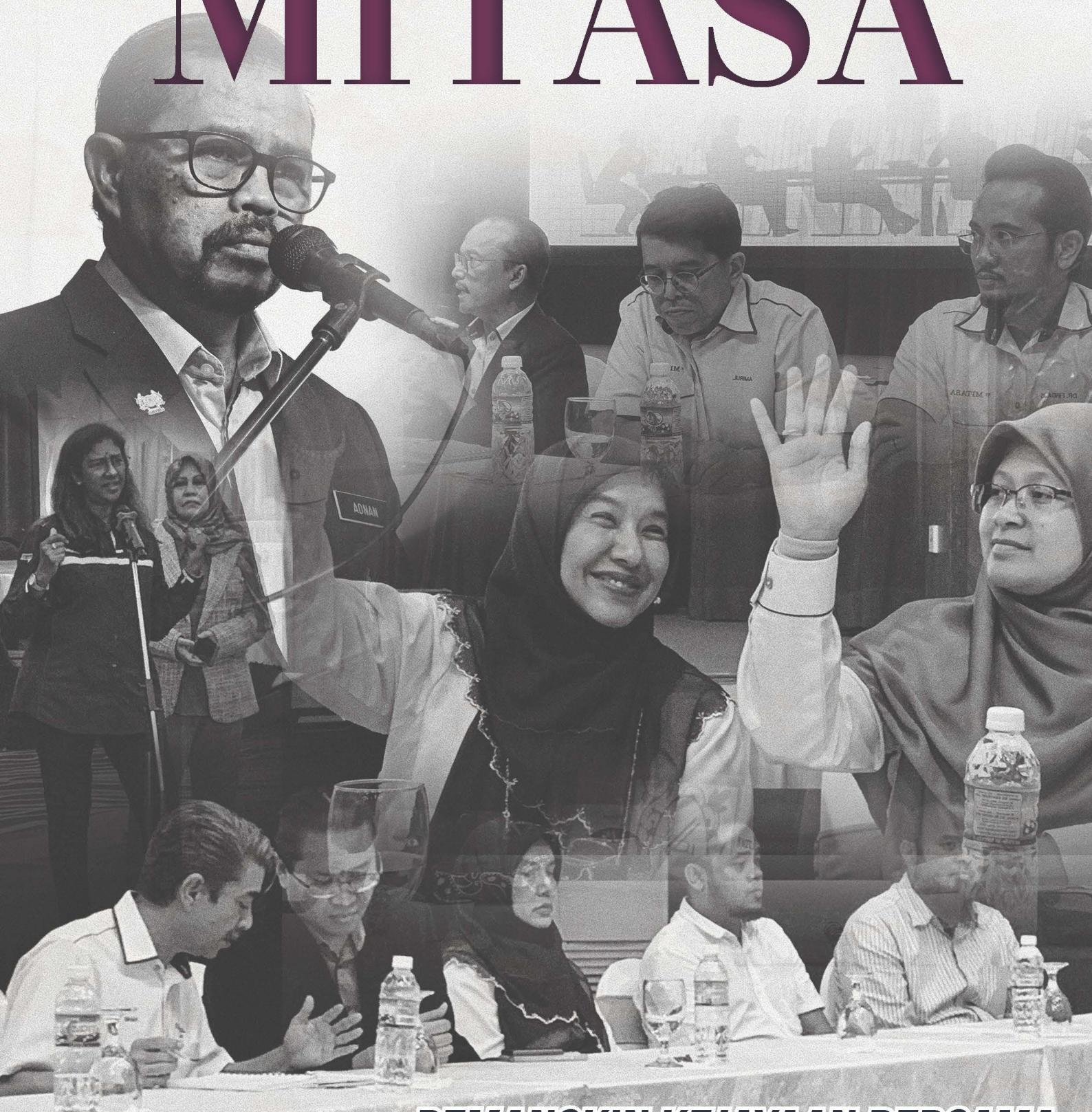


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# Audit Firms Under Pressure: Turning The Tide On Auditor Turnover

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The audit industry is unique, as the quality of the audit depends critically on the excellence of the audit team. Therefore, the most valuable asset in audit firms is the auditors. The audit industry faces a critical challenge marked by a pervasive issue: a substantial and recurring turnover of employees. People have always perceived the audit profession as both challenging and highly stressful, particularly during peak seasons. This high rate of employee turnover poses significant concerns and demands attention to identify its root causes, understand its impact on the industry, and formulate effective strategies for retention.

Audit firms hire many audit assistants each year, but only a small percentage chooses to stay in the profession until authorisation and beyond. Based on Grönlund, M., & Thomsson, E. in 2022, a study conducted in the United States revealed most graduates working as audit assistants had left the profession within three years of their employment. As recruiting and training costs are expensive, it becomes a major challenge for the accounting firms to survive. Furthermore, the departure of skilled professionals from audit firms not only incurs costs related to recruitment and training but also results in a loss of institutional knowledge and expertise. The frequent staff turnover can lead to the presence

of inexperienced staff. A frequent changing of staff may potentially impact the quality of audit services offered by the firm. This undesirable situation clearly indicates that the audit firm's values towards markets and clients have not met the expected standards. Hence, a firm's failure to retain its employees would indirectly impact the profession, as it is unable to guarantee a strong reputation of competence in providing audit services.

It has become evident over time that the Big Four audit firms (Deloitte, Ernst & Young (EY), Klynveld Peat Marwick Goerdeler (KPMG), and PricewaterhouseCoopers (PwC)) have high rates of external auditor turnover. This statement is supported by previous scholarly research showing that professional auditors working for big public accounting firms have a high rate of voluntary turnover. Further, Pham, Q. T., et al. in 2022 showed that the Big Four audit firms experienced the largest migration of employees who left their jobs. The company experienced the largest migration of employees who left their jobs. Therefore, to minimise the substantial costs associated with high turnovers, it is essential for large public accounting firms, such as Big Four, to maintain manageable turnover rates. This article will recommend three ways to reduce the big turnover among auditors.

