desirability of movement as factors affecting turnover intention. In year 2000s, there are lots of models emerged that almost totally modified March and Simon (1958) and they include Price's (2001) causal model of turnover and Mitchell et al.'s. (2001) job embeddedness model. Other scholars new model were developed using meta-analytical approach because the large volume turnover studies enable them to perform meta-analysis (Griffeth et al., 2000; Hancock et al., 2013; Park and Shaw, 2013).

The gap that researchers would like to address are first, previous studies does not include other variables that might moderate the relationship among job satisfaction, organizational commitment and turnover intention (Sinem and Asikgil, 2011; Kumar et al., 2012; Regts and Molleman, 2013; Yücel, 2012). Hence, leader-member exchange (LMX) which has been identified to be significant predictors of turnover intentions (David et al., 2015) was used as moderating variable. Second, previous literature conducted in very specific area, company or industry such as in hotel (Zopiatis et al., 2014), bank (Amankwaa and Anku-Tsede, 2015), public school teachers (Goldhaber et al., 2015), female nurses in hospital (Regts and Molleman, 2013), manufacturing company (Yücel, 2012) and employees of Fortune Global 500 companies (Baek-Kyoo and Park, 2010). None of this were made in the field of accountancy profession.

Lastly, we have noted that the composition of workforce before and nowadays are different because all the millennial now are working and they brought different direction of job satisfaction and commitment of employees. In fact, Jankowski and Jankowski (2016) showed that regardless of region, Europe, USA and Asia, millennial's turnover rates are higher compared to earlier generations. In this regard, population of CPAs under study is the Big 3 accounting firms in the Philippines because in CPA profession, it's the auditing firms who has large block of millennial. Most of the professional staff member in the associate level are all newly passed Certified Public Accountants. The Big 3 firms are Ernst and Young (EY), Pricewarerhouse Coopers (PwC) and Deloitte, in terms of their global revenue in 2017 as published in Statista (2018).

1.1. Problem Statement/s

What is the impact of job satisfaction and organizational commitment affects turnover intentions of accounting professionals in Big 3 accounting firms in the Philippines? Will LMX moderates such impact?

1.2. Research Objectives

The researcher would like to determine if job satisfaction and organizational commitment, has a significant impact on turnover intentions as well as whether such effect will be moderated by LMX.

1.3. Significance of the Study

This study helped Big 3 accounting firms in designing programs to keep their best talent. On the side of the CPAs, this gave awareness on how's the feeling of commitment and satisfaction of their colleagues in Big 3 firms. Lastly, this study contributed to vast body of knowledge about turnover intention specifically in the field of accountancy in the Philippines.

1.4. Scope and Limitations

The nature of the study was empirical in nature to prove the effect of job satisfaction and organizational commitment on turnover intentions of accounting professional in Big 3 accounting and auditing firms in the Philippines. This was done on a sample basis and gathered directly from the employees itself.

1.5. Framework/s

This study will revolve around the operational framework shown in Figure 1. Extrinsic job satisfaction (EJS) is the accountants' satisfaction other than their love of what they are doing. This covers the salary as well as the work conditions. On the other hand, intrinsic job satisfaction (IJS) relates to the accountants' satisfaction about the nature of their work whether they love the job or not regardless of pay and other factors. Affective organizational commitment is the accountant's emotional attachment to the organization while continuance organizational commitment is the accountant's awareness of consequences and cost of resignation and normative organizational commitment is the accountant's feeling of obligation to remain employed in the organization. LMX is the accountant's perception of the support system provided by his/her supervisor or manager. Turnover intentions is the accountants' intention of leaving their company. The intention does not follow weather they actually leave or not. Thus, this is basically the accountants' plan or tendency to resign.

1.6. Hypotheses

Based on operational framework, the researcher hypothesized the following:

- Hypothesis 1: IJS, EJS, affective commitment (AC), normative commitment (NC), and continuance commitment (CC) are significantly related to turnover intentions.
- Hypothesis 2: LMX significantly moderates the effect of IJS, EJS, AC, NC, and CC to turnover intentions.

