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**Towards a Revised Model for CPA Firm Ownership and Compensation in a Tight
Labor Market and a Changing Culture**

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A Dissertation submitted to

The Graduate School at the University of Missouri–St. Louis

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Abstract

The Post Senior Manager (PSM) position is a relatively new development in accounting firms. PSMs are accountants who do not make partner either by personal choice or firm decision. Research relating to PSMs in large firms has indicated that demographics, especially gender, work-life balance issues, managerial skill, and geographic preferences, play a role in determining who becomes a PSM. Research also notes that PSMs are viewed as economically vital to firms since their high skill level and billed hours represent an essential component of firm revenue. At the same time, research notes that PSMs are often viewed unfavorably for not advancing to partner/shareholder. Additionally, anecdotal evidence suggests that firms are evolving in dealing with career advancement, employee management, and ownership-related issues. From this, it is clear that accounting firms are dealing with matters relating to management and ownership that represent challenges they traditionally do not have to face. This research applies an economic model to explain these changes and presents a model of how firms can structure financial and non-financial compensation to optimize employee performance. Using a survey instrument and 490 participants, this research confirms that firms are perceived as using their resources, either pay, equity, or firm policies, to efficiently maximize the rents generated by their employees. Specifically, this research confirms that there is a perception that the rent PSMs create and the more limited amount of firm resources create an incentive to retain PSMs in small- and medium-sized firms. This research also confirms that offering equity and work-related policies geared towards a work-life balance, alternative work arrangements, mentorship, and inclusivity are perceived as improving job satisfaction, retention, and promotion orientation. Finally, this research confirms that different types of employees

will value monetary or non-monetary compensation differently. When these factors are considered and integrated into a holistic approach to management, employee attitudes (job satisfaction, turnover intentions, and promotion orientation) and behaviors (increased organizational citizenship behavior [OCB] and limited counter productive work behaviors [CWB]) will enhance employee attitudes, which in turn improves performance and, ultimately, firm performance.

Keywords: employee ownership, psychological ownership, work-life balance, incentive structures

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Chapter 1: Introduction

Accounting firms face challenges recruiting, retaining, and promoting accounting staff and other employees. Although vestiges of traditional accounting firms persist, changes in firm structure, the labor market, and other society-wide dynamics have given rise to new trends regarding firm management and a firm's relationship with its employees. Of particular interest is the changing nature of the labor market for skilled workers who often fill the middle tiers of a firm's hierarchy (Almer et al., 2011). These workers have many years of work experience. Often these workers have some supervisory capacity and possess valuable skills and institutional knowledge that makes them valuable to the firm.

Despite the value these workers bring, they present retention, compensation, promotion, and management challenges. Specifically, accounting firms have traditionally been structured as partnerships that grant ownership interests in the firm to managing partners who have progressed to the top of the hierarchy. Since the number of partners at traditional firms is limited compared to their numbers of non-equity employees, this means that firms have had an up or out mentality in which aspiring partners either have been promoted to managing partner or have left the firm. As Almer et al. (2011) noted, those who do not make partner are often seen as failures or are otherwise seen as inferior to those who do make partner. At the same time, Almer et al. (2011) noted the economic value in terms of net revenue generation that PSMs bring to the firm. The present study focuses on the relationship between PSMs and firms.

In survey research conducted by the American Institute of Certified Public Accountants (AICPA; 2019a) on the role of women in accounting firms, they note that

challenges faced by PSMs are part of a more generalizable trend impacting accountants.

Specifically, the 2019 AICPA Firm Gender Survey found the following:

- Smaller firms have a higher percentages of women leaders than firms do on average.
- Ninety-four percent of firms offered modified work arrangements (MWAs), and 62% of partners took advantage of MWAs before becoming a partner.
- MWAs are viewed as offering significant staffing advantages, which are especially relative to retaining employees.
- Having mentors and programs geared towards inclusion are viewed favorably because they attract, retain, and advance employees.
- Men are overwhelmingly (77%) represented in the ranks of equity partners.
- Pay disparities based on gender are a persistent issue with firms.
- Women represent the majority of managers and senior managers except in the largest firms.
- Issues of succession, especially in smaller firms, are a prominent issue.

In addition to Almer et al.'s (2011) work and the ACIPA (2019a) survey, research consistently indicates that issues of racial or ethnic identity (Khlif & Achek, 2017), and firm policies relating to a work-life balance (Aguenza & Som, 2012), inclusion, mentorship (Khlif & Achek, 2017), and ownership (Almer et al., 2011) play a substantial role in employee attitudes and behaviors as they relate to job satisfaction (Balouch & Hassan, 2014), retention, (Nouri, 2017) and promotion orientation (Dawkins et al., 2017). These

observations apply broadly to all employees; however, women and minorities are the most studied (Nouri, 2017). Despite the consistency that this research offers in identifying issues relating to PSMs and other challenges accounting firms face, research has been relatively limited in considering how these constructs interact and how they can be strategically used to improve employee attitudes and behaviors and ultimately enhance accounting firm performance. In addition to the constructs discussed by Almer et al. (2011) and the AICPA (2019a), there is also the question of equity incentives for PSMs. Although both Almer et al. (2011) and the AICPA (2019a) do not explicitly explore attitudes relating to offering equity for senior-level employees, both studies do note that equity ownership differs between senior-level employees and a firm's partners. This raises the question of the potential role that equity ownership might play in the dynamics that PSMs and traditional partners manifest. Given that the research from Almer et al. (2011), the AICPA (2019a), and other scholars is somewhat theoretical, it brings up the question of whether it is possible to create a more comprehensive model of determinants of employee success as well as what it might look like to model these strategies so firms could use them to maximize their outcomes.

Before discussing the relevant extant literature and developing a methodology for assessing the afore mentioned dynamic, it is important to describe the current environment and context of the employees and firms. Of particular interest is the economic structure of firms in terms of resources and the value that employees bring to the firm. Also of consideration are the roles that individual variables such as psychological ownership, financial ownership, job satisfaction, embeddedness, turnover intentions, and work-life balance play in motivating employee performance.

It is also important to understand firm ownership structures and how firms can use these structures and combine them with other policies geared towards work-life balance and participatory culture to maximize employee performance. Finally, it is helpful to consider how small- and medium-sized firms, especially those in rural areas or those with a limited supply of human capital, differ from their larger counterparts.

Employee Behaviors and Attitudes

It is necessary to consider constructs that influence career outcomes for accountants. Although several considerations influence employee performance, retention, and promotion, the best way to summarize the inability of certain workers to flourish in a work environment is that unhappy workers do not perform well (Balouch & Hassan, 2014), they are not motivated to advance (Nouri & Parker, 2013), they leave organizations (Balouch & Hassan, 2014; Hooks et al., 1997), and they often engage in harmful or antisocial behavior that interferes with the functioning of organizations (Spector & Fox, 2010). These behaviors and attitudes are not optimal for employees or firms. Dissatisfied employees can bring about additional costs to their employers. On the other hand, employees satisfied with their professional and personal lives are more engaged in their specific job-related tasks, more engaged in a variety of specific non-job functions of the firm, more psychologically invested in their employer, and more orientated towards advancement and innovation in their work life (Dawkins et al., 2017). From this, we can conclude that workers value both monetary and non-monetary considerations. In a sense, compensation has both economic and non-economic components.

The next question to consider is, what gives rise to satisfied employees who are motivated to contribute to a workplace or to unsatisfied employees who provide minimal

effort for the firm's benefit? The literature provides a complex array of relevant variables. However, consistent themes in the research make it possible to create general categories. One general category from the research on satisfied employees is the employee's perception regarding the sufficiency of financial and psychological rewards as they relate to being fully engaged with the firm. This category of employee perception includes whether the employee has adequate compensation, either in terms of a salary or equity interest (Blasi et al., 2016), how the employee is psychologically invested in their organization (Pendleton et al., 1998), whether the employee feels like their employer values their work and gives them reasonable avenues to advance within the organization (Almer et al., 2011), and finally, whether the employer provides an adequate balance between the demands of the employee's position and other aspects of their private life.

Employee goals are another general category from the research on satisfied employees. Both career and life goals can be relevant to employee satisfaction, including the value employees place on their job relative to other aspects of their life and how the employees view their relationship with coworkers and other community members. Of particular interest to this research is the concept of embeddedness. Generally speaking, embeddedness is the notion that people have motives that are not strictly economic in nature for them to stay in a particular position (Lee et al., 2004; Thakur & Bhatnagar, 2017). The motives result from having family members or friends in a particular community, having close connections with coworkers, or identifying with a culture within a community (Holtom & O'Neill, 2004). The notion of embeddedness varies across individuals. For example, people from a specific region might strongly identify with various cultural aspects of that region. Also, individuals of a particular demographic, and especially

individuals of a particular gender or ethnicity, might have perceptions of relationships that cause more or less embeddedness towards their workplace.

Embeddedness also has a human sociality component. High levels of embeddedness tend to be associated with homogenous or related groups (Rhee et al., 1996). This embeddedness and relation of social cohesion likely come from an evolutionary strategy as human culture evolved from tightly knit kinship groups with strong norms of conformity and reciprocity (Axelrod & Dion, 1988; Wilson, 2000). Also, from an economic perspective, people in smaller communities tend to value their relationships more because the proportionate value that each community member brings is greater. This mirrors the economic logic of DeAngelo (1981), but instead of being applied to a firm, DeAngelo applied it to an entire community. This economic logic often explains why small or traditionalistic communities tend to be more collectivist in their orientation and tend to enforce strong norms of reciprocity (Axelrod & Hamilton, 1981; Hui, 1988). Ultimately, people embedded in such communities strive to stay in them because of the social and economic benefit that results from being part of such a cohesive community.

Another individual variable to explain why some employees succeed and others fail to advance in a firm's hierarchy is work-life balance. The literature on work environments consistently notes that maintaining a proper balance between an employee's professional obligations and their private life is often a determinant of success (Nouri, 2017). Usually, the higher an individual climbs in an accounting firm, the more responsibilities they will accrue and then the more work hours they will gather. Thus, employees must balance their work and personal life while their work-life becomes more burdensome. This creates a motivational conflict with many employees. This is especially true for

employees that have family-related obligations. These employees face dilemmas between career advancement and family life (Casper et al., 2018).

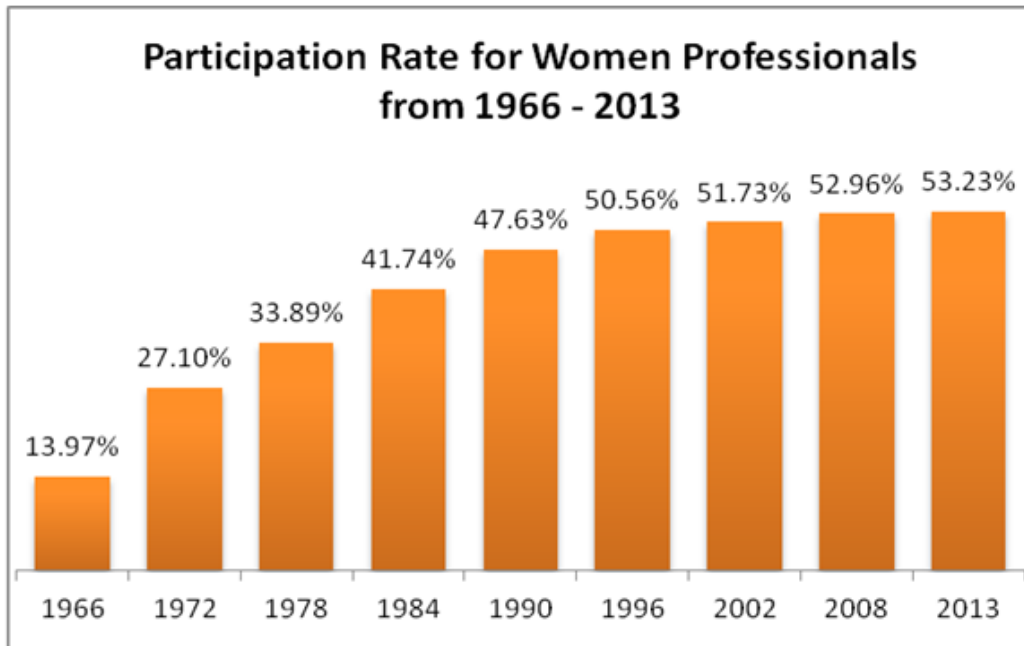
Other individuals wish to avoid the stress associated with heightened responsibilities and workload, even if those responsibilities come with greater compensation and prestige (Buchheit et al., 2016). As a result, some of these individuals will choose not to seek promotions. Since employee compensation includes economic and non-economic considerations, when we consider individuals who must choose between a work-life balance and career success, it is reasonable to view this as a rational dynamic.

Demographic shifts, societal changes, and technological advances have also impacted the workforce. The physical mobility and diversity in the workforce are higher than ever before. Additionally, technology enables professionals to work remotely. With the labor force, a diversification of employees has been observed. For example, Figure 1 shows nearly a 500% increase in the number of women professionals between the years of 1966–2013 (U. S. Equal Employment Opportunity Commission, 2021). Also, non-white demographics will continue to grow as a proportion of the total population (U. S. Census Bureau, 2021). Current demographic statistics suggest that the composition of students in higher education has shifted. Women now represent 60% of college students, and non-whites make up an increasing number of college students (National Center for Education, 2021). Additionally, surveys of accounting students indicate that a large proportion of recent accounting graduates are women and also that a large portion of the graduates are minorities (AICPA, 2019b). This and other data suggest that the once homogenous workforce of white-collar employees in the United States continues to change. Therefore, from the employee's perspective, we can infer that current and future

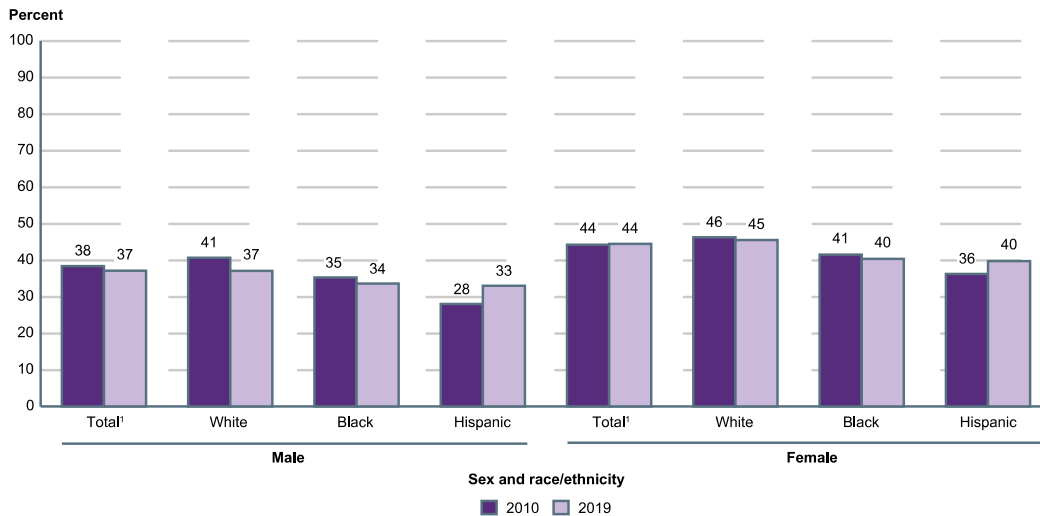
accountants will be more diverse and likely will have more diverse preferences regarding work arrangements and personal priorities.

Figure 1

Participation Rate for Women Professionals 1966–2013



Note: Adapted from *American Experiences Versus American Expectations* (2015), by U. S. Equal Employment Opportunity Commission (<https://www.eeoc.gov/special-report/american-experiences-versus-american-expectations#women>). In the public domain.

Figure 2*College Attendance 2010/2019 by Gender and Race/Ethnicity*

Note: Adapted from National Center for Education (2021), by U. S. Department of Education, Institute of Education Sciences (<https://nces.ed.gov/programs/coe/indicator/cpb>).

In the public domain.

Firm Financials and Resources

Profitability is a primary concern for firms. Profitability is a function of billable hours offset by service and administrative costs. Therefore, firms seek to adequately compensate employees, both partners and non-partners who generate billings. The traditional accounting firm model features partners with an equity interest in the firm and thus who share the benefits and costs of ownership. Traditionally, accountants that joined a firm were expected to ascend the managerial hierarchy and become partners or shareholders or were expected to leave the firm.

Although this model might have been used successfully in competitive labor markets with a surplus of talent, the constraints faced by small- and medium-sized firms,

especially those in rural areas, create challenges. There are times when insufficient talent is available to succeed using the traditional up or out approach. Even in larger metropolitan areas, it is likely that the compensation that a small- or medium-size firm offers employees is insufficient to attract professionals who are motivated by the prospect of making partner in the same way that a large, highly compensated firm would.

Regardless of the location, due to the increasingly diverse talent pool of accountants and other staff, potential employees likely have evolving views of the ideal balance between their job and personal life (AICPA, 2019a; Bernardi, 1998; Hooks et al., 1997). Thus, firms can experience a situation where the traditional approach to promotion and ownership may hinder a firm's ability to attract, promote, and retain the best talent.

For the sake of illustration, consider what a hypothetical firm would look like in a small remote city, Mountain Town, in the Intermountain West in 1955. Such a firm would likely be a traditional partnership. Most of the firm's employees would be from the region. Demographically, the employees most likely would be white and male. If a firm employee were married or had a family, the employee would likely be their family's sole source of income. Culturally, all of these practices would be acceptable. Also, competition would be limited since telecommuting would not yet be invented, and even the interstate highway system would not be entirely constructed. The Mountain Town firm's structural practices would make managerial and business sense since they reflect the demographic, cultural, and economic circumstances of the time. However, viewed in light of the demographic, cultural, and technological changes experienced since then, such a firm would be disconnected in many senses from the reality of the modern world.