## Financial incentive

Young professionals are frequently advised by guidance counselors and motivational speakers to pursue their passions without concern for their pay cheques. However, no other motivational tool offers the same level of sustenance, security, and privilege as financial incentives, including income. According to Jack and Suzy Welch, money serves as a "way of keeping score" to evaluate one's worth against colleagues and friends. Hatfield, R. C., & Saiewitz, A. in 2022 discovered a positive relationship between income and job satisfaction. Income not only reflects an employee's performance in the workplace but also provides them with the means to survive. To meet Maslow's need for safety, a business must provide basic financial rewards for the work of its employees. Financial incentives, such as a relatively high salary, serve as motivators for employees to stay committed to an organisation.

Beyond salary, public accounting firms offer additional financial incentives to encourage employee retention. Conventional benefits encompass medical, dental, and vision coverage. Essentially, an employee's financial situation becomes more manageable the longer they stay with the firm after completing their full-time work. Moreover, EY and Deloitte implement a discount system for various products and services related to daily needs. KPMG has a similar initiative called "Perks at Work", collaborating with Marriott International, Chrysler, Dodge, and Jeep to provide employee discounts. While these benefits may offer potential advantages when selecting one Big Four firm over another, they may not serve as the ultimate reason for choosing a career in public accounting and committing to it for more than a couple of years.

In Malaysia, the Employment Act 1955 establishes comprehensive provisions for various types of leave, such as sick leave, maternity leave, paid leave, and unpaid leave. This is to ensure that employees can rest, rejuvenate, and attend to personal matters while maintaining their employment. These leave rights promote a healthy balance between work and personal life, which is critical to job satisfaction and productivity. When employees feel they have time to attend to personal matters, spend quality time with family, or pursue personal interests, they are more likely to be content in their roles. In the demanding field of auditing, where long hours and tight deadlines are common, providing time off becomes a crucial factor in retaining talent. Research studies, such as those exploring the impact of family-friendly policies, consistently highlight the positive effects of comprehensive leave provisions on employee well-being and job satisfaction.

## Time off (Flexibility)

In the demanding field of auditing, where long hours and tight deadlines are common, providing time off or flexibility becomes a crucial factor in retaining talent. This can involve granting flexible work hours, allowing remote work options, and providing generous leave policies. Firstly, granting flexible work hours allows auditors to better manage their personal and professional commitments, reducing stress and enhancing overall well-being. A study published in the "Journal of Applied Psychology" by Mathieu, J. E., in 2017 found that employees with control over their work schedules reported higher job satisfaction and lower levels of stress. This control over work hours is a key element of flexible work arrangements. Additionally, allowing remote work options can contribute to increased job satisfaction, as auditors may appreciate the flexibility to work from a location that suits their needs. There is a positive correlation between remote work and increased job satisfaction among auditors.

The study highlights that the ability to choose one's work environment encourages a sense of independence, leading to increased engagement and contentment.

Leadership development programmes focus on preparing employees for future leadership roles within the organisation. These programmes often include training sessions, workshops, and exposure to challenging projects that prepare individuals to take on higher responsibilities. An audit firm implements a leadership development programme that identifies high-potential employees and provides them with targeted training on leadership skills, strategic thinking, and effective communication. Participants receive mentorship from senior leaders and opportunities to lead audit teams. According to a report by the Brandon Hall Group (2020), organisations with strong leadership development programmes experience a 25% lower turnover rate compared to those without such programmes as said by Austin, A., et al., in 2021. Leadership development was identified as a critical factor in retaining top talent.

## Mentorship opportunities

Mentors play a crucial role in guiding young professionals towards setting achievable goals. Mentoring relationships fulfil Maslow's love/belonging and esteem needs by connecting employees with colleagues and helping them "fit in" within the company. They also provide a foundation for career accomplishments. Mentors offer performance feedback, promote employees to higher positions, and reduce stress through psychological support. Mentorship programmes pair experienced auditors with junior staff, creating a structured environment for knowledge transfer, career guidance, and professional development.

Mentors can provide valuable insights, advice, and support that contribute to the mentee's growth within the organisation. For instance, a large audit firm establishes a mentorship programme where seasoned audit managers mentor junior programmes. The programme includes regular one-on-one meetings, skill-building workshops, and opportunities for the mentees to shadow their mentors during client engagements.

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The public accounting sector has traditionally faced challenges associated with elevated staff turnover rates. Because of this, hiring and keeping employees has become a top strategic priority for accounting firms. The industry's dynamic nature is often characterised by demanding workloads and evolving client needs, which highlights the importance of implementing effective strategies to attract and retain skilled professionals. Addressing these priorities not only ensures a stable and experienced workforce but also contributes to the overall success and sustainability of accounting firms in a competitive market.

Organisations can address these challenges by actively working to improve their profession's perception and create a positive work environment. This can involve initiatives such as providing opportunities for professional development, offering competitive compensation, fostering a supportive workplace culture, and addressing any issues that contribute to negative perceptions. Employee engagement strategies and open communication can play a crucial role in shaping a positive view of the profession and reducing voluntary turnover. Recent generations prioritize flexibility and balance in the workplace, reducing time spent solely on work. After analysing motivation, current programmes, and ways to improve, it's important to consider future changes that can be facilitated by new business professionals. The Audit firms, particularly the Big Four, should analyse motivational techniques and implement them in public accounting programmes to reduce employee turnover and enhance career opportunities.