2. METHODOLOGY

The study will be quantitative in nature which involves study of factors that will affect the turnover intentions of accountants. The population is the Certified Public Accountant working in the Big 3 accounting and auditing firms namely: SGV, PwC and Deloitte. Looking into respective websites of the firms, there were a total of

Figure 1: Operational framework

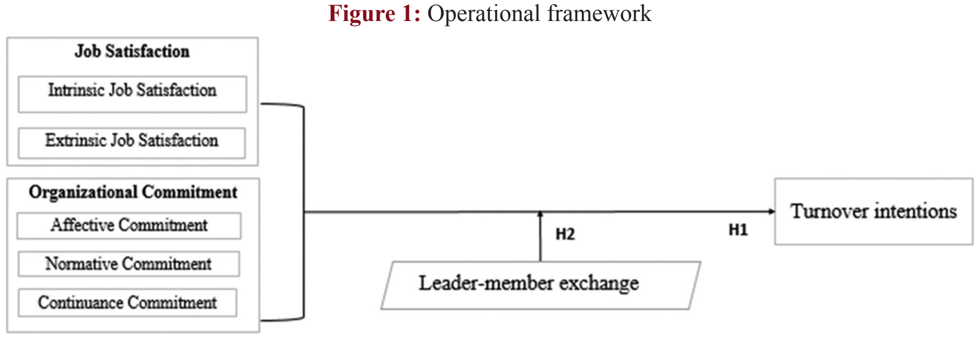

Table 1: Descriptive statistics

Demographic information of respondents	Age	Tenure	IJS	EJS	TI	AC	NC	CC	LMX
Mean±standard deviation	27.4±7.38	2.92±2.80	41.3±6.15	23.2±4.30	8.48±3.53	13.7±3.42	13.1±4.48	12.2±3.75	26.3±5.83
Kurtosis	8.83	3.49	0.36	−0.15	−0.86	−0.14	−0.81	−0.62	1.10
Skewness	2.72	1.71	−0.76	−0.62	0.18	−0.27	−0.38	−0.21	−0.82
Minimum	19	0	20	11	3	4	4	4	7
Maximum	64	15	50	30	15	20	20	20	35
Count	112	112	112	112	112	112	112	112	112

around 7000 professional staff members. Using slovin's formula, 366 samples size were generated. The respondents will be those employees of Big 3 who will signify their consent to participate in the study.

Primary data are gathered and used in this study. These data are gathered directly from the respondents via online survey questionnaires. The questions for variables which are behavioural in nature or those that are expected to change overtime all using 5-point Likert scale and were adopted from the previous studies. Job satisfaction questions from Weiss et al. (1967) as cited in (Zopiatis et al., 2014); organizational commitment questions from Allen and Meyer (1990), Meyer et al. (1993) as cited in (Yücel, 2012); turnover intention from Lance (1998), Kathri et al. (2001) as cited in (Yücel, 2012); employee development questions from Wali and Nas, (2013); and LMX from Graen et al. (1995). Further, questions are modified to fit all questions related to accounting profession. The questionnaires adopted and modified were tested for reliability and the Cronbach's alpha of each instrument are ranging from 0.76 to 0.90. For variables with exact answer like age, gender, marital status, etc. are measured accurately from the replies of the respondents.

2.1. Statistical treatment of data

Descriptive statistics is used to provide numerical summary of the data which includes the total number of observations, mean, media, mode, as well as the frequency count distribution of each variable to totals. Before running the data to regression, the researcher will ensure that the data is normal. This can be done using Skewness tests and Kurtosis test. If the data is not normal, then it will be normalized using log transformation. After knowing whether the data is normal or normalized, correlation testing will be conducted to know whether the variables are correlated to each other. Finally multiple regression and moderated multiple regression were used to determine the impact of the predictors to turnover intentions.

3. RESULTS

The summary in Table 1 showed that there were 112 number of respondents out of 366 samples and hence, 31% percent response rate was obtained. The average age of respondents is 27.4 years (standard deviation [SD] = 7.38), working for an average of 2.92 years (SD = 2.80) in their current work. The average score of their IJS is 41.3 (SD = 6.15) which means that they are extremely satisfied in the nature of accounting or auditing work they are doing while the average score of EJS is 23.2 (SD = 4.3) which means that they are very satisfied with the things that surrounds their work like the environment and level of compensation. With regards to the level of organizational commitment, the average scores of respondents showed that they are neither committed nor not committed with the company that they are currently working with (AC: M = 13.7, SD = 3.2; NC: M = 14.1, SD = 4.48; CC: M = 12.2, SD = 3.75). The respondents' perception LMX relationship showed that in their current organization, their leader supports are both perceived and felt by the employees (LMX: M = 26.3, SD = 5.83). Lastly, the average scores of turnover intention is 8.48 (SD = 3.53) which means that the respondents are indifferent of leaving the company.