Additionally, firms may desire smaller markets to have employees who are embedded in the community. This can help build business relationships since smaller communities tend to be more interdependent, and one individual can significantly impact the community. In addition to these considerations, it is also in a firm's interest to retain employees since the cost of training employees due to turnover is often substantial (Hinkin & Tracey, 2000). We should also consider the increased value that committed long-term employees add to a firm. As the discussions presented below note concerning organizational citizenship behavior (OCB), people who are psychologically invested in their organization will engage in behaviors that contribute to the organization beyond the expectations of their job description (Wang et al., 2019). We should also consider issues related to succession planning in smaller markets where it is challenging to attract talent. Thus, it may be desirable for firms to try to retain long-term employees so that retiring shareholders or partners can have a viable exit strategy and they can find new partners to buy them out when they retire.

Given these considerations, we can infer that smaller firms are bound by issues of resources and the availability of employees who create income for the firm. DeAngelo (1981) described in her study of audit quality and firm size that smaller firms often lack resources to ensure audit quality and place a high economic value on clients since each represents a more significant proportion of firm revenue. In the research at hand, a similar economic logic is applied. Rather than audit quality, the firm's compensation represents the resource that varies depending on firm size. Rather than clients, the economic rents now represent employees who are difficult to replace and who individually contribute proportionally more to the firm than the average staff members in a larger firm. From

this, we can extrapolate other features of DeAngelo's (1981) model. Specifically, all firms are constrained by resources. However, larger firms are likely less constrained in terms of what they can pay compared to smaller firms. When smaller firms cannot provide the same level of cash compensation that larger firms do and they still want to be competitive, they might diversify their compensation to include such financial incentives as equity, in addition to offering programs and policies that promote work-life balance, alternative work arrangements, and inclusivity. Also, employees in this context should be considered as rents¹ to the firm, especially the highly skilled ones. Regardless of size, firms will value productive employees and take measures to retain them. Finally, this economic model creates some tension between older forms of firm ownership and what is economically efficient. Specifically, it may be economically rational for a firm to at least partially abandon the up or out model where employees who do not make partner leave the firm since some productive employees may not desire to earn entry into the partnership. For example, Bernardi (1998) and Maupin and Lehman (1994) noted that parents, both men and women, often desire alternative work arrangements and reduced hours. Especially given the increasingly diverse types of employees a firm likely has, traditional models of the firm structure represent a potential barrier to maximizing employee performance and firm productivity.

Another consideration related to attracting, retaining, and promoting employees is monetary incentives. As noted in the discussion regarding partnership attainment, the traditional up or out model is that employees are hired at entry level as staff at an accounting firm and then, through hard work and attrition, eventually become partners or

¹ In the economic context, the term "rents" refers to a payment received by an owner in excess of the cost required to earn the payment.

shareholders in the firm. Thus, the incentives are to be competitive and make it to the top of the firm's hierarchy. However, as noted above, there are other considerations regarding who succeeds or fails to achieve the highest level of firm management. From this, it must be questioned whether the traditional incentive structure is best suited for attracting the best talent and ensuring the profitability and stability of the firm in terms of management and succession.

For example, anecdotal evidence and existing research (Almer et al., 2011) suggest that many firms are beginning to recognize that the traditional model is not universally applicable. For example, anecdotal evidence from an employee at a mid-sized firm in the Intermountain West suggests that some firms use more diverse approaches to job descriptions and provide equity to non-managing employees. Specifically, the firm from which this example is derived is a closed corporation and uses shares to incentivize associates to stay with the firm and eventually become senior management. Also, the firm uses shares to reward more senior employees for taking on progressively heightened responsibility. At this firm, staff accountants that demonstrate promise earn 100 shares of the company as an incentive to continue to work hard and progress. More senior members of this firm are given 2,000 shares for achieving a senior status among staff or 4,000 shares for becoming the equivalent of a managing partner. This incentive structure has created complications though. For example, the firm reported adverse incentives associated with the 2,000-share level, a share amount that was offered to the employee who recalled the scenario. The 2,000-share level was abandoned by the firm because the 100-share holder level employees felt that the 2,000-share holder level employees were crowding out their efforts to become full managing shareholders of the organization. The

problem arose because many employees were content staying at the 2,000-share holder level rather than working to become 4,000-share holder employees because of incremental work expectations associated with the 4,000-share level. Thus, such a model must be redeveloped considering positive and negative incentives.

Overall, this incentive structure is intended to motivate employees to stay with the firm and progress. The 100-share holder level is of negligible economic value but appears to create psychological ownership in excess of the economic ownership. This example also demonstrates conflicts that might occur with having a sub-optimally designed equity reward system. The problems associated with the 2,000-share holder level alludes to the role that work-life balance and other managerial practices play in attracting, promoting, and retaining employees. This example also suggests that firms are struggling with how to use ownership and other management practices to maximize the productivity of their employees.

In addition to using ownership as an incentive structure, firms also struggle with creating a positive work environment in which employees are motivated to contribute to the highest degree possible towards the firm's success. Therefore, normatively designed incentive structures featuring non-monetary and monetary incentives—creating a positive environment and encouraging employees to balance their work-life needs—might also enhance firm outcomes.

As the discussion of the literature will demonstrate, there is extensive research on topics such as employee ownership, psychological ownership, OCB, counterproductive work behavior (CWB), and other individual behaviors and attitudes (e.g., job satisfaction, work-life balance, and embeddedness). However, little research has attempted to

integrate these concepts into a comprehensive approach to create optimal promotion and incentive structures in accounting firms—especially firms that are limited in resources who must employ an increasingly diverse workforce. This study addresses integrating these concepts towards an optimal model of CPA compensation in a context of constrained firm resources and a labor market favorable to the staff.

Chapter 2: Literature Review

The first section of this literature review examines research on PSMs. Since the experience of PSMs in accounting firms highlights the current state of many contemporary issues relating to pay, equity, attitudes, and behaviors, it is helpful to see how these issues have manifested themselves. After discussing PSMs, the review shifts to developing an in-depth understanding of issues related to individual variables: firm policies, cultural issues, the impact of equity ownership on employee performance, the relationship of psychological ownership, OCB, CWB, and other constructs.

Post Senior Managers and Challenges to the Traditional Model of Firm Ownership

Historically, accounting firms have been organized as partnerships where an individual can become an equity owner in the firm after a ten- to fifteen-year probationary period (Baysden & Wilson, 2014). The model applies to small, medium, and large firms. Although some structural variation occurs in the organization of firms, such as a having a traditional partnership, being a closed corporation, or having an employee stock ownership plan (ESOP), the basic structure of firm ownership is relatively consistent. In recent years, changes in the labor market for accountants and similar professionals have given rise to discussions of alternate approaches to employee equity ownership and the management of firms (Cooper et al., 1996; Saylor, 2017). Specifically, the increasing level of

transient firm employees combined with lateral hires and other nontraditional career paths has given rise to various new forms of firm ownership and participation in management (Almer et al., 2011). Also, in research relating to accounting firms it is noted that succession planning is a significant concern for firm management (Almer et al., 2011; Vien, 2020). Although the trends are evident that the new types of employees, such as PSMs, are becoming more prominent, most accounting firms still adhere to the traditional model of managing partners having an equity interest in the firm (Almer et al., 2011).

This diversification of firm ownership and increasing participation of PSMs is a response to an increasingly complex labor market that features career paths that depart from traditional linear paths. First, as noted above, professionals tend to be transient in their affiliation with a specific firm due to their failure of being promoted to either a managing partner or a lateral hire. Second, the traditional up or out model of career progression in firms is changing (Almer et al., 2011). For instance, more individuals prefer greater work-life balance and prefer not to incur the burdens associated with upper-level management (Almer et al., 2011; Bernardi, 1998; Dalton et al., 1997). This reduction in responsibility is the main advantage of the PSM position (Almer et al., 2011). However, although these individuals are competent, they are not eligible for equity in the firm since they are unable or unwilling to assume a partner's duties (George & Wallio, 2017).

Research has suggested that firms view PSMs as valuable sources of revenue (Almer et al., 2011). For example, Almer et al. (2011) detailed a response from a partner when questioned about the economic value of PSMs:

Partner 1 did state clearly that the existence of the “quasi partner” types of PSMs: enables the partners to hold a bigger ledger, which is an increasing trend In

order to be able to do that, you have to have people you can rely on during the engagement to really do a lot of the work, with a fairly . . . surface review by partners, because otherwise they can't do a \$4,000,000 ledger or a \$3,000,000 ledger, or something of that sort. (p. A48)

Research on these nontraditional paths has been mixed in terms of explaining why individuals find themselves in such a position. Some studies have indicated that workers want more work-life balance (Almer et al., 2012; Bernardi, 1998; Collins, 1993; Dalton et al., 1997). Other studies have noted that despite being competent at their job, some workers are not perceived as having the managerial or business skill to be a managing shareholder/partner (Almer et al., 2011). This and other situations invite the question of whether it is desirable to give such workers equity or include them in managerial decision-making. Additionally, the question of whether an equity interest provides sufficient incentives to attract, retain, and reward talented workers has yet to be answered conclusively. Table 1 summarizes the principal conclusions, observations, and methods of Almer et al.'s (2011) work on PSMs.

Table 1

Conclusions/Observations/Methods by Almer et al. (2011)

Issue/Construct	How PSMs manifest	Page
Incidence	Eighty percent of promotions amongst the top 100 firms are to the PSM rank.	A39
Perception	PSMs are not viewed as favorably as equity partners/shareholders.	A41, A42
Economic value	PSMs are leverage for equity holders in the firm because they generate revenue at a lower cost than partners.	A41, A48

Issue/Construct	How PSMs manifest	Page
Work-life balance	Work hours and work-life balance are often critical considerations for PSMs.	A42
Investment in firm outcomes	Concerns exist that PSMs are not as motivated as partners because they do not own equity.	A42, A50
Promotion/job role	Views are mixed. Some PSMs are viewed as not being partner material while others cannot or will not take on full partner/shareholder responsibilities in terms of revenue requirement or work hours. “[Our PSMs] will have smaller engagements, more authority to really almost as a partner and then [they’ll] carry a significant amount of the responsibility for that engagement [I]f you ask [our PSMs] they would tell you, ‘No, I’m out doing the very same thing that [current partners are] doing. I’m helping partners with targeting and practice development,’ and doing a lot of things that you know a first-year partner would do” (Almer et al., 2011, pp. A45–A46).	A44–A46
Technical skills	PSMs are viewed as being more technical in their position and less client orientated.	A44
Personal reasons for becoming a PSM	Child care, geographic constraints, other personal reasons “The partners also identified . . . albeit quite briefly, a number of other ‘personal’ factors (related to business development) that they perceived as limiting an individual’s ability to be promoted to partner. Specifically, they mentioned an unwillingness to move to a major business center and an unwillingness or inability to ‘devote 3,000 hours’ (Partner 1) to their work” (Almer et al., 2011, p. A47).	A46–A47
Benefits of PSMs	Improved retention of experienced professionals, reduced personnel costs, improved client service, improved day-to-day firm management, increased specific technical expertise, increased partner’s compensation, a method of keeping PSMs interested in eventually becoming partner.	A48

Issue/Construct	How PSMs manifest	Page
Costs of PSMs	<p>“[Participants] did perceive that a small number of ‘partner potential’ professionals were ending up in PSM positions because of their personal unwillingness to relocate or reluctance to take on the workload or the risks associated with partnership” (Almer et al., 2011, pp. A48–49).</p> <p>Diversion of “partner potential” to PSM positions, gender inequality among PSM and partner groups, lack of professionals available to buy out retiring partners.</p>	A48
Mentorship	Mentorship is a critical consideration in who becomes a partner or PSM.	A49
Gender	<p>“Now every firm is so concerned about growth . . . and women do not have the same access to senior mentors to help them learn the business development part of becoming a partner to the same degree as their male counterparts” (Almer et al., 2011, pp. A49).</p> <p>Women are proportionately underrepresented at the partner level, 14%, while more significantly represented at the PSM, 33%, and senior manager level, 41%.</p>	A49
Method	<p>Survey: Human resources managers. N=30</p> <p>Interview: Partners. N=2</p> <p>Subject: “Top 100” firms</p>	A43

Clearly, questions remain regarding the role of PSMs in a firm structure and how firms can maximize their productivity. Applying the economic model used throughout this research, it appears that firms struggle to optimize PSM positions through compensation, equity, and employee-centered policies that address a work-life balance, alternative work arrangements, mentoring, and inclusion.

Employee Identity, Experience, Career Trajectory, Firm Culture, and Policies.

This section describes research associated with recruitment, retention, and advancement from the perspective of the employee and the firm. Research has documented several factors that predict whether an employee will advance at an accounting firm (Beauregard & Henry, 2009; Buchheit et al., 2016; Nouri, 2017). Some of these factors are related to the individual (e.g., demographic background, abilities, and attitudes), and others are related to the organization (e.g., culture and policies).

A review of the literature has identified contributors towards advancement or the lack thereof. One is a desire to maintain a work-life balance. Ashley and Empson (2017) noted that firms often create social environments with implicit or explicit pressure to overwork, leading to burnout. Although what defines overwork is subjective, burnout generally refers to working to the point of psychological exhaustion that results in disengagement from work and life-related activities (Maslach, 2006). Other research has noted that firms strive to maintain their elite social identity by vetting and excluding many employees from progressing in the firm management structure (Ashley & Empson, 2017). Considering the pressures of overwork, elitism, and hyper-competition from the perspective of an employee, firm environments can be seen as creating a system of social forces that helps define an employee's social identity as well as creating potentially adverse incentive structures where employees must emphasize career expectations over their personal lives (Brouard et al., 2017). Considering elitism or the desire of firm management to exclude lower-tier employees from managerial control or ownership in the context of an economic model of a firm, it is useful to question what elitist behaviors represent in terms of firm economics. On the one hand, elitism might result in more income for those

in the elite group. Specifically, elitism coupled with a highly competitive environment that values overwork might result in substantial incomes for members of the in-group. While on the other hand, it might be considered shortsighted since elitist behaviors might exclude workers who can add to the firm's profitability.

Competing with the pressure to overwork is the desire of employees to maintain some degree of a work-life balance. Although the construct of a work-life balance is subjective, most analysts note that it involves balancing the competing factors of a career, a personal life, family, and overall life satisfaction (Casper et al., 2018). Other authors have observed that what determines a work-life balance varies greatly depending upon the organizational setting (Buchheit et al., 2016). Research relating to professional service workers has revealed that a work-life balance is an important motivating factor for the type of trajectory a worker's career takes. For example, Buchheit et al. (2016) noted that among AICPA survey respondents a top consideration for workers was a work-life balance rather than job satisfaction. Also, Buchheit et al. (2016) support alternative work arrangements (AWAs) to improve a work-life balance among practicing accountants. Given this, it is reasonable to conclude that how a firm addresses work-life balance issues will have an impact on employee success.

In addition to how a work-life balance varies in professional settings, it also varies depending on the individual (Smith, 2010). As Smith (2010) noted, there are generational and gender differences in how people define a work-life balance. Kornberger et al. (2010) noted that younger workers are more likely to consider a work-life balance as important. Among accountants, a work-life balance has also been confirmed to be important (AICPA, 2019a). Also, Kornberger et al. (2010) observed that survey respondents (both

men and women) entering the workforce in marketing-related positions expressed a desire to maintain a work-life balance. This desire translates into ongoing strategic career-related decisions for many accountants. For example, Almer and Single (2004) noted that as parents, both men and women are willing to forego career opportunities to maintain a work-life balance. However, other research has noted that many accountants prioritize their careers at the expense of a work-life balance (Johnson et al., 2008; Maupin & Lehman, 1994).

Other related research has focused on the relationship between a work-life balance and organizational performance. For example, Beauregard and Henry (2009) noted that firms focused on enhancing a work-life balance experienced positive changes in organizational performance, like enhanced social exchange processes, increased cost savings, improved productivity, and reduced turnover. This focus on promoting a work-life balance was also observed in another study to have a similar positive impact on accountants (Pasewark & Viator, 2006). Similarly, Lazar (2010) found that efforts to enhance a work-life balance improved engagement, absenteeism, and productivity among employees. Finally, Berk and Gundogmus (2018) noted that organizations with sustainable work environment policies and organizations that promote a work-life balance have significantly higher levels of firm commitment among employees than firms that do not have such programs. Accountants also confirmed these generalized findings. Specifically, Hooks et al. (1997) and Collins (1993) found that the turnover of females in public accounting was heavily motivated by issues related to a work-life balance.

Given the cost of replacing talent, retaining experienced employees familiar with a firm's operation is essential to a firm's long-term success. Like work-life balance,

retention issues are multifaceted and involve individual and organizational factors. For example, Vien (2017) noted the varying roles a firm's culture plays in facilitating employee retention and recommended that firms should seek employee input to create a more hospitable culture. Relative to individual factors, an analysis by Nouri (2017) concluded that turnover was higher among women and African Americans than it was among men and Caucasians. In addition, women of a non-white background generally had the highest turnover rates.

Conceivably, either the defining features of an individual's identity or their cultural background are likely to interact with a firm's dynamics such that some individuals end up being more compatible with a firm's work environment than others. In particular, gender is a highly relevant topic since female accountants consistently exhibit higher turnover rates and fail to progress in a typical firm's managerial hierarchy. This failure to advance occurs despite the female accountants' explicit desire to advance in their careers (AICPA, 2019a; Cohen & Single, 2001; Dalton et al., 1997; Fels, 2004; Gerkovich, 2004). In their research, Khlif and Achek (2017) and Cohen et al. (2020) explored the glass ceiling as it related to female accountants' ability to remain with a firm and be promoted into senior management. In both studies, they attributed perceptions of a glass ceiling to structural factors in firms, including gender stereotypes about the role of women in a firm and career-limiting structures such as less available mentorship and less opportunities to network. Research by Ribeiro et al. (2016) supports the conclusion that gender impacts career advancement. Specifically, Ribeiro et al.'s (2016) in their research on accountants in South Africa noted that job demands and support structures determined whether female accountants advanced into upper management. These structural and

identity-related constructs and how they impact women's careers help to provide context as to why there is a persistent gender pay disparity and gender wealth disparity (El-Ramly et al., 2019). Also, it is of interest to note that other demographics experience many of the issues traditionally associated with women. For example, Almer and Single (2004) noted that men who take advantage of the flexible work arrangements are negatively perceived as being on the mommy track and are perceived more negatively than women who are similarly situated. Other scholars have argued that many of the issues associated with women and minorities in the workforce represent generalized challenges faced by everyone, and the present research found a similar finding. Also, this observation invites consideration as to the impact of masculine stereotypes on male workers. Since it has been explored in the accounting literature in a somewhat limited way (Almer & Single, 2004; Gerkovich, 2004; Maupin & Lehman, 1994), the understanding of how gender expectations might compel men to engage in unbalanced career paths remains mostly unexplored. However, given the general statistics about the incidents of divorce (Aughinbaugh et al., 2013), suicide (Hedegaard et al., 2018), and mortality amongst men (Case & Paxson, 2005), especially middle-aged men which is the same demographic who would likely be in upper-level management, understanding how male gender stereotypes influence employee outcomes appears to be quite relevant.

Job satisfaction is key to retention. Variables associated with job satisfaction include engagement, commitment, and embeddedness. In their survey research, Johnson and Pike (2018) noted that many firms were aware that employee engagement was an issue; however, these firms had struggled to create programs that catered to the needs of different types of employees. Along these lines, Brunetto et al. (2012) observed a positive

relationship between work engagement and job satisfaction. However, the positive relationship between work engagement and job satisfaction is negatively related to turnover intentions (Lu et al., 2016).

Similarly, Nouri and Parker (2013) applied a social exchange theory-based approach to help understand turnover intentions in junior auditors in public accounting firms. The authors found that junior employees were more likely to stay with a firm if they perceived the firm as providing resources for them to advance in the firm's hierarchy while also providing them with generalized skills. Thus, the social exchange that Nouri and Parker (2013) observed happened when lower turnover intentions were exchanged for better prospects of career advancement. Aguenza and Som (2012) also confirmed this dynamic in a different way; they observed that constructs such as engagement or work-life balance were motivational factors for employees to remain with a firm.

Balouch and Hassan (2014) observed that job satisfaction was positively correlated with employee empowerment and job-related loyalty and resulted in lower turnover intentions. However, much like the other constructs addressed here, job satisfaction is rather complex regarding the factors that influence it. One good example of this is offered by Piosik et al. (2019) who noted that age and gender impacted perceptions of job satisfaction. Given this relationship, job satisfaction then results in organizational commitment and low turnover intentions. Also, Nawaz and Pangil (2016) observed that organizational commitment was a mediator between human resources-related considerations such as a work environment, salaries, and turnover intentions.

Given the relationship between these various factors and turnover intentions, some research has focused on the concept of *embeddedness*. Embeddedness refers to

multiple positive and negative factors that motivate employees to stay with a particular employer. For example, both Lee et al. (2004) and Thakur and Bhatnagar (2017) operationalized a measure of embeddedness relative to other constructs such as a work-life balance, organizational citizenship, and relationships both inside and outside of work. These scholars concluded that the stronger an employee's level of embeddedness was exhibited in a workplace, the more likely they were to contribute to an organization and continue working there. In addition to exploring the impacts of embeddedness on workers and firms, other research has sought to integrate an understanding of embeddedness into human resources related practices. For example, Holtom and O'Neill (2004) and Holtom and Darabi (2018) analyzed the concept of embeddedness as a proactive tool for human resources managers (HR managers) to use in enhancing employee retention. In particular, Holtom and Darabi (2018) noted that the more embedded an employee was in their position and their work community, the better the employee would perform at work and the longer they would stay in the position. From this, Holtom and Darabi (2018) suggested that HR managers try to create an engaging work environment that facilitates employee participation.

Given the prior discussion of what motivates employees to stay with an employer, to work hard, and to advance within a firm, essential constructs for employers to consider are efforts towards promoting retention, job satisfaction, a work-life balance, and embeddedness. Generally, a firm's efforts to consider these factors result in their having lower costs and higher productivity. For example, Beauregard and Henry (2009) noted the positive impact on firm performance when a work-life balance was considered. Also, it is well documented that employee turnover is a pervasive and costly issue in accounting

firms (Jankowski, 2016; Nouri & Parker, 2013) and for employers in general (O'Connell & Kung, 2007). Although there is a cost to creating environments that are attractive to employees or to paying them adequate wages, the literature suggests that the ultimate benefit to employers in considering employee welfare is greater than the cost of withholding these implementations. Viewing these practices from an economic perspective, it is possible to conclude that firms that include efforts towards maintaining a work-life balance, providing alternative work arrangements, and focusing on inclusivity as part of how they compensate employees efficiently use their resources since the cost of taking such measures are likely less than the value their employees add.

From this discussion, it can be concluded that what defines employee success at accounting firms is a mix of individual and cultural variables and specific managerial efforts by firms to attract and retain workers. Without these efforts a firm could easily create an environment that drives workers out of the firm.

Opening the Black Box of Employee Ownership: Employee Ownership, Psychological Ownership, and its Impact on Firms and Employees

A large body of research exists on the impact of financial and psychological ownership on a firm and its members (Van Dyne & Pierce, 2004). We can divide the relevant literature into two categories: financial ownership and psychological ownership. Although these issues are addressed separately, as the following discussion highlights, there is substantial overlap between them. Also, when taken as a whole, the impact of broad-based employee ownership represents somewhat of a black box where the inputs and outputs are understood but not the exact mechanisms. As the following discussion highlights, simply viewing the univariate effect of employee ownership does not reflect the

complexity of potential outcomes associated with employee ownership. For example, equity ownership motivates psychological ownership and, ultimately, more employee engagement (Pendleton et al., 1998). However, employee ownership can be seen as a stress-inducing responsibility that many employees find burdensome (Almer et al., 2011). Even though there is some understanding of the negative and positive impacts of employee ownership, viewing the topic monolithically only results in ambiguity. Thus, it is necessary to understand the nuances of how different types of employee ownership can potentially result in different outcomes.

Financial Ownership: Basic Models of Firm Structure and Their Relation to Firm Outcomes

Various research exists about the impact of financial ownership on workers' perceptions and performance. Before discussing the psychological impact of owning equity interest in a firm, it might be helpful to first briefly discuss the various forms of firm ownership. Of particular importance is understanding the difference between partnerships, corporations, and ESOPs in relationship to firms. A partnership is an organization of two or more people entering a business. Each general partner owns a certain percentage of the partnership and is responsible for a share of the profits and losses (Hillman, 1984). For a new partner to be added, other partners must consent to the partner joining. Whereas, in a corporation stock represents an ownership interest in the firm. The interest is generally proportionate to the amount of stock owned. ESOPs are structured as stock ownership plans within a corporate structure (National Center for Employee Ownership, 2020). The Internal Revenue Code section 401(a) governs ESOPs, which are generally described in the code as: "A trust created or organized in the United States and forming

part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees” (I.R.C. § 401a). As with other corporations, ESOPs can issue either voting or non-voting stock. Generally, participating ESOPs are structured so that each employee has one vote with straight majority voting; however, other forms of ESOPs can also exist (Kruse, 2016). ESOP stock is issued as compensation for work done within the company. When an employee exits the company, the company buys back the employee’s stock at its currently adjusted value. The apparent advantage of the ESOP form is that it allows a continuous stream of managing and non-managing shareholders to enter and leave the firm. Given the ease with which shareholders can be added or removed from a firm, ESOPs have been noted as a viable tool for succession planning (Menke & Buxton, 2010). Additionally, ESOPs can be structured to serve as a 401(k) retirement plan and to combine elements of profit sharing as well.

Closed corporations without an ESOP are similar in structure to ESOPs in that both are ultimately corporations. However, with closed corporations, stock allotments occur at the discretion of other shareholders. Thus, for a shareholder to be granted shares in a closed corporation, other shareholders must consent to allocating or purchasing shares. Because of this similarity in structure between ESOPs and closed corporations, there is potential for structural issues such as shareholder dilution (Ellerman, 1999). Additionally, some ESOPs manifest other structural challenges such as financing a leveraged buyout (Field, 1997), dealing with many people leaving the firm, and having the liquidity to buy out exiting employees (Anderson, 2009). Given these structural features, each business form represents a set of strategic advantages and disadvantages.

Understanding these business structures provides a gateway for understanding the much broader impact of employee ownership on both workers and firms. The following discussion highlights many of the relationships that exist between employee ownership and other constructs.

Using Firm Structure and Ownership to Improve Employee Performance

Arguably, the primary reason for granting employees an interest in a firm is to motivate employee performance and, ultimately, firm performance. Equity offers an alternative to salary or wages for firms with limited cash. Given these premises, the next consideration is how to use the above structures to improve employee performance.

There is broad literature on the relationship between employee ownership and firm performance. Generally, a modest relationship between financial performance and employee ownership is manifested by productivity and firm survival (Blasi et al., 2016; O'Boyle et al., 2016). Additionally, employee ownership conveys other benefits such as dispersing capital assets across a broader group of employees and creating a stakeholder mentality (Blasi et al., 2016). However, employee ownership also comes with challenges, such as the issue of free riders who take advantage of their position without making significant contributions. As Blasi et al. (2016) noted, the problem of free riders is often addressed through managerial efforts to create administrative structures and a firm culture that motivates all employees to participate in firm functions. More recent research delves into the political and strategic impact of elections to become an employee-owned firm. Specifically, Aubert et al. (2014) found that elections to become an employee-owned firm either stemmed from the desire to be a more transparent and inclusive firm or from the desire of poorly performing management to create a coalition to perpetuate a

dysfunctional organization. Specifically, in their research Aubert et al. (2014) noted a dichotomy of what motivated the drive for a firm to become employee owned. On one hand, employees see a utility in diversifying ownership within a firm. While on the other hand, the drive for employee ownership can be motivated by underperforming managers who desire to solidify their position within the organization while reaping the benefits of other's efforts.

In general, the literature on the relationship between employee ownership and firm financial performance suggests that a moderate positive relationship exists between the two (Blasi et al., 2016). For instance, in a meta-analysis by O'Boyle et al. (2016) they noted a modest positive relationship between employee ownership and overall firm performance. In contrast, other research has focused on the behavioral impacts of firm ownership. For instance, Pendleton et al. (1998) found that employee ownership improved certain psychological factors for them which related to firm performance, such as feelings of ownership and commitment to firm success. Along these lines, Klein (1987) found that employee satisfaction improved after they had a financial interest in the company. This was also confirmed by Kruse and Blasi (1995) and Pierce et al. (1991) in their assessments of the overall impact that employee ownership had on their attitudes towards a firm.

Analyses of firm performance generally note that mediating variables such as increases in productivity (Kim & Patel, 2017) or reduced turnover (Whitfield et al., 2017) contribute to the profitability of a firm. Along these lines, in research by Arando et al. (2015) they followed the sales volume and growth of cooperatively owned grocery stores which showed that employee ownership and the level of employee involvement were

related to a firm's success. Interestingly, Arando et al. (2015) also noted that job satisfaction was not related to a firm's financial performance since firms that performed better also required more effort on the part of employees and thus likely resulted in higher stress levels for them as well. Given this, it is also helpful to consider the relationship between an individual employee, employee ownership, and how firm administrative structure affects firm performance. Despite the overall positive results of employee ownership, other research has noted that employee ownership does not have a significant psychological impact on the rank and file of workers who merely own stock in the company (Pendleton & Robinson, 2011). This suggests that the ownership of limited amounts of stock alone is insufficient to foster psychological ownership, making this kind of ownership absent of cultural changes to the work environment which are typically tied to ownership.

Cultural factors were noted as being impacted by ownership by Blasi et al. (2016) who stated that employee ownership created an environment where employees had incentives to participate and perform better at job-related tasks. This cultural dimension of employee ownership helps create a complex situation that improves individual outcomes and firm performance. As noted above, Kim and Patel (2017) observed that individual-level variables such as productivity were positively impacted by cultural variables associated with employee ownership. Along these lines, Uslu (2015) observed that employee ownership helped create an innovation culture in firms that could be directly linked to other social considerations such as job satisfaction and a firm's financial performance. Additionally, in his review of nearly thirty years of research relating to employee ownership, Freeman (2007) observed that employee ownership helped create a culture where employee satisfaction was improved as was organizational commitment, identification with the

organization, motivation, and workplace participation. Freeman (2007) also noted that employee ownership was positively related to other social constructs such as a sense of community and other positive group-level mentalities. In addition to job satisfaction, some studies have concluded that employee ownership improves retention through increasing an employee's sense of belonging and psychological ownership (Elouadi & Noamene, 2017).

Employee Ownership and Firm Management

Employee ownership impacts firm management as well. For example, employee ownerships such as ESOPs or shared decision-making require firms to structure their administrative apparatus to facilitate such activities. Regarding specific managerial or administrative activities, research to date has noted various ways in which employee ownership plays a role in managerial activities. For example, Greene (2014) discussed the strategic use of financial and psychological ownership as an incentive strategy for firms to attract and retain employees. In addition, as noted above, Uslu (2015) explored the idea that ownership facilitated a culture of participation and innovation. This is particularly important for firms in highly innovative and evolving areas and can be considered part of a strategic management effort to enhance firm productivity by creating an environment that facilitates innovative practices.

In addition, management, human resources, and other administrative actors can use employee ownership as a strategic tool to facilitate positive outcomes for an organization. As Whitfield et al. (2017) noted, much of the research on employee ownership has focused on the broad and indirect effects of ownership on firm performance. Arguably, employee ownership represents a black box of related factors that indirectly and

complexly motivate measurably positive outcomes for a firm by enhancing employee performance. When viewed from an economic perspective, this black box model of employee ownership and its contribution to firm outcomes highlights the importance of actions that create indirect economic value in facilitating a firm's success. Specifically, rather than considering direct measures of revenue generation such as hours worked, the economic effect of a firm's actions whose value is not directly measurable, such as its job satisfaction or employee engagement, is important to a firm. This is particularly true of smaller firms in limited markets where the firm's ability to pay might be constricted.

Given the impact of employee ownership on an employer and their individual performance, as well as the associated managerial and human resources for related issues, it should be evident that there is a strong connection between issues of employee ownership and challenges commonly manifested by accounting firms, such as attracting, retaining, and promoting employees. With this in mind, the discussion of ownership now shifts to psychological ownership and various correlates of ownership such as OCB and CWB.

Psychological Ownership

Psychological ownership focuses not on financial interests but on how people are psychologically invested or have a sense of ownership in a particular place or activity. Psychological ownership covaries positively with financial ownership; however, it can also occur independently of financial ownership.

Psychological ownership does not consider an individual's financial stake in a firm, but instead considers the level of mental investment people have in their organization. Most research has suggested that high levels of psychological ownership in a firm

are positively related to employee performance and, ultimately, a firm's outcomes (Pendleton et al., 1998; Van Dyne & Pierce, 2004).

Zhang et al. (2021) conducted a meta-analysis and found that other studies consistently correlated psychological ownership to the antecedents of control, organizational knowledge, investment in the organization, and safety. In addition, the authors found that safety was a construct that included organizational justice, trust, perceived organizational support, and relational closeness. The authors also differentiated psychological investment from other related constructs such as organizational commitment and organizational identification. Finally, Zhang et al. (2021) noted in their research that psychological ownership also had a negative manifestation associated with it in some workplaces with a tendency towards territoriality. Ashley and Empson (2017) observed that territoriality was positively related to psychological ownership and that turnover intentions were negatively related to psychological ownership. Another interesting adaptation of psychological ownership and territoriality was discussed by Verkuyten and Martinovic (2017), who integrated both of these constructs and related them to the dynamics of an in-group and out-group. Specifically, Verkuyten and Martinovic (2017) noted that once individuals started investing psychological ownership in an organization, they tended to operationalize their territoriality by defining people as either part of their group or not.

In addition to territoriality and group identification, psychological ownership correlates to several individual outcomes. For example, Javed and Idris (2018) noted the positive relationship between psychological ownership and productivity at an organizational level. Javed and Idris (2018) also noted that levels of psychological ownership increased when employee ownership programs were implemented. This observation was

also confirmed by Chi and Han (2008), who noted that both psychological ownership and perceptions of organizational justice improved with employee ownership schemes. Along these lines, on an individual level, psychological ownership positively correlates with career success perceptions. Refining this relationship between psychological ownership and career outcomes, Avey et al. (2009) observed that employees with a high degree of psychological ownership tended to be more engaged in their organizations and more promotion focused.

OCB and CWB

Psychological ownership motivates OCB while limiting CWB. This helps us understand how ownership, either directly through psychological ownership or indirectly through financial ownership, can improve employee performance. Both OCB and CWB are composite constructs of various behaviors that contribute to positive or negative outcomes. In terms of how this relates to the broader discussion of using ownership to enhance firm performance, both OCB and CWB have been correlated with various aspects of psychological ownership, financial ownership, or issues identified with firm performance such as job satisfaction, retention, and promotion orientation. From this, OCB and CWB help solidify our understanding of how ownership can be used to impact employee performance.

OCB

OCB is positively related to psychological ownership (Pendleton et al., 1998). Organ (1988) defined OCB as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system” (p. 4). Thus, OCB can be described as behaviors that constitute going above and beyond one’s job description. In their analysis

of OCB, Organ (1988) found that psychological ownership was a multidimensional variable related to a commitment to the workplace, a desire to remain with the organization, a desire to contribute to the organization, and other attitudes related to the firm. In other research by Smith et al. (1983) they noted that high levels of psychological ownership positively correlated to more commitment and altruism in an organization. This finding is also reflected in the work of Han et al. (2010). In another study, Van Dyne and Pierce (2004) found that psychological ownership was positively correlated to organization-based self-esteem. Finally, Avey et al. (2009) noted that employee ownership in the aggregate promoted the effective functioning of an organization. Specifically, research has focused on how the generalized construct of OCB translates to specific firm outcomes. For example, Podsakoff et al. (2009) analyzed studies relating to OCB and firm outcomes and determined that OCB was negatively associated with turnover intentions and actual turnover. From this and other scholars such as Deckop et al. (1999) and Smith et al. (1983), the discussion tends towards the idea that OCB represents an aggregation of positive attitudes and behaviors an employee exhibits towards their organization.

Although OCB is a broad topic, there is a good amount of specific research on the relationship between OCB and ownership. For instance, Poutsma et al. (2015) studied the positive relationship between OCB and ownership in a firm. Also, Van Dyne and Pierce (2004) noted a similar relationship between psychological ownership and OCB. This relationship was later confirmed in research by Pierce et al. (2009), who noted that psychological ownership was a covariate of OCB. Peng and Pierce (2015) and Pouramini and Fayyazi (2015) also observed this positive relationship between OCB and psychological ownership and noted that variables such as job satisfaction were positively related to each

construct. Additionally, numerous studies relate ownership as ancillary to OCB, such as human capital (Lowitzsch et al., 2016; Pendleton & Robinson, 2011).

Another dimension of OCB is the role of organizational leadership in facilitating positive outcomes. For example, Jiang et al. (2019) noted that leadership can often positively impact OCB by creating environments that are conducive to rewarding employees' prosocial behaviors. Along these lines, Yadav and Rangnekar (2015), Nouri and Parker (2013), Ghafoor et al. (2011), and Mustafa et al. (2016) noted the positive relationship that existed between OCB, psychological ownership, participatory decision making, and leadership.

This brief overview of OCB shows that it is a critical component of employee performance. Also, it is evident that OCB and anything that promotes it represents an asset to a firm since OCB contributes to positive firm outcomes.

CWB

CWB is an opposite construct compared to OCB in terms of its effect in that CWB represents behaviors that detract from its operating efficiency and effectiveness (Dalal, 2005). Gruys and Sackett (2003) demonstrated that CWB was a collection of behaviors that were either counterproductive towards achieving workplace goals or were antisocial. This included theft, sabotage, verbal abuse, withholding efforts, lying, refusing to cooperate, and physical assault (Arya & Khandelwal, 2013). Additionally, CWB is typically negatively correlated to psychological ownership (Ghani et al., 2020). In terms of how CWB manifests itself, a good place to start is Dalal's (2005) work; in his meta-analysis of CWB and OCB, he concluded that although there was a moderate relationship between the CWB and OCB, the two were distinct constructs in terms of relationships

with other individuals and organization variables as well as antecedents. Spector et al. (2010) also confirmed this observation, noting that OCB and CWB tended to be the consequence not of completely different organizational conditions but as the result of some aspects of the work environment giving rise to niches of CWB behavior. Specifically, Spector et al. (2010) noted that under stimulation at work, a co-worker's lack of performance, organizational constraints, their lack of expected rewards for OCB, and their unjustified (to the actor) acts of CWB were all antecedents of CWB behavior. Also, Ariani (2013) noted that a lack of employee engagement often led to CWB behavior.

Given this overview of OCB and CWB, we can conclude that both CWB and OCB contribute to understanding the overall dynamic between ownership and employee performance. Specifically, we can infer that OCB contributes to positive employee outcomes while CWB limits employee outcomes. Also, OCB and CWB correlate positively to psychological and financial ownership.

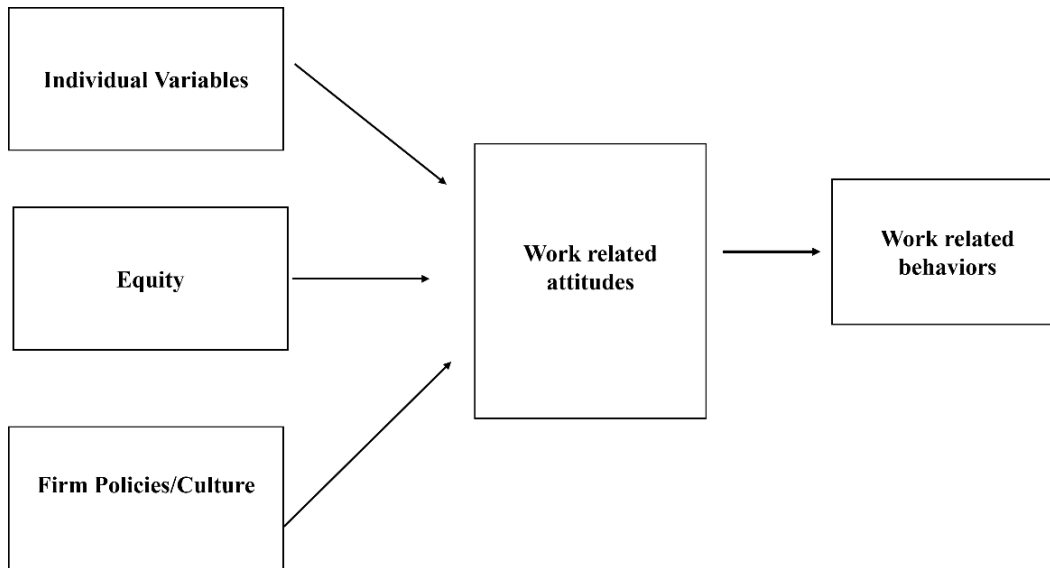
From the preceding discussion, it is possible to see how CWB and OCB act as factors in the broader discussion of using ownership to improve employee and firm performance. Specifically, it appears to be the case that when conditions facilitate OCB, employee satisfaction and hence their performance and retention improve. However, when employee morale is low and employees only have tenuous or frustrated relationships with their employer, such an environment is likely to lead to CWB and ultimately lead to low performance and high turnover intentions. Although the relationship between financial ownership, psychological ownership, CWB, and OCB is complex, it is also clear that the amount of overlap among these constructs is substantial in terms of their relationship to job satisfaction, turnover intentions, retention, engagement, and overall job performance.

Thus, all of these constructs must be considered to model a system that could properly improve employee performance.

Integration of Theory and Hypotheses

Research suggests that a firms' challenges in recruiting, retaining, and promoting employees directly relate to its financial and psychological ownership, individual characteristics, and policies. It is also evident that OCB, CWB, and employee attitudes are impacted by ownership, firm culture, and firm policies. Ultimately, these constructs have a demonstrable impact on employee performance and firm outcomes.

Employees are complex in terms of what motivates them to perform. Specifically, mere compensation in the form of cash income is likely just one of a host of incentives that might include equity. Other incentives include firm policies directed at meeting employee needs or meeting employees' needs of certain backgrounds that ultimately motivate employee performance. From this, it is possible to create a conceptual model of the factors explored in this work. A simplified model is shown in Figure 3:

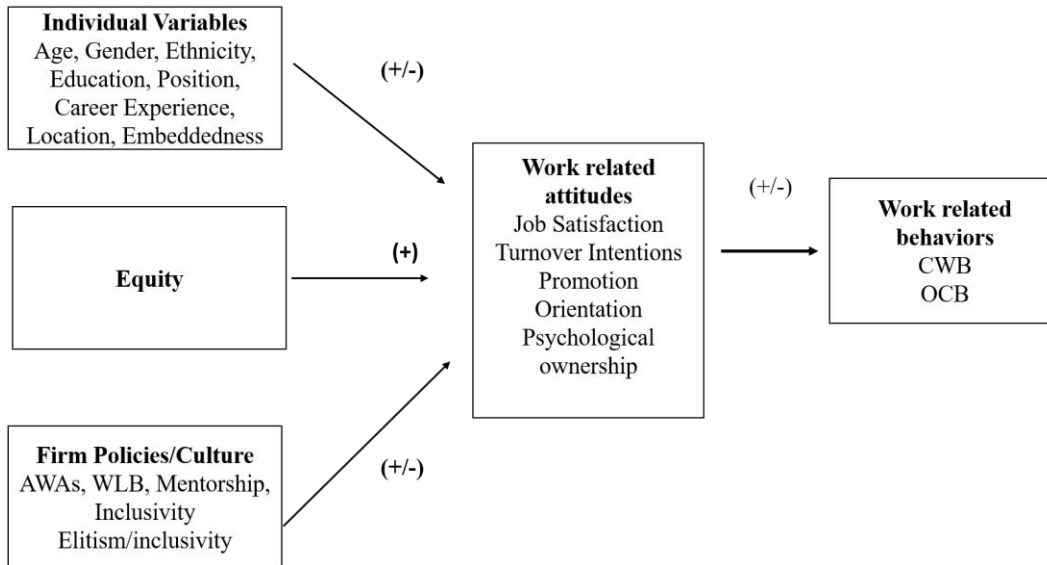
Figure 3*Simplified Model*

Numerous variables and constructs contribute to OCB, CWB, and employee attitudes. This relationship is generally unidirectional, with psychological ownership facilitating OCB and positive attitudes while limiting negative attitudes and CWB. However, it is noteworthy that there are likely some minor relationships that add an element of bidirectionality. For example, there is a possibility that OCB will contribute to psychological ownership. Specifically, there may be situations where individuals who are not invested in their organization become invested when they engage in OCB-related behaviors. Although this model focuses on psychological ownership's contribution to OCB and positive attitudes, it is still helpful to acknowledge the potentially bidirectional nature of many of these constructs. Also, given the other variables such as workplace policies, culture, and individual backgrounds, there is the potential for specific constructs from any of these categories to impact employee behavior and attitudes directly rather than by moderating

psychological ownership. Although there are likely many ancillary relationships, the proposed model's focus is limited to the unidirectional influence of employee identity and ownership and firm policies on employee performance. These limitations are done to foster theoretical clarity and to provide a foundation for practitioners to apply the findings of this study. Except to explore the relationship between financial and psychological ownership, for this model it is assumed that individual variables, financial ownership, and firm policies or culture affect employee behavior and attitudes through the mediator of psychological ownership.

The next component of this model is how ownership, individual variables, firm policies, and management ultimately affect employee performance. As noted before, psychological ownership can occur independently of financial ownership when employees develop a stakeholder mentality. Additionally, financial ownership may contribute to psychological ownership. Based on prior research, psychological ownership is a mediator between financial ownership and employee performance, whether they manifest as increased OCB, reduced CWB, or other attitudinal variables such as job satisfaction, retention, or engagement. Management, leadership, and firm policies can also facilitate positively to a firm's outcomes. As noted above, some firm policies might impact employee behavior and attitudes by mediating psychological ownership. However, specific firm policies such as ones relating to a work-life balance, mentoring, and alternative work arrangements might directly affect employees. Finally, an individual's background and attitudes likely affect how psychologically invested they are in their employer. Given these considerations, the model in this study is one where a combination of individual variables, firm policies, management practices, and financial ownership contribute to positive

employee behaviors and attitudes. Also, financial ownership, individual variables, and firm policies and practices reduce the tendency of negative behaviors and perceptions to manifest themselves. As a result of enhancing positive behaviors and attitudes while limiting negative ones, employee performance improves, and ultimately the firm's outcomes are improved. Finally, it is imperative to understand that the model's focus and the hypotheses derived from it do not focus on measuring firm performance or its outcomes per se. As noted in the literature review, there is robust evidence that OCB, CWB, and positive and negative attitudes result in better firm performance, whether measured by financial indicators such as profitability or human resources related measures such as turnover. Thus, the model at hand explores employees' behavioral and attitudinal aspects and postulates that certain attitudes and behaviors will result in better firm outcomes or performance. Considering this model, Figure 4 depicts the significant relationships from which we can develop a comprehensive model and hypotheses.

Figure 4*Full Model*

From this discussion, it can be concluded that issues of firm ownership are complex and dynamic in that they relate to financial, psychological, and human resources based considerations. Also, by exploring these dynamics, specific relationships between constructs can be better understood that will help firms to better structure themselves and their incentive systems.

With this theoretical background in mind, examining the impact of employee identity, alternative forms of firm ownership, non-traditional positions, and broad constructs such as psychological ownership and organizational citizenship is reasonable. We can summarize a situation in which individual variables, firm policies and practices, and financial ownership contribute to psychological ownership, resulting in improved OCB, diminished CWB, and improved employee attitudes. This improved employee behavior

and attitudes result in improved employee performance, resulting in improved firm outcomes.

Applicable Research and Hypotheses

From this general discussion, it is possible to derive hypotheses from the literature and the above models. However, before stating those hypotheses it is helpful to consider the implicit economic model that governs the specific hypotheses presented. As adapted from DeAngelo (1981) and from the discussion provided in the literature review, the underlying premises represent the basis for the subsequent hypotheses.

The premises are as follows:

1. Firms are limited in their resources.
 - a. Larger firms tend to have more resources, especially the ability to pay staff in direct compensation.
 - b. Smaller firms, especially those in limited markets, tend to have fewer resources, especially the ability to pay staff in direct compensation.
2. Firms want to use their resources efficiently to create rents.
3. Given a rent of the same size, smaller firms will value that rent more than larger firms because it makes up a greater proportion of their total rents.
4. Employees, especially experienced ones with valuable skill sets, represent an economic rent to a firm.
5. Firms will use their resources to maximize employee rents.
 - a. All firms have an incentive to value the rent a productive employee brings.

- b. Larger firms in competitive, unrestricted markets will be able to attract more employees, mostly by offering direct compensation.
 - c. Smaller firms in limited, uncompetitive markets will be less able to attract workers based upon only offering direct compensation.
 - d. Smaller firms have stronger incentives to efficiently use other resources such as their stock and to have more accommodating and inclusive work policies as noneconomic compensation to attract and retain employees since they are at a disadvantage in terms of offering direct compensation.
 - e. Lower cost resources are preferred to higher cost resources.
6. Pricing of rents will vary depending upon who supplies favors.
- a. In competitive markets where employers dominate, employers will have the advantage in demanding a certain price as compensation.
 - b. In competitive markets where employees dominate, employees will have the advantage in demanding a certain price as compensation.
7. Employees value both economic and noneconomic compensation.
- a. Employees value direct cash compensation.
 - b. Employees value equity compensation.
 - c. Employees value employment that considers the balance between their work and personal lives.
 - d. Employees value living in a community where they are embedded.
 - e. Employees value psychological ownership.
 - f. Employees value being satisfied with their job.
 - g. Employees value being included as members of a workplace community.

- h. Employees value mentorship.
8. The value an employee places on a given type of compensation can be either objective or subjective.
9. In a competitive market, a firm that considers both the economic and noneconomic factors that employees value will efficiently use firm resources to maximize employee rents in the long run.
10. In a competitive market, a firm that does not consider both economic and noneconomic factors that employees value will not efficiently maximize employee rents in the long run.

Hypotheses

Starting with Almer et al.'s (2012) work on PSMs, the AICPA survey (2019a), various anecdotal observations, and the economic model presented above, Hypothesis 1 deals with perceptions of PSM retention in small- and medium-sized firms. Specifically, Hypothesis 1 states that due to issues of firm size, small- and medium-sized firms will have more incentive to retain PSMs than larger firms. Therefore, Hypothesis 1 is stated as follows:

1. Small and medium-sized firms will be perceived as retaining PSMs more than larger firms.

Hypothesis 2 builds upon Hypothesis 1 and postulates that issues relating to offering competitive direct compensation, equity, a work-life balance, alternative work arrangements, mentorship, inclusionary policies, and labor market constraints will be considered contributing factors to PSM retention in smaller firms. Given the economic model presented above and the literature on these individual variables, it is logical to

hypothesize that small- and medium-sized firms will use or consider these variables in hiring and retaining employees. Therefore, Hypothesis 2 is stated as follows:

2. Offering competitive direct compensation, equity, a work-life balance, alternative work arrangements, mentorship, and inclusionary policies along with labor market constraints will all be considered contributing factors to PSM retention in smaller firms.

Hypotheses 3–5 relate to various features of the full theoretical model presented above. Given the complexity of the model and obvious methodological challenges in evaluating the entire model, Hypotheses 3–5 only measure specific aspects of the full model while excluding other features. Specifically, Hypotheses 3–5 measure the relationship between individual characteristics, compensation, equity, or participation in firm policies and they measure job-related attitudes, including job satisfaction, turnover intentions, and promotion orientation. For the sake of methodical parsimony, psychological ownership and its partially moderating influence on other work-related attitudes was not measured. Additionally, firm culture and employee behaviors such as OCB or CWB were not included in the model either since research has established that attitudes such as job satisfaction (Peng & Pierce, 2015), promotion orientation (Balouch & Hassan, 2014), turnover intentions (Uslu, 2015), and psychological ownership (Pendleton et al., 1998) contribute to specific work behavior-related outcomes, or it is prohibitive to measure as a construct as is the case with firm culture.

Hypothesis 3 tests whether offering equity to employees will improve job satisfaction, retention, and promotion orientation. Similarly, Hypothesis 4 asks whether policies geared towards a work-life balance, alternative work arrangements, and inclusivity

will be perceived as improving employee attitudes relating to job satisfaction, turnover intentions, and promotion orientation. Again, this hypothesis is presented in a way that only measures the correlation between these work-related policies and job-specific attitudes. As similarly noted in the literature review, with both Hypotheses 3 and 4 job satisfaction, promotion orientation, and turnover intentions are positively related to OCB and CWB as well as psychological ownership. Although not explicitly tested in this model, we could infer that perceived improvements in these attitudes would result in improvements in job related behaviors and ultimately in employee and firm performance. Hypothesis 3 and 4 are stated as follows:

3. Equity interests for employees will be perceived as improving employee attitudes relating to job satisfaction, turnover intentions, and promotion orientation.
4. Policies geared towards a work-life balance, alternative work arrangements, and inclusivity will be perceived as improving employee attitudes relating to job satisfaction, turnover intentions, and promotion orientation.

Finally, Hypothesis 5 postulates that individual differences in age, gender, ethnicity, position, career experience, embeddedness, and geographic location contribute to how an employee differently values work compensation, equity, a work-life balance, AWAs, mentorship, inclusivity, and working in a community that they are embedded in. This hypothesis is based on the literature review discussed previously (Almer et al., 2012; Holtom & O'Neill, 2004; Khlif & Achek, 2017), which notes that an individual's background with regards to these variables is often predictive of what they consider important relative to their specific position. Also, Hypothesis 5 could be used to implicitly test the

black box model of employee ownership based on the literature that notes how equity ownership does not impact employees in a perfectly consistent fashion. Hypothesis 5 is stated as follows:

5. The preferences that a worker has for compensation, equity, or firm policies directed at a work-life balance, along with their preferences for AWAs, mentorship, inclusivity, or working in a community will vary depending upon their age, gender, ethnicity, position, career experience, embeddedness, and community size.

Given the prior discussion, we can adapt the model represented in Figure 4 to reflect the five hypotheses stated here in three new models shown as Figure 5, Figure 6, and Figure 7.

Figure 5

Firm Size and PSM Retention—Hypothesis 1

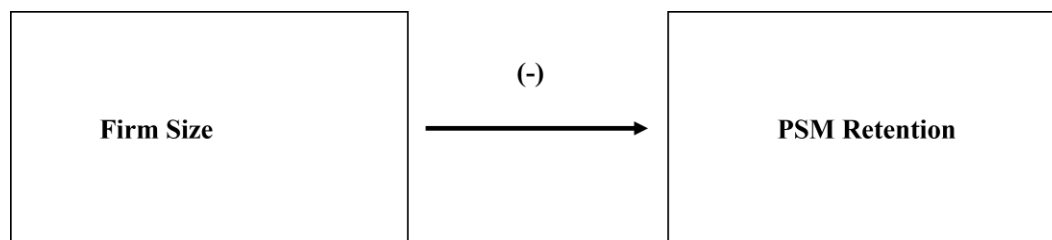


Figure 6

Factors Relating to PSM Retention in Smaller Firms—Hypothesis 2

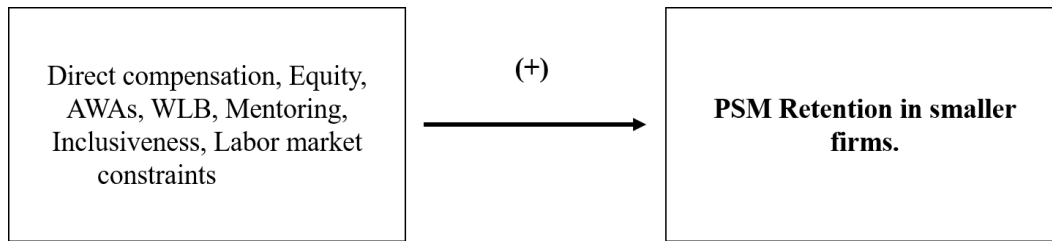
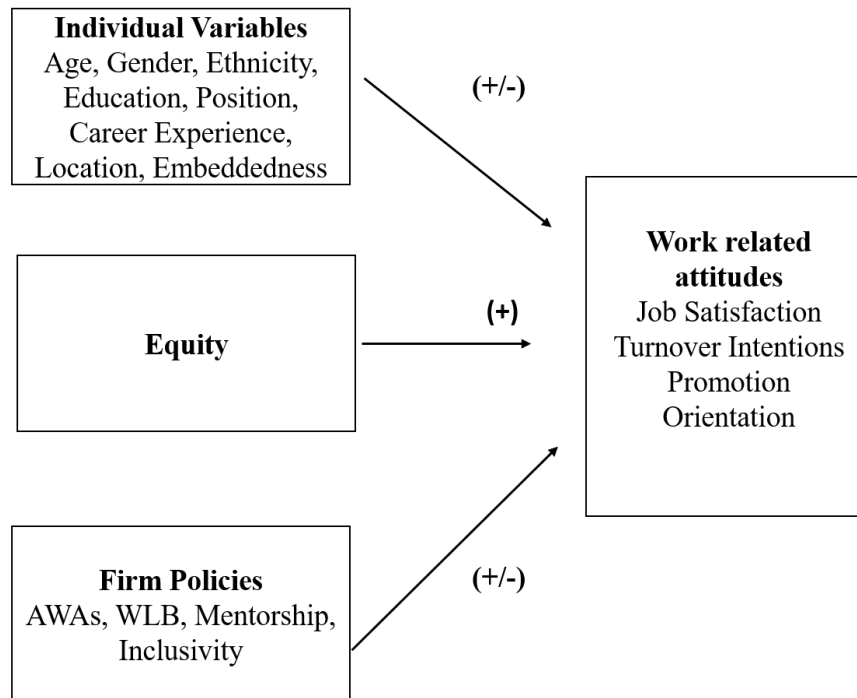


Figure 7

Tested Model—Hypotheses 3–5



Now that the context of the organizational and individual challenges faced by firms has been explored relative to real-world situations and theory, the next issue to consider is how the hypotheses were tested.

Chapter 3: Methodology

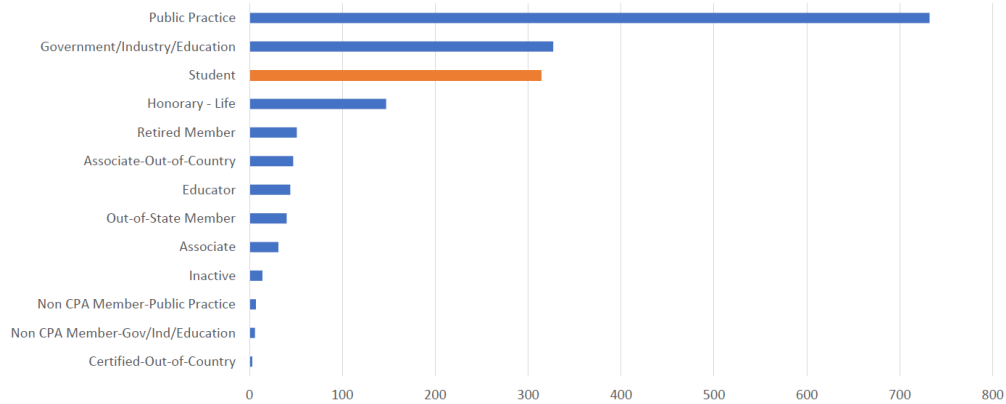
This study used an online survey instrument to test the five hypotheses using various statistical methods that directly tested the hypotheses while allowing for additional analysis. Given the complexity of the full theoretical model presented above, the survey was limited in terms of testing elements of the full model for parsimony. Specifically, the survey, detailed in Appendix A, used measures relating to job satisfaction, retention, and promotion orientation to test the overall model since these variables reflect other theoretical constructs and are highly relevant in applied settings. The survey also tested the hypothesis that smaller firms will try to retain PSMs more than larger firms. The questions relating to testing this hypothesis also included inquiring about the reasons for this potential relationship. Finally, the survey measured participants' preferences for compensation, equity, certain firm policies, or working in a community they were embedded in. Keeping with the findings of the prior research on employee ownership, firm policies geared towards a work-life balance, alternative work arrangements, mentorship, inclusion, and embeddedness, it was hypothesized that different types of people will prioritize differently. These hypotheses were intended to contribute to both our theoretical and applied understanding of the topic. Additionally, the survey questions were adapted from various sources to apply to a broader participant pool. These questions represent both a methodical limitation in that new questions were being used and in that it was an opportunity to measure a more diverse population. With these general considerations relating to the goal and methodology of this research in mind, the following sections detail participant selection, the development of the study, and the proposed analysis of the survey instrument.

Participant Selection

Participants for this research were recruited from accounting-related organizations, including public accounting firms, accounting-related professional organizations, and academic programs related to business and accounting. Recruitment occurred mainly in the Intermountain West of the United States. However, participants from other areas may be recruited as well. By design, the participant population was kept inclusive so as to measure attitudes relating to the hypotheses from a variety of perspectives in terms of individual demographics, career experience, and geographic locations. For example, retired partners were likely influenced by decades of experience while students entering the profession would likely aspire to certain personal and professional outcomes. For the sake of illustrating the potential participant pool, Figure 8 describes the current membership of the Montana Society of Certified Public Accountants, which is generally representative of who comprises professional organizations. As with other professional organizations, in accounting the majority of professionals are engaged in public practice, government, or an industry, or are students. Given the goals of this research it is necessary to consider the entire profession and not just public accounting even if the focus is on public accounting.

Figure 8

Montana Society of CPAs 2021 Membership, 1,800 Members Total



Sample Size

To determine the required sample size, a variety of factors were considered. Specifically, considering broad survey research from which the theoretical framework was derived and the statistics used to analyze the survey, an approximate survey sample of 150 participants were considered minimally appropriate. However, Table 2 notes that the number of participants varies widely for other surveys that measure similar constructs.

Table 2*Sample Size Comparison*

Study	Construct	<i>N</i>
Balouch & Hassan (2014)	Job satisfaction, turnover intentions, organizational commitment, performance, promotion	200
Nouri & Parker (2013)	Career growth, turnover intentions	110
Burton et al. (2010)	Embeddedness	623
Uslu (2015)	Job satisfaction, ownership	479
Pendleton et al. (1998)	Psychological ownership,	234
Buchheit et al. (2016)	Alternative work arrangements in accountants	1,222
Ribeiro et al. (2016)	Mentorship	851
Lazar (2010)	Job satisfaction	120
Brunetto et al. (2012)	Job satisfaction, employee engagement	193
O'Connell & Kung (2009)	Turnover intentions	416

Data Screening

The analysis of the data was conducted using SPSS Version 28. Data was screened for normalcy and outliers prior to the analysis. Specifically, the data was screened for outliers by examining and potentially disregarding values with z test scores above 2.5 (Walpole et al., 2017). Additionally, tests of skewness and kurtosis were done.

(Walpole et al., 2017). Finally, normalcy was tested using the Mahalanobis distance for multivariate statistics.

Validation of Survey

A preliminary survey was administered to a limited sample, roughly 10 qualified respondents, to improve the survey instrument. This sample included graduate students and respondents who fit the general participant pool.

Demographics/Background

Given the relationship between the hypotheses being evaluated and the importance of various demographic and background criteria required, considerable attention was paid in selecting demographic variables for both their potential impact on the hypotheses and for being able to measure these variables in a way that comported with the overall analysis. As the subsequent discussion notes, both the demographic and hypothesis variables were presented in a way that allowed for broad comparability.

Age

Age was presented on an integer slider scale ranging from 1–100. It was also possible to segment age into various discrete groups depending upon the distribution of the data or the analysis.

Gender

Gender was represented as a discrete variable in the following categories:

1. Male
2. Female
3. Other/non-binary

Ethnicity

Ethnicity was presented as follows:

1. White
2. Black (non-white)
3. Hispanic (non-white)
4. Asian/Pacific Islander (non-white)
5. Native American (non-white)
6. Other (non-white)

Due to the potential for limitations of certain types of participants, ethnicity was represented as specific ethnic identities and meta categories of white or non-white. Since whites represent the majority of the population in the United States, other groups were considered a minority for the analysis of variables such as minority group inclusion.

Education

Years of education were represented on an integer slider scale with segments denoting the general level of educational attainment. This allowed for both regression and categorical analysis to be performed.

1. Years of education:
 - a. High school or less (0–12), 12–16 (2-year college), 16–20 (4-year college), 20–22 (Master's degree) 22–30 (Doctorate)

Detailed Position

The participant's position was measured using a nine-item categorical measure based on Lupu's (2012) categorization. This variable was intended to add qualitative detail to the analysis. If the number of participant's was sufficient, additional analysis could be done using these categories:

1. What best describes your current position?
 - a. Student
 - b. Sole practitioner/industry/government
 - c. Staff (non-accountant/non-managerial)
 - d. Associate
 - e. Manager
 - f. Post senior manager, director, non-equity partner (does not have executive powers)
 - g. Partner/shareholder
 - h. Retired
 - i. Other non-accounting manager such as HR.

Public Accounting Experience

The following questions asked about the participant's experience with public accounting and whether they had ever been on the partner track at a public accounting firm. Both these variables were used as dichotomous variables to categorize career experience/position.

1. Have you ever worked in public accounting?
 - a. Yes/No
2. Have you ever been on track to become a partner/shareholder?
 - a. Yes/No

Years of Work Experience

Years of work experience allowed for an integer response starting at zero. This variable may also be divided into various categories.

1. How many years of work experience do you have?
 - a. (Numeric)

Employer Size

Participants were asked about the number of employees at their most recent employer. Responses to this scale can be categorized based on definitions of small, medium, and large firm sizes.

1. How many people worked at your most recent employer?
 - a. (Slider scale) 1–500

Community Size

The size of the participant's community was measured on an integer response scale that was also divided into categories.

1. How would you describe the community you live in?
 - a. (Slider scale), 0 (*Rural*), 25 (*Semi rural*), 50 (*Suburban*), 75 (*Small city*), 100 (*Large city*)

Embeddedness

Embeddedness was measured on an integer response scale divided into categories.

1. Being a member of the community, being from here, or having family obligations are reasons I stay here.
 - a. (Slider scale, 1–100), 0 (*Strongly disagree*), 25 (*Disagree*), 50 (*Neutral*), 75 (*Agree*), 100 (*Strongly agree*),

Free Response

The only qualitative element of the survey was a free response option at the end of the survey that asked for additional insights into the topics covered in the survey or anything else the participant wanted to add.

1. Is there anything else you would like to add about the topics covered in this survey?
 - a. (Free response)

Proposed Analysis

Hypothesis 1: Small- and Medium-Sized Firms Will be Perceived as Retaining PSMs More Than Larger Firms.

A one-way z test was performed to test Hypothesis 1. The null hypothesis was rejected if the mean of the scale, which was 50, was outside of the 95% confidence interval for responses. Additional regression and analysis of variance (ANOVA) analyses were performed using the demographic and background variables to see if there was any variation in responses based on background or demographics. Below are excerpts from the survey which is also found in its complete form in Appendix A.

Post Senior Managers (PSMs) are positions where senior staff who do not make managing partner or shareholder remain at the firm in a non-managerial role. Typically, these employees do not have executive powers regarding firm-wide decisions, nor do they usually have equity interests in the firm.

- If your firm has a post-senior manager position, answer the questions as they are written.
- If your firm does NOT have a post senior manager position AND you are familiar with PSMs, answer the questions to the best of your knowledge.

If you are unfamiliar with PSMs, select the box labeled *Not Applicable*.

1. Smaller firms retain PSMs more than larger firms.

(Slider response, 1–100), 0 (*Strongly disagree*), 25 (*Disagree*), 50 (*Neutral*), 75 (*Agree*), 100 (*Strongly agree*), (*Not applicable*)

Hypothesis 2: Offering a worker competitive direct compensation, equity, a work-life balance, alternative work arrangements, mentorship, and inclusionary policies along with the firm's consideration of labor market constraints are all contributing factors to PSM retention in smaller firms.

To test Hypothesis 2, a correlation and regression analysis was done on each of the individual variables, comparing them to responses from the survey question which inquired about whether smaller firms are more likely to retain PSMs. The null hypothesis was that the factors examined would not be correlated or be negatively correlated to perceptions of small firms retaining PSMs. The hypothesis would be confirmed if there was a positive relationship between a variable and the perceptions that smaller firms are more likely to retain PSMs.

Additional analyses used regression or ANOVA analysis based on individual demographic or background variables to see if perceptions varied across different groups.

1. Given your response to the prior question, how much do the following considerations play a role in your answer?

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), *Not applicable*

a. Direct compensation that is not competitive with larger firms

- b. Offering equity
- c. Alternative work arrangements
- d. Work-life balance
- e. Mentorship
- f. Programs directed at inclusivity
- g. Limited supply of talent

Hypothesis 3: Equity interests for employees will be perceived as improving employee attitudes relating to job satisfaction, turnover intentions, and promotion orientation.

Hypothesis 4: Policies geared towards work-life balance, alternative work arrangements, and inclusivity will be perceived as improving employee attitudes relating to job satisfaction, turnover intentions, and promotion orientation.

To test Hypotheses 3 and 4, one-way z tests were performed on responses relating to the constructs measured in the hypotheses. The null hypothesis was rejected if the mean potential response was below the 95% confidence interval for responses. Z tests could be performed on an aggregation of responses about job satisfaction, turnover intentions, and promotion orientation or on each variable individually to add detail to the analysis.

In addition to testing the stated hypotheses, several additional analyses were performed. First, a correlation analysis determined the strength and directionality of the relationship between the constructs. Specifically, a one-way ANOVA was performed to determine the independence of the constructs tested and to compare those responses to constructs not tested in the model, such as compensation and embeddedness. Using the information from the ANOVA analysis, it was sufficient to construct a factor model of the

variation amongst the constructs. Additionally, responses to the individual questions related to retention, job satisfaction, and promotion orientation were analyzed using a similar methodology to determine whether they varied independently or covary. Also, additional analyses including ANOVAs and regression were performed on demographic variables.

1. How important is compensation to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Staying at your position
- b. Advancing or being promoted
- c. Being satisfied with your job

2. How important is being offered equity to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Staying at your position
- b. Advancing or being promoted
- c. Being satisfied with your job

3. How important is work-life balance to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Staying at your position
 - b. Advancing or being promoted
 - c. Being satisfied with your job
4. How important are alternative work arrangements to each of the following:
(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)
- a. Staying at your position
 - b. Advancing or being promoted
 - c. Being satisfied with your job
5. How important is mentorship to each of the following:
(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)
- a. Staying at your position
 - b. Advancing or being promoted
 - c. Being satisfied with your job
6. How important is inclusivity to each of the following:
(Slider response, 1–100) 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)
- a. Staying at your position
 - b. Advancing or being promoted

- c. Being satisfied with your job
7. How important is staying in a community where you have friends, family, or ties to relatives to the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Staying at your position
- b. Advancing or being promoted
- c. Being satisfied with your job

Hypothesis 5: Ranked preference for compensation, equity or firm policies directed at work-life balance, AWAs, mentorship, and inclusivity or working in a community the worker is embedded in will vary depending upon age, gender, ethnicity, position, career experience, embeddedness, and community size.

To test Hypothesis 5 a chi-squared test was used. Since the demographic/background questions were both categorical and integer, a chi-squared test was conducted on all demographic variables. The null hypothesis was rejected if a preference for the items listed in the question varied depending upon demographic or background information. Understanding the ranked preference for certain work-related considerations adds to our understanding of how these factors influence employee attitudes and behaviors. Used in conjunction with the correlational analyses used in Hypothesis 3 and 4, this study is instrumental in developing an understanding of what different employees prioritize and the strength of the impact of certain work-related considerations.

1. For the following statements, rank how important they are to you when thinking about where you want to work. (Rank each)
 - a. Direct compensation
 - b. Owning stock in your employer
 - c. Work-life balance
 - d. Alternative work arrangements (remote work, alternative schedules)
 - e. Mentorship
 - f. Inclusivity
 - g. Inclusivity based upon gender, race, or other demographic background.

Staying in a community you have ties to.

Chapter 4: Analysis

Data Collection and Screening

The survey was administered using Qualtrics. Survey participants were recruited through professional and academic organizations as well as social media and qualified participant panels. The survey generated 732 responses of which 509 were complete with regards to questions that required responses. The data were screened for normality and outliers. Specifically, responses with z scores above or below plus or minus 3.5 were omitted. Additionally, given the inherently limited range of the survey responses in terms of potential z scores, Mahalanobis distances were calculated for two constructs. The first construct was related to PSMs and the second corresponded to retention, satisfaction, and advancement-related questions. Responses for PSM-related questions with a critical value above 15.07 and 32.760 for the retention, satisfaction, and advancement-related questions were examined to determine if they represented a valid response. Validity was

determined by the time it was used to complete the survey or by the logical consistency of the responses as a whole. For example, responses that took little time to complete or responses that did not reflect a meaningful opinion were removed, typically all responses with 0s or 100s on a 1–100 scale. Also, the logic of using Mahalanobis distance for this purpose was that responses to questions relating to either PSMs or advancement, retention, and satisfaction were seen as being part of a greater construct from which the Mahalanobis distance scores were used to determine how far a participant's responses were from the overall mean of a construct. Also, Mahalanobis distances provided for greater potential variability since it measures multiple variables over a single variable.

Finally, a review of responses was conducted to determine if other aspects of the responses were valid. Specifically, age and work experience responses were examined for validity. Responses that appeared to have an error in listing their age or work experience were either removed if the entire response appeared to be an invalid or were adjusted to the mean response of 43.58. The criteria used to determine validity included whether the age the participants listed was rationally related to their work experience. For example, a participant claiming to be 45-years-old with 40 years of work experience would represent an invalid response since it is unrealistic that it is true. Since there were relatively few responses that were deleted or adjusted on the basis age or work experience, their impact on the overall mean was minimal. Responses of this nature were then examined to see if the participants' other responses were logical. For example, responses with all 100s or 0s on a scale of 1–100 were deleted. Admittedly, there is a degree of subjectivity to this process since some extreme responses might reflect strong opinions about the topics rather than

meaningless responses. After the data were screened for these considerations, a total of 490 full responses and 331 PSM-related responses remained.

Participant Demographics

Survey participants' ages ranged from 18 to 83, with a mean of 43.58. The number of participants who identified as female was 282, the number who identified as male was 207, and 3 identified as non-binary/third gender. The ethnicity of the participants is summarized in Table 3.

Table 3

Ethnicity

Ethnicity	<i>N</i>	%
Black	51	10.4
Other	7	1.4
Native American	2	0.4
Hispanic	42	8.6
Asian/Pacific Islander	32	6.5
White	356	72.7
Total	490	100

Participants had on average 13.95 years of education. Table 4 summarizes their educational attainment.

Table 4

Educational Attainment by Category

Education	<i>N</i>	%
High school	122	24.9
Associates	98	20.0
Bachelors	80	16.3
Masters	64	13.1
Beyond masters	126	25.7
Total	490	100

Participants' positions within the firms are summarized in Table 5. The number of participants who identified as having public accounting experience was 5.253 or 51.4%, while the number of participants who identified as not having public accounting experience was 239 or 48.6%. Additionally, 362 or 73.6% of participants identified as not being on the partner track while 130 or 26.4% identified as being on the partner track. Participants had an average of 21.85 years of work experience.

Table 5*Position by Category*

Position	<i>N</i>	%
Associate	129	26.3
Partner/shareholder (has executive/managerial powers)	23	4.7
Sole practitioner/industry/government	9	1.8
Staff (non-accountant)	74	15.1
Retired	6	1.2
PSM, director, non-equity partner	59	12.0
Other non-accounting manager such as HR	13	2.7
Manager	171	34.9
Total	490	100

Table 6 describes the distribution of work experience among participants based on 5-year increments.

Table 6*Work Experience in 5-Year Increments*

Age group	<i>N</i>	%
0-5	19	3.9
5-10	55	11.2
10-15	80	16.3
15-20	66	13.5
20-25	71	14.5
25-30	62	12.7
33-35	57	11.6
35-40	36	7.3
40+	44	9.0
Total	490	100

Finally, the mean size of the participant's last employer was 257 employees. Table 7 describes the distribution of employer sizes based on firms with less than 10 employees and up to those with 25, 50, 100, 200, and more than 500.

Table 7*Employer Size by Category*

Employer size	<i>N</i>	%
< 10	42	8.6
10–25	51	10.4
25–50	32	6.5
50–100	45	9.2
100–200	51	10.4
200–500	149	30.4
500+	120	24.5
Total	490	100

Participants, on average, identified as being from a suburban community with a mean of 60.4. Community size was represented as both an integer and categorical variable. The categorical variable is displayed in Table 8. Also, the average level of embeddedness from participants was 64.95. Table 9 describes the number of responses found relating to a four-category scale of embeddedness.

Table 8*Community Size*

Community size	<i>N</i>	%
Rural	42	8.6
Semirural	77	15.7
Suburban	197	40.2
Urban	174	35.5
Total	490	100

Table 9*Embeddedness by Category*

Embeddedness	<i>N</i>	%
Very low	46	9.4
Low	56	11.4
Moderate	168	34.3
High	220	44.9
Total	490	100

Hypothesis 1

A one-way z test was performed to test the hypothesis that smaller firms retain a higher number of PSMs than larger firms. A one-way z test provides a simple and robust method for determining if the observed mean differs significantly from the hypothesized mean where the sample size is large, such as a sample size in excess of 30, the distribution is relatively normal, and the variance is known (Sprinthall, 2003). Using 354 responses with a mean response of 56.01, the one-way z test ($Z = 5.015$, $P < 0.000$) confirmed the hypothesis that smaller firms tend to retain a higher number of PSMs than

larger firms. Additionally, Cohen's d is the measure of effect size calculated by dividing the difference between two means by the standard deviation of the observed population (Sawilowsky, 2009). Effect sizes range from .01, very small, to 2.0, very large (Sawilowsky, 2009). Using the same sample of 354 participants, the observed Cohen's d of .26655 was relatively small. This observation combined with the observed mean of 56.01 indicated a categorical response of moderate agreement, which casted some doubt on the strength of the conclusion that smaller firms try to retain PSMs more than larger firms.

Additional analyses were performed to determine if perceptions of PSM retention in smaller firms varied depending on participant demographics. A correlational analysis noted modest and significant positive correlations between perceptions of PSM retention and all integer scale demographic variables except for work experience and age.

A factorial ANOVA was performed on the categorical variables. The logic of using a factorial ANOVA for this and the other analyses performed was that it provides a method of comparing differences between categorical variables. The results showed that the categories of being on the partner track ($F 7.229, .008, df 1$) and the employer size ($F 2.1, .047, df 6$) resulted in a significance at the .05 level between groups effects on the overall model. A further examination of responses to the question about the firm's size and PSM retention based upon these categories revealed significant mean differences in responses based upon the participants being on the partner track or the size of a participant's employer. Specifically, those on the partner track generally perceived smaller firms as retaining PSMs more than those not on the partner track as indicated by a mean response of 55.97 for partner track participants versus 50.75 for non-partner track

participants. Also, respondents at larger firms, those with 100 or more employees, tended to perceive smaller firms as retaining PSMs more than those at smaller firms.

Additionally, a factorial ANOVA was done to test for interaction effects between gender, ethnicity, position, and embeddedness. These variables were selected since prior research has noted their interactions (Almer et al., 2012; Holtom & O'Neill, 2004; Piosik et al., 2019). Finally, Levene's test for homogeneity of variance was performed on both the primary and interactions model and resulted in significant levels of variance, .046 and .01, respectively. As generally observed with Levene's test, if the test is significant, then the level of homogeneity of variance is low, and the level of significance required for mean differences to be significantly different also increases (Keselman et al., 1979). For example, if Levene's test is significant at the .05 level, then the variance is considered high, meaning that for individual factors to be significant, they conservatively should be at a much higher level significance such as 0.000 (Braver et al., 2003). Given this level of significance of the respective Levene's tests, neither the interaction or the primary model was considered significant.

Next, multivariate regression was performed using the integer demographic variables as predictors. The regression showed a modest positive relationship between perceptions of experience with PSMs in small firms, participant community size, and education. Specifically, community size represented the most significant predictor, (adjusted R^2 , .022), followed by work experience (adjusted R^2 , .012), and education (adjusted R^2 , .010). Also, work experience was negatively related to the perception that smaller firms retain PSMs more than larger firms. Table 10 summarizes the full regression model that includes community size, work experience in years, and education in years.

Table 10*Coefficients, Firm Size PSM Retention Regression, Full Model*

Model	Unstandardized coefficients		Standardized coefficients	<i>t</i>	Sig.
	<i>B</i>	Std. error	Beta		
3 (Constant)	49.384	4.465		11.059	.000
Community size	.092	.045	.108	2.027	.043
Work experience years	-.254	.102	-.131	-2.488	.013
Education years	.415	.193	.114	2.157	.032

Note: Table 10 presents the regression coefficients for relevant demographic variables as they predict firm size PSM retention.

Hypothesis 2

To test the hypothesis that compensation, equity, work-life balance, alternative work arrangements, mentorship, inclusivity, and a limited supply of talent contribute to perceptions of why smaller firms try to retain PSMs, responses to questions relating to these constructs were compared. Specifically, if a participant responded that they believe smaller firms try to retain PSMs more than larger firms, as judged by a response above 50 on the response scale to the firm size PSM question, their response was then compared to their other responses to questions relating to compensation, equity, work-life balance, alternative work arrangements, mentorship, inclusivity, and a limited supply of talent. Given the structure of a firm size and the PSM retention questions, there was no value in

considering the relationship between responses to the firm size and PSM retention question with responses less than 50 since such answers indicated that participants believed that smaller firms were no different than larger ones. Therefore, to test the hypothesis that compensation, equity, work-life balance, alternative work arrangements, mentorship, inclusivity, and a limited supply of talent are factors as to why smaller firms try to retain PSMs more than larger firms, a one-way z test along with Cohen's d was performed. As with Hypothesis 1, the logic behind using z tests and Cohen's d is that they provide straightforward and robust methods for noting significant mean differences and effect sizes provided there is normal data. Specifically, mean responses to questions about compensation, equity, work-life balance, alternative work arrangements, mentorship, inclusivity, and a limited supply of talent were tested against the null hypothesis that they would have no impact on PSM retention in smaller firms. Specifically, it was assumed that mean scores significantly above 50 would result in rejecting the null hypothesis. Additionally, Cohen's d was used to test effect size and other analyses were performed on the tested variables to see if they varied significantly based upon other factors such as demographics. The mean response, the z test along with Cohen's d are noted in Table 11. As the results in Table 11 describe, Hypothesis 2 was confirmed using a sample size of 235.

Table 11*One-Way Z Test PSM Retention-Related Variables*

Variable	z statistic	Mean	P-value	Cohen's d
Salary	14.687	66.92	0.000	.954
Equity	13.231	63.09	0.000	.857
Alternative work arrangements (AWA)	14.191	67.06	0.000	.919
Work-life balance	17.159	72.70	0.000	1.112
Mentorship	12.951	66.05	0.000	.839
Inclusivity	8.421	62.36	0.000	.547
Limited supply of talent	10.162	62.24	0.000	.660

Note: Table 11 presents the results of the z test for Hypothesis 2.

In addition to confirming the hypothesis that the factors mentioned above play a role in why the PSM experience at smaller firms differs, Table 12 shows the correlational relationship between the examined variables and participant demographic variables. There was a high degree of positive covariation among the PSM-related variables.

Table 12*Correlation of Demographic Variables to Firm Size PSM Retention Variables*

Variable	PSM retention					
	Firm size	Salary	Equity	AWAs	Work-life balance	Mentorship
Age	-.128*	-.031	-.094	-.070	-.098	.038
Education years	.125*	.170**	.100	.070	.079	.155**
Community size	.149**	.232**	.166**	.110*	.132*	.178**
Work experience years	-.142**	-.077	-.115*	-.087	-.125*	-.033
Embeddedness	.086	.176**	.201**	.165**	.205**	.168**
Employers size	.088	.186**	.046	.171**	.119*	.074

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

In addition to correlational analysis, a factorial ANOVA was done for each of the variables tested in the PSM retention model to test for significant contributions and interactions among categorical variables. As noted above, a significant Levene's test for a homogeneity of variance requires a higher level of significance for individual variables. As with Hypothesis 1, the interaction model consisted of gender, ethnicity, position, and embeddedness and did not result in a significant interaction effect.

Since only salary, alternative work arrangements, and work-life balance resulted in significant contributions, Table 13 summarizes the relevant factors with significance above the 5% level.

Table 13

Firm Size PSM Retention Contributing Variables, Factorial ANOVAs Based on Demographic Variables

Variable	<i>df</i>	<i>F</i>	Sig.	Partial Eta squared
Salary				
Gender	2	3.896	.021	.027
Public accounting experience	1	4.520	.034	.016
Education categories	4	2.418	.049	.034
Community size categories	3	3.991	.008	.041
Embeddedness categories	3	4.633	.004	.048
Alternative work arrangements				
Embeddedness categories	3	4.104	.007	.043
Work experience categories	8	2.124	.034	.058
Work-life balance				
Community categories	3	3.475	.017	.036
Embeddedness categories	3	6.650	.000	.067

Note: Table 13 displays significant factorial ANOVAs for categorical demographic variables as they relate to perceptions of salary, alternative work arrangements, and work-life balance in firm size PSM retention.

One-way ANOVAs were performed on categorical variables or scale variables re-categorized as categorical variables. Table 14 and Tables 15-18 summarizes the significance and distribution of responses that logically contribute to the overall model. Specifically, participants with high levels of embeddedness tended to perceive salary, AWAs, and work life balance as being factors in why smaller firms retained PSMs. Also, those with a higher level of education perceived salary as a factor in why smaller firms retained PSMs. The Welch test of significance and the Brown-Forsythe test of significance, depicted in Table 14 were used because they account better for significance when the homogeneity of variance is high, as determined by Levene's test of significance.

Table 14

ANOVA Results for Firm Size PSM Retention Factors and Mean Response by Education and Embeddedness

Variable	Dependent Variable	Welch	Brown-Forsythe
Embeddedness	AWAs	<.001	.001
Embeddedness	Salary	.002	.001
Embeddedness	Work-life balance	<.001	<.001
Education	Salary	.031	.026

Note: Both Welch and Brown-Forsythe's significance of firm size PSM retention selected one-way ANOVAs. Firm size PSM retention, AWAs categorized by embeddedness, N, mean, standard deviation, confidence interval, minimum, and maximum.

Table 15

Embeddedness	N	Mean	Std. deviation	95% confidence interval for mean		Minimum	Maximum
				Lower bound	Upper bound		
Very low	25	61.68	25.354	51.21	72.15	8	98
Low	36	57.44	15.949	52.05	62.84	29	88
Moderate	117	62.41	18.008	59.11	65.71	2	100
High	154	69.27	19.371	66.18	72.35	22	100
Total	332	65.00	19.454	62.90	67.10	2	100

Note: Firm size PSM retention, AWAs categorized by embeddedness, N, mean, standard deviation, confidence interval, minimum, and maximum.

Table 16

Embeddedness	N	Mean	Std. deviation	95% confidence interval for mean		Minimum	Maximum
				Lower bound	Upper bound		
Very low	26	63.58	16.177	57.04	70.11	31	98
Low	36	57.92	16.919	52.19	63.64	29	100
Moderate	117	60.21	18.662	56.80	63.63	13	100
High	154	68.86	20.026	65.68	72.05	12	100
Total	333	64.23	19.400	62.14	66.32	12	100

Note: Firm size PSM retention, AWAs categorized by embeddedness, N, mean, standard deviation, confidence interval, minimum, and maximum.

Table 17

Education	N	Mean	Std. deviation	95% Confidence interval for mean		Minimum	Maximum
				Lower bound	Upper bound		
High school	63	60.63	18.541	55.97	65.30	25	100
Associates	67	60.61	18.882	56.01	65.22	22	100
Bachelors	64	63.83	18.906	59.11	68.55	20	100
Masters	43	67.63	18.855	61.83	73.43	12	100
Beyond Masters	96	67.85	20.313	63.74	71.97	13	100
Total	333	64.23	19.400	62.14	66.32	12	100

Note: Firm size PSM retention, AWAs categorized by education, N, mean, standard deviation, confidence interval, minimum, and maximum.

Table 18

Embeddedness	N	Mean	Std. deviation	95% Confidence interval for mean		Minimum	Maximum
				Lower bound	Upper bound		
Very low	26	66.00	25.243	55.80	76.20	18	100
Low	36	55.67	19.275	49.14	62.19	22	100
Moderate	117	68.34	20.743	64.54	72.14	7	100
High	154	75.67	19.806	72.52	78.82	10	100
Total	333	70.18	21.393	67.87	72.48	7	100

Note: Table 18 describes the positive relationship between embeddedness and the preference for work-life balance.

A regression analysis was performed using PSM firm size perceptions as the dependent variable and the perceptions of individual variables relating to PSM retention in small firms as the independent variables. The analysis resulted in a significant outcome (adjusted R² of .200), a predictive model where perceptions of salary, work-life balance, and mentorship significantly predicted smaller firms retaining PSMs more than larger firms. The findings of the regression are summarized in Table 19.

Table 19

PSM Retention Variable Regression Model, Coefficients for Full Model

Model	Unstandardized coefficients		Standardized coefficients	<i>t</i>	Sig.
	<i>B</i>	Std. error	Beta		
3 (Constant)	20.227	4.310		4.693	.000
Talent PSM retention	.269	.060	.268	4.495	.000
Work-life balance PSM retention	.163	.055	.159	2.984	.003
Inclusivity PSM retention	.147	.056	.155	2.641	.009

Note: Table 19 depicts the regression model for firm size PSM retention based upon specific workplace policies or compensation.

Hypothesis 3 and 4

Hypotheses 3 and 4 generalize the factors considered in assessing PSM retention to a broader population of accounting-related participants. Specifically, Hypotheses 3 and 4 test that policies geared towards equity ownership, work-life balance, alternative work arrangements, and inclusivity will be perceived as improving employee attitudes relating to job satisfaction, turnover intentions, and promotion orientation. As with prior hypotheses, to test these hypotheses, a one-way z test was used to determine if the mean responses differed significantly from the null hypothesis that participants will not view the assessed variables as enhancing retention, advancement, or job satisfaction. Additionally, Cohen's d was used to test for effect size. Table 20 notes that overall responses indicated that salary, equity, work-life balance, AWAs, mentorship, inclusivity, and staying in a community that you are embedded in contributed to retention, advancement, and satisfaction.

Table 20*One-Way Z Test Hypotheses 3 and 4*

Variable	<i>z</i> score	<i>P</i> -value	Mean	Cohen's <i>d</i>
Compensation retention	27.610	0.000	75.70	1.241
Compensation advancement	25.235	0.000	75.13	1.134
Compensation job satisfaction	35.884	0.000	80.97	1.612
Equity retention	14.563	0.000	65.77	.6565
Equity advancement	16.844	0.000	68.38	.757
Equity job satisfaction	20.576	0.000	72.07	.924
Work-life balance retention	33.161	0.000	79.26	1.490
Work-life balance advancement	27.432	0.000	75.44	1.233
Work-life balance job satisfaction	42.154	0.000	81.99	1.894
AWAs retention	18.600	0.000	69.16	.836
AWAs advancement	19.478	0.000	68.96	.875
AWAs job satisfaction	26.510	0.000	75.56	1.191
Mentorship retention	12.814	0.000	64.14	.575
Mentorship advancement	15.343	0.000	66.85	.68
Mentorship job satisfaction	17.1381	0.000	68.96	.770
Inclusivity retention	11.968	0.000	70.36	.537
Inclusivity advancement	11.604	0.000	67.72	.521
Inclusivity job satisfaction	16.835	0.000	72.74	.7566
Embeddedness retention	19.562	0.000	64.14	.879
Embeddedness advancement	16.902	0.000	63.55	.759
Embeddedness job satisfaction	22.015	0.000	69.19	.989

Overall there was a high degree of correlation between constructs in terms of their relationship with each other or the greater constructs of retention, advancement, or satisfaction. Given the consistently strong correlation among the variables, regression modeling was used to create a deeper understanding of the relationships among these constructs.

A regression model used composite scores for advancement, satisfaction, and retention and compared them to the scale of demographic variables of age, education, embeddedness, work experience, and community size. Except for work experience, which was negatively related to overall advancement orientation, community size and embeddedness were the only demographic variables to be positively related to overall advancement (.085, adjusted R²), satisfaction (.044, adjusted R²), or retention (.08, adjusted R²).

A factorial ANOVA was conducted to determine whether the responses varied based on categorical demographic variables. Also, a factorial analysis was done to determine potential interactions. Due to the high level of homogeneity of variance as judged by using Levene's test of homogeneity of variance, the interaction analysis yielded indeterminate results concerning potential interactions.

As detailed in the summary of significant one-way ANOVAs for the assessed variables, firm size, being on the partner track, public accounting, gender, and ethnicity, all contributed significantly to variability in the construct assessed. Although there were numerous specific relationships, the relevant observations from this analysis are as follows:

- Both public accounting experience and being on the partner track resulted in a lower expectations of a work-life balance.

- The results for the variable gender did support a statistically significant difference between men, women, and those who identified as non-binary. However, the mean differences between men and women were so small, 75.22 and 75.49, that for practical purposes, there was no difference even if the difference was significant.
- Participants from larger firms tended to value inclusivity and work-life balance more than those from smaller firms.
- Those in more advanced positions such as managers, partners, and PSMs tended to place more value on constructs such as AWAs, compensation, and staying in a community that you are embedded in than the other participants. In addition, participants of non-white backgrounds placed more value on equity than their white counterparts.
- Embeddedness was significant to advancement, satisfaction, and retention variables. Embeddedness followed two relatively consistent patterns. For variables related to the immediate or short-term, typically monetary-related variables such as compensation, responses based on embeddedness followed a “J” shaped pattern, demonstrating that those who were least embedded tended to value the constructs more than those who were moderately embedded, and those who were most embedded tended to value the constructs the most. For example, in Table 21 it is noted that responses to compensation retention followed this trend, whereas constructs that were less immediate or long-term and related to work conditions such as inclusivity, AWAs, staying in a community that you are embedded in, or

maintaining a work-life balance, tended to show a positive linear relationship between the constructs and embeddedness.

Table 21

Embeddedness by Satisfaction, Retention, and Advancement-Related Variables

Variable	Very low	Low	High	Very high	Mean
Compensation retention	74.81	68.72	72.05	80.38	75.70
Compensation advancement	74.05	66.07	73.77	78.67	75.13
Compensation satisfaction	84.49	72.54	77.72	84.88	80.97
Equity Satisfaction	74.88	62.88	70.54	75.00	72.07
Work-life balance retention	73.09	71.79	76.90	84.13	79.26
Work-life balance satisfaction	81.95	74.95	80.03	85.27	81.99
AWAs retention	64.14	61.05	69.42	71.99	69.16
AWAs advancement	64.21	63.46	68.54	71.58	68.96
Mentorship advancement	58.84	61.39	66.49	70.04	66.85
Embeddedness retention	54.35	54.11	68.83	78.72	70.36
Embeddedness advancement	55.44	56.07	67.95	72.87	67.72
Embeddedness satisfaction	63.67	56.86	72.38	78.80	72.74
Inclusivity retention	53.33	56.47	64.12	68.19	64.17

Note: Table 21 depicts the distribution of responses for variables used in Hypotheses 3 and 4 based on embeddedness categories. Overall, the responses indicated that the more embedded a participant was, the more they would value either compensation or certain workplace policies.

Finally, a categorical regression was performed on the individual variables used in Hypotheses 3 and 4 and on the composite measures for overall retention, advancement, satisfaction, and responsiveness to compensation and workplace policies. Table 22 details these results. As with the previous analysis, embeddedness was a consistent predictor of perceptions of the effect of retention-related variables. Additionally, as described in Tables 23-25 being non-white, having work experience, and the community's size were also predictors of these same perceptions.

Table 22

Categorical regression for composite measures for overall retention, advancement, satisfaction, and responsiveness to compensation and workplace policies

Model	Coefficients		<i>t</i>	Sig.	Model
	Unstandardized	Standardized			
Retention overall					
Embeddedness	.994	.186	.241	5.357	.000
Advancement overall					
Work experience	-1.952	.686	-.192	-2.846	.005
Embeddedness	.770	.208	.168	3.697	.000
Non-white	30.268	12.150	.113	2.491	.013
Satisfaction overall					
Community size	.396	.194	.096	2.036	.042
Embeddedness	.716	.193	.171	3.718	.000
Overall responsiveness to compensation and workplace policies					
Community size	1.260	.532	.110	2.369	.018
Work experience	-3.538	1.736	-.137	-2.038	.042
Embeddedness	2.480	.527	.213	4.706	.000
Non-white	63.137	30.748	.093	2.053	.041

Table 23

Significant categorical regression values for retention-related measures of compensation and workplace policies

Model	Unstandardized coefficients		Standardized coefficients	<i>t</i>	Sig.
	<i>B</i>	Std. error	Beta		
Compensation retention					
Embeddedness	.111	.036	.143	3.058	.002
Non-white	-5.859	2.116	-.129	-2.768	.006
Equity retention					
Community Size	.092	.043	.101	2.119	.035
Embeddedness	.114	.043	.123	2.650	.008
Non-white	5.758	2.502	.107	2.301	.022
Work-life balance retention					
Embeddedness	.154	.033	.212	4.625	.000
Not on partner track	4.719	2.215	.110	2.131	.034
No public accounting experience	-3.861	1.793	-.102	-2.154	.032
AWAs retention					
Embeddedness	.104	.040	.122	2.633	.009
Employer size	.012	.005	.109	2.330	.020
Staff (non-accountant)	7.053	3.249	.114	2.171	.030
Mentorship retention					
Non-white	7.535	2.486	.140	3.032	.003
Embeddedness retention					
Embeddedness	.326	.038	.378	8.673	.000
Inclusivity retention					
Embeddedness	.144	.045	.146	3.158	.002
Male gender	-5.598	2.415	-.108	-2.318	.021
Non-white	7.075	2.653	.123	2.667	.008
Not on partner track	-6.048	3.034	-.104	-1.993	.047

Table 24

Significant categorical regression values for advancement-related measures of compensation and workplace policies

Model	Unstandardized Coefficients		Standardized Coefficients	<i>t</i>	Sig.
	<i>B</i>	Std. Error	Beta		
Compensation advancement					
Work Experience	-.435	.129	-.233	-3.368	.001
Embeddedness	.109	.039	.129	2.774	.006
Equity advancement					
Community size	.086	.043	.094	1.971	.049
Non-white	6.631	2.508	.123	2.644	.008
Work-life balance advancement					
Work experience	-.310	.118	-.180	-2.617	.009
Embeddedness	.081	.036	.104	2.255	.025
AWAs advancement					
Embeddedness	.099	.038	.120	2.613	.009
Non-white	5.088	2.200	.106	2.313	.021
Mentorship advancement					
Community Size	.094	.043	.103	2.155	.032
Embeddedness	.124	.043	.133	2.877	.004
Non-white	6.673	2.509	.123	2.659	.008
Embeddedness advancement					
Embeddedness	.229	.040	.258	5.704	.000
Manager	6.504	2.658	.135	2.447	.015
Inclusivity advancement					
Community size	.104	.047	.107	2.242	.025
Work experience	-.388	.152	-.177	-2.553	.011
Non-white	6.811	2.692	.118	2.530	.012

Table 25

Significant categorical regression values for satisfaction-related measures of compensation and workplace policies

Model	Unstandardized coefficients		Standardized coefficients		Sig.
	<i>B</i>	Std. error	Beta	<i>t</i>	
Compensation satisfaction					
Work experience	-.237	.106	-.151	-2.241	.025
Embeddedness	.079	.032	.111	2.467	.014
Male gender	-3.497	1.704	-.093	-2.052	.041
Equity satisfaction					
Community size	.090	.043	.101	2.088	.037
Work-life balance satisfaction					
Embeddedness	.100	.032	.143	3.087	.002
Male gender	-4.552	1.719	-.124	-2.648	.008
Not on partner track	5.495	2.159	.134	2.545	.011
Mentorship satisfaction					
Non-white	7.493	2.573	.137	2.912	.004
Embeddedness satisfaction					
Embeddedness	.249	.039	.287	6.402	.000
Manager	5.271	2.582	.112	2.041	.042
Inclusivity satisfaction					
Work experience	-.296	.149	-.138	-1.988	.047
Embeddedness	.107	.045	.111	2.370	.018

Note: Table 25 displays the results of categorical regression analysis for individual satisfaction, advancement, and retention-related variables both individually and as composite measures. “Student” as a position category was omitted from all analyses despite significant results due to a low number of 6 responses.

Hypothesis 5

The chi-squared test and ANOVA test were used to test the hypothesis that the preference for compensation, equity, or firm policies directed at work-life balance, AWAs, mentorship, and inclusivity or being able to work in a community you are embedded in will vary depending upon your age, gender, ethnicity, position, career experience, embeddedness, and community size. Although conceptually Hypothesis 5 measured the same constructs found in the earlier hypotheses, it looked specifically at categorical variables in a way that earlier hypotheses did not. Specifically, Hypothesis 5 measured the relative valuation participants placed on constructs. As discussed below, Hypothesis 5 was only partially supported. Specifically, the chi-squared and ANOVA analyses showed that except for gender, rank order preference for the constructs mentioned above did not vary significantly from group to group. In general, the chi-squared tests, summarized in Table 26, did not result in meaningful findings beyond what was shown by the ANOVA analysis.

Table 26*Chi-Squared Test, Significant Findings for Rank Categories*

Rank variable	Category	Value	df	Significance
Salary	Gender	22.603	6	.001
Equity	Gender	30.178	6	.001
Work-life balance	Gender	18.828	6	.004
Inclusivity	Gender	14.957	6	.021
Inclusivity	Partner track	17.641	6	.007
Equity	Position	65.999	6	.043
AWAs	Position	72.172	6	.014
Work-life balance	Public accounting experience	14.029	6	.029

Note: Table 26 describes the significant chi-squared results for the rank order questions tested in Hypothesis 5.

Gender

Women significantly ranked salary as more important than men (F 4.859, .008). With the exception of work life balance men tended to rank other constructs such as mentorship and inclusivity more favorably than women. Given the lack of significant variation in constructs other than salary, it can be inferred that the difference between men and women in prioritizing salary is distributed over statistically insignificant preferences for other constructs. Table 27 notes mean rank differences based upon gender.

Table 27*Mean Rank Response, Gender*

Gender	Rank						
	Salary	Equity	Work-life balance	AWAs	Mentorship	Inclusivity	Embeddedness
Male	3.69	4.10	3.78	3.80	4.14	4.31	4.17
Female	3.02	4.36	3.39	4.00	4.27	4.57	4.41
Non-binary/third gender	2.67	5.67	3.67	3.33	3.33	4.33	5.00
Total	3.30	4.26	3.56	3.91	4.21	4.46	4.31

Note: Table 27 describes the mean rank response based on gender. Note the significant mean difference for salary. Women tended to rank salary as more important than men. Also, note that women tended to place less value on non-monetary compensation than men did. The scale consisted of a rank order where “1” is considered most important and “7” least important.

Position

Work-life balance varied significantly by position category (F 2.539, .014). Specifically, managers, non-accounting managers such as HR, staff, and sole practitioners deviated significantly from the overall mean. Table 28 notes the significant mean differences and overall mean scores between groups.

Table 28*Mean Rank, Position*

Positions	Rank						
	Salary	Equity	Work-life balance	AWAs	Mentorship	Inclusivity	Embeddedness
Associate	3.21	4.24	3.30	3.86	4.40	4.74	4.26
Partner/shareholder (has executive / managerial powers)	3.13	4.43	3.04	4.26	3.96	4.91	4.26
Sole practitioner/industry/government	3.11	3.22	5.22	4.33	5.00	3.33	3.78
Staff (non-accountant)	2.96	4.50	3.32	3.84	4.26	4.57	4.57
Retired	2.80	3.20	3.83	5.00	3.67	5.17	3.67
PSM, Director, non-equity partner	3.47	4.64	3.43	4.00	3.95	4.38	4.26
Other non-accounting manager such as HR	2.62	4.38	2.92	4.08	4.31	4.85	4.85
Manager	3.61	4.14	3.89	3.88	4.13	4.13	4.22
Total	3.32	4.28	3.55	3.92	4.21	4.45	4.29

Note: Table 28 describes the mean rank response based upon position. Of particular interest is the significantly lower priority sole practitioners and other non-public accountants placed on work-life balance. The scale consisted of a rank order where “1” is considered most important and “7” least important.

Finally, the results of categorical regressions are displayed in Table 29. This table notes, gender, manager status, community size, public accounting experience, and being on the partner track as significant predictors of differences in rank order preference for different types of compensation and workplace policies. As with the prior analyses of Hypothesis 5, gender was a significant factor concerning how compensation was ranked. Also, community size, being a manager, public accounting experience, and being on the partner track were significant considerations in how participants ranked compensation or workplace policies.

Table 29

Significant Categorical Regression Results for Rank Preference of Compensation and Workplace Policies

Model	Unstandardized coefficients		Standardized coefficients		Sig.
	B	Std. error	Beta	t	
Compensation rank					
Male gender	.635	.229	.133	2.771	.006
Work-life balance rank					
Community size	.008	.004	.104	2.155	.032
Manager	.532	.237	.128	2.246	.025
Not on partner track	-.457	.240	-.101	-1.904	.058
No public accounting experience	.431	.194	.108	2.220	.027
AWAs rank					
Not on partner track	-.327	.192	-.092	-1.703	.089
Mentorship rank					

No public accounting experience	-.391	.169	-.116	-2.319	.021
Inclusivity rank					
Manager	-.559	.231	-.139	-2.415	.016
Not on partner track	.498	.233	.114	2.135	.033

Note: Table 29 displays the results of categorical regression analysis for compensation and workplace policy rank. Students as a position category was omitted despite significant results due to a low number of 6.

Chapter 5: Conclusion

The preceding analysis supports the hypothesis that smaller firms try to retain PSMs and other senior employees more than larger firms. In addition, it supports much of the existing research on compensation and workplace policies and provides evidence that applies to accounting firms. Importantly, the analysis provides a deeper understanding of the factors that motivate some workers to value certain forms of compensation or workplace policies such as AWAs or inclusivity more than others. There are both theoretical and practical implications of this research. Specifically, the evidence suggests that the general economic model of a firm contributes to our understanding of how accounting firms operate. Additionally, the analysis suggests that for firms to be competitive in attracting, retaining, and promoting talented employees, flexible and diverse approaches to using compensation, firm policies, and other considerations are necessary to incentivize employees. Finally, this research presents theoretical and practical implications that can be generalized to other professional service organizations and workplaces.

Hypothesis 1 postulated that smaller firms try to retain PSMs more than larger firms. This hypothesis was confirmed with a significant one-way z test. However, this conclusion was moderated by a weak Cohen's d score of .266. In addition, community size and education were positively related to perceptions of PSM retention, while work experience was negatively related. There was also a significant mean difference between being on the partner track or not in perception of PSM retention, providing evidence that those on the partner track have stronger perceptions that small firms try to retain PSMs more than large firms.

Hypothesis 2 supported the fact that compensation, equity, AWAs, work-life balance, inclusivity, mentorship, and a limited supply of talent are contributing factors to why small firms retain PSMs. Additionally, gender, public accounting experience, community size, education, ethnicity, firm size, and embeddedness were significant predictors of whether participants felt that salary contributed to PSM retention. Along these lines, embeddedness was a significant positive factor in perceptions that salary, AWAs, and work-life balance contributed to PSM retention in small firms. In addition, ethnicity, defined as either white or non-white, was a significant positive predictor of perceptions that inclusivity efforts resulted in smaller firms retaining PSMs. Finally, supply of talent, work-life balance, and inclusivity were positive and significant predictors of PSM retention.

Hypothesis 3 and 4 tested whether participants viewed the constructs evaluated in Hypothesis 2 as generalizable to their perceptions of advancement, retention, and job satisfaction. For example, Hypothesis 3 tested whether offering an equity stake would improve retention, advancement, and job satisfaction. Hypothesis 4 tested AWAs, work-life

balance, inclusivity, mentorship, and staying in a community that you are embedded in as contributing to job retention, advancement, and satisfaction. Both hypotheses were supported by the gathered data. Below is a summary of the significant contributing factors to overall retention, advancement, and satisfaction in a firm.

- Embeddedness and community size were positive predictors of whether participants felt that the tested constructs contributed to overall job satisfaction.
- Embeddedness and community size were positive predictors of whether participants felt that the tested constructs contributed to overall job retention.
- Embeddedness, work experience, and community size were all positive predictors of whether participants felt that the tested constructs contributed to overall job satisfaction.

Additionally, a principal component analysis revealed that all three categories of retention, advancement, and job satisfaction-related variables loaded primarily onto one factor consisting of all variables that explained most of the model variance. Finally, a factorial ANOVA revealed the following observations about categorical variables:

- Both public accounting experience and being on the partner track were associated with a lower perception that work-life balance would result in better retention, advancement, or job satisfaction.
- Participants from larger firms tended to value inclusivity and work-life balance more than those from smaller firms.
- Those in more advanced positions such as managers, partners, and PSMs tended to place more value on constructs such as AWAs, compensation, and staying in a community that they were embedded in than other constructs.

However, paradoxically those with more work experience were less likely to believe that any type of compensation or workplace policies would result in improved retention, satisfaction, and advancement.

- Participants of a non-white ethnicity placed more value on equity in terms of retention, advancement, and satisfaction than the white participants. Non-white participants tended to value compensation as a motivator for retention less than the white participants. Non-white participants valued inclusivity and mentorship more than those who identified as white. Also, non-white participants placed a higher overall value on advancement and a composite of all constructs than the white participants.
- Gender was significantly associated with a work-life balance satisfaction, AWA retention, and inclusivity retention. With all of these indicators, men valued these constructs less than women.
- Community size was positively associated with equity advancement and satisfaction, as well as mentorship advancement and inclusivity advancement. Community size was also positively correlated to an overall measure of retention, advancement, and satisfaction.
- Embeddedness was significant to several advancement, satisfaction, and retention-related variables and overall satisfaction, retention, and advancement. Most of the responses based upon embeddedness tended to follow a “J” shaped pattern. Lowly embedded and highly embedded participants tended to rank the assessed constructs as more important than those who were

moderately embedded. Highly embedded participants tended to value constructs the most.

Hypothesis 5 tested whether participants' rank-order preferences for compensation, equity, AWAs, work-life balance, mentorship, staying in a community where they were embedded, and inclusivity varies depending on participant demographics. Using categorical regression, the analysis provided evidence that the mean rank response for direct compensation and work-life balance varied based upon gender. Specifically, women placed a higher rank preference on salary while ranking work-life balance as more important as well. In addition, responses noted that with the exception of work life balance, men tended to value things other than compensation more, although this was an insignificant finding overall. Additionally, being on the partner track or having public accounting experience resulted in a lower valuation of AWAs, work-life balance, and mentorship. Finally, managers and those on the partner track tended to value inclusivity.

Limitations

It is also helpful to consider the limitations of this research. Although the number of 490 participants was sufficient for most of the statistical tests performed, the data had certain limitations regarding measuring potential interaction effects among measured variables. As noted in the analysis, a high level of significance of Levene's test for homogeneity of variance makes it difficult to determine if there is a significant interaction effect between variables. Also, the number of participants from specific demographic backgrounds was limited. For example, under particular position descriptions there were less than 5 participants of non-white ethnicity. As noted above, the position category of "student" had only 6 participants but still resulted in significant findings using categorical

regression. Contemplating these limitations, the results of many of the tests performed must be approached with some skepticism.

Finally, some methodical limitations should be accounted for in future research. In particular, many of the questions used a slider scale with Likert markings and descriptions that ranged from 0 (*not important*) to 100 (*very important*), with “somewhat important” labeling the 25 response option. As some participants noted, the scale was somewhat confusing since 25 was between “not important” and “neither important nor unimportant.” Considering this, a “mostly unimportant” response would likely be a more appropriate response choice. Also, the forced ranking of the questions in Hypothesis 5 appears to be a limitation of the measure. Specifically, the tests’ results appeared limited by the categorical nature of the variable. This limitation may help explain the somewhat paradoxical findings relating to gender differences preference for salary versus other forms of compensation and work place policies. Given this, it may be helpful in further studies to use an integer response option that asks participants to rank the relative value they place on each construct relative to the other constructs. Although this may lead to some ambiguity, it will also allow for a more detailed analysis of the participants’ relative value on each construct.

Theoretical Considerations

This work’s most important theoretical contribution is that the results support the efficacy of the economic model as it applies to a firm’s size and whether smaller firms make efforts to retain valued employees more than larger firms. As discussed above, the economic model used in this work postulates that firms seek economic rents but are limited by the resources they can provide to obtain those rents. Also, the economic model

postulates that smaller firms will be more limited in the resources they can provide and will proportionately value the rent each employee generates more than larger firms in more competitive markets. Given the analysis presented in Hypothesis 1, it is reasonable to assert that the data support the notion that smaller firms are perceived as making a greater effort to retain valued employees. Specifically, it was observed from the analysis that participants perceived small firms as using their resources regarding salary, equity, or work-related policies to retain valued employees. Also, participants identified the limited supply of talent and employee embeddedness as factors related to why small firms retain PSMs and other employees more than larger firms. Applying the economic model presented in this work suggests that smaller firms that are limited in the resources they can use to procure rents, and smaller firms that operate in a limited market behave differently than larger firms with more resources who operate in a more competitive market.

Embeddedness and the Economic Model

In addition to the theoretical conclusions that relate to the tested hypotheses, it is also helpful to consider how embeddedness contributes to the robustness of the economic model. As is noted from the data, embedded employees perceived smaller firms as retaining PSMs more than larger firms and they valued compensation or workplace policies more than employees who were less embedded. This suggests that the size/rent model applies as much to employees as it does to firms. Specifically, employees that are highly embedded in a community will value compensation or work-related accommodations more than employees who are not highly embedded. For example, an embedded employee might value a small raise or AWAs more than a less embedded employee since they cannot leave the community. Also, considering the “J” shaped nature of the

responses to compensation-related factors in which both lowly and highly embedded employees valued compensation more than moderately embedded employees, we can extend this economic logic to explain this relationship. Specifically, as mentioned above, highly embedded workers will value compensation. After all, they cannot move around, whereas less embedded employees will value compensation more than moderately embedded workers because they have few ties to a community and can move around to seek higher pay. With non-compensation factors such as a work-life balance or inclusivity, only highly embedded workers will gain any benefit from those policies since it is likely that lowly embedded workers who have few ties to the community will have little use for such policies. The same logic can be extended to non-white participants. As the results depict, people who were not of the dominant ethnic group, that is non-white people, would also favor compensation or work-related accommodations more than those of the dominant group. One potential explanation for this is that non-whites may be less inclined to move from a given job or a community because of cultural ties or fears of moving to a position or community that might not be accommodating. Thus, non-whites value compensation and workplace accommodations more because of the difficulties in regards to work conditions to trade up.

The Economic Model and Preference for Direct Compensation

The next theoretical contribution of this analysis is that employees value immediate monetary compensation before all other forms of compensation. As the analysis for Hypothesis 5 depicted, regardless of the gender-based differences in the intensity of preferences for compensation, direct compensation was consistently a priority. However, other forms of compensation or workplace policies are of value to employees as well.

Also, the observation that men significantly value compensation less than women raises some interesting questions about stereotypes of gender preferences for compensation versus other employer provisions and highlights the need for a flexible approach to compensation and implementing work place policies. From this, we can conclude that if a firm is to maximize its resources, it needs to consider all forms of compensation and workplace policies. Although direct compensation might attract employees, other forms of compensation such as equity or providing employees with a flexible and attractive workplace will maximize a firm's use of resources to improve employee attitudes and, ultimately, a firm's performance. This is particularly true of smaller firms that cannot compete solely based upon direct compensation but can offer accommodating and flexible work environments. This conclusion is summarized by a participant in their comment regarding the difference between large and small firms: "Small firms treat you like a person instead of a disposable cog."

Regardless of firm size, this optimization model broadly applies to all accounting firms and potentially other types of employers. Ultimately, this theoretical contribution represents a recognition that a rational firm will do everything within its ability to attract, retain, and advance employees. Simply relying on compensation may not be sufficient in many instances. This conclusion is particularly true when we consider long-term retention and advancement. This conclusion is reflected in another participant's comment: "Public accounting culture needs to change, or the industry will be unable to find talent."

Interestingly, this comment highlights a fundamental issue in this theoretical framework: although economic models consistently point towards the flexibility of

compensation and work structures, ingrained norms represent a barrier to the full consideration of more responsive models.

Practical Contributions

In addition to theoretical contributions, several practical contributions can be derived from this work. The most prominent conclusion is that smaller firms and those firms in less competitive markets that are limited in what they can offer in terms of compensation differ from larger firms in more competitive markets. Although much attention tends to be paid to large, high-profile firms, the reality of public accounting is that most firms are small to medium sized. Given this, this work aims to further develop our understanding of strategically managing smaller firms with limited resources. Applying the economic model to the strategic management of small firms is both an objective and subjective practice. Objectively, this research and the prior research that it builds on is based on the idea that HR managers can have a relatively clear idea of what type of employee will value a particular compensation or workplace policy. However, implementing such policies in a way that maximizes their potential effect is still more of an artifact of managerial skill and context than objective science. For example, knowing what type of AWA or equity incentive structure will work for a given organization is likely something an HR manager or partner will need to consider on a case-by-case basis. Regardless of the inherent variability of how specific policies might be implemented, an understanding of both the economic logic and the significant aspects of what is valued by employees is invaluable to managers.

Structurally Conflicting Interests Must be Reconciled

The next practical consideration of this work is that despite the theoretical parsimony of the economic model, in reality, specific inherently conflicting structural interests exist that make optimizing an employee's compensation structure or work environment difficult. Specifically, all firms must balance the need to maximize employee satisfaction against the need to deliver products and services to customers. For example, one participant observed: "Work-life balance is almost impossible at certain times of the year—it can't happen all 12 months. It is unrealistic to think it will."

This highlights the fundamental conflict between optimizing worker performance and meeting market demands. Additionally, when we consider the tendency of those working in public accounting, those in senior positions, or those on the partner track to value workplace accommodations such as a work-life balance less than other employees there seems to be some recognition that there is an imperfect balance between the needs of an employee and the needs of a firm. However, given the breadth and flexibility of the model presented here, it does offer some ways of addressing this inherent conflict. Rather than simply using one or two approaches to incentivize employees, this model broadly considered multiple approaches simultaneously. For example, for public accounting firms, tax season is unavoidable; thus, allowing for reduced work schedules for most employees is not feasible. However, given the additional revenue that the busy season brings to a firm, replacing time off with bonuses may alleviate the complications caused by a reduced work-life balance.

As with the applicability of the economic model to both firms and employees, this observation applies as much to employees as it does to firms. Specifically, it is unrealistic to expect all workers to be optimized to precisely serve all of the firm's needs. Thus,

firms must account for this variability in their employees and attempt to maximize employee output to derive contributions from their existing labor pool realistically. For example, it may be the case that a firm employs numerous part-time senior employees to do the work traditionally associated with a few full-time employees. These part-time employees would not earn the same amount as their full-time counterparts; however, they could provide the same services. Given the limited supply of talent in some markets, as well as the inability of smaller firms to provide competitive compensation, this may be an attractive arrangement. It is also helpful to consider the role of culture and traditional stereotypes in understanding this dynamic. From a strictly functional perspective, there is no reason why two half-time employees could not do the work of one full-time employee. Also, there is no reason why long-term part-timers or those working in alternative arrangements with a firm cannot be incentivized to continue working for the firm by being offered an ownership interest. Both the constraints faced by firms and those faced by employees highlight the complex reality of modern professional service firms. Given this consideration, for firms to be competitive, they must broadly consider using available resources in terms of compensation and firm policies and recruit a diversity of employees to maximize outcomes.

Embeddedness and Strategic Employee Management

Another practical consideration that this work provides is an insight into how managers can use an understanding of embeddedness to maximize employee outcomes. As other researchers note (Lee et al., 2014), embedded employees are tied to a community for family or other reasons and place a greater value on compensation and work-related policies. From a managerial perspective, this can be seen as an opportunity to

recruit and retain long-term employees. However, the caveat is that this opportunity must be reconciled with competing interests. Specifically, certain employees are embedded due to family and other non-work-related ties (Ampofo et al., 2018; Zhang et al., 2012). Unlike the traditional model discussed in the hypothetical example of the firm from the 1955 Mountain Town, most embedded employees do not represent ideal traditional employees. This represents a competing interest to that of the employer. However, given the flexible model presented by this research, it is conceivable that if managers are strategic in recruiting embedded employees and then they make efforts to retain these employees, the benefits of compensation and workplace policies will be maximized. Also, it may be in the strategic interest of a firm to help create embedded employees. In particular, if we return to the example cited above of using equity stakes to help attract and retain promising employees, this research supports the notion that incentive structures