Table 2: Frequency counts

Demographic information of respondents	Count	Frequency (%)
Education attained		
Bachelors' degree	95	84.8
Masters' degree	17	15.2
Total	112	100
Gender		
Female	54	48.2
Male	58	51.8
Total	112	100
Job level		
Rank and file	45	40.2
Supervisor level	35	31.3
Managerial level	26	23.2
Directors/executive level	6	5.3
Total	112	100
Marital status		
Single	98	87.5
Married	14	12.5
Total	112	100

As shown in Table 2, majority of the respondents were single (87.5%), having Bachelor's degree as highest educational attainment (84.8%) and holding a rank and file position in the company (40.2%). The distribution per gender is almost even with 51.8% male respondents.

The multiple regression models in Table 3 showed that the predictors have significant effect on turnover intentions which means that null hypothesis of hypothesis 1 was rejected. The results of the model 1 regression in Table 3 indicated that the predictors explained 18.83% of the variance ($R^2 = 0.22$, $F(5.106) = 6.15$, $P < 0.001$). It was found that EJS ($\beta = -0.24$, $P = 0.039$) significantly predicted the turnover intention. This means that every one unit increase in the level of satisfaction of accountants/auditors about the salary and work conditions, there is a 0.24 decrease in the level of intention to leave their company.

Table 3: Multiple regression results with moderated regression results

Variables	No moderation	LMX moderated
	Model 1	Model 2
	Coefficient	Coefficient
Constant	14.2***	25.3**
IJS	0.092	−0.12
EJS	−0.24**	−0.63
AC	−0.28*	−0.18
CC	0.17	−0.88
NC	−0.17	0.92*
LMX		−0.34
LMX-IJS		0.009
LMX-EJS		0.01
LMX-AC		−0.001
LMX-CC		0.040**
LMX-NC		−0.045**
P-value	<0.001	<0.001
R^2	0.22	0.29
Adjusted R^2	0.19	0.21
Count	112	

*,**,***indicates significance at 90%, 95% and 99% level respectively

The LMX moderated multiple regression model in Table 3 showed that the predictors have significant effect on turnover intentions which means that null hypothesis of hypothesis 2 was rejected. The model indicates that the predictors explained 21.15% of the variance (R^2 =.28, F (11,100) = 3.71, P < 0.001). The results showed that only LMX- CC interaction and LMX- NC interaction has significant effect on turnover intentions. This means that LMX significantly moderated the effect of continuance and NC on the turnover intention.

The CC and LMX has negative effect on turnover intention while the LMX- CC interaction has positive effect on turnover intentions.

This indicated that LMX reverses the effect of CC on the turnover intention. The LMX- NC interaction and LMX has negative effect on turnover intention while the NC has positive effect on turnover intentions. This indicated that LMX reverses the effect of NC on the turnover intention.

4. CONCLUSION AND RECOMMENDATIONS

After all the data analysis conducted, the researcher had concluded that job satisfaction and organizational commitment, collectively has significant impact on turnover intention. Specifically, EJS has a negative significant effect on turnover intentions. LMX on the other hand reverses the effect of continuance and NC on turnover intentions.

Primary source of EJS is the salary. Obviously, the accounting professional working in the Big 3 auditing firm is considering their salary in deciding whether to leave or not leave. Since 40% of the respondents came from rank and file employees, the companies may need to revisit the payscale of their entry level positions and adjust accordingly with the labor market. However, pay is just one of the cause of EJS. A good working environment showing recognition, people empowerment, proper coaching and frequent performance evaluation will help employees to achieve EJS. A high level of EJS would lead to lower turnover intentions. LMX reverses the effect of continuance and NC on turnover intention but the effect of these two commitments on turnover intention are not significant. Thus, the companies may opt not to take actions on this and focus their effort and resources in increasing the EJS of their employees.

This study has been made only for one period of time and therefore did not consider the possible changes of perception of the employees. To improve the results, a longitudinal analysis in encourage. The respondents here are all coming from Big 3 auditing firms in the Philippines, therefore the perception of accountants working in public practice with other firms might bring in different perspective. For improvement, the respondents may extend to other firms or more larger population like the other sectors of practice of accountancy profession. In addition, those who are not certified public accountant by profession but working in the field of accountancy or having certifications from allied fields of accountancy may bring additional insights.

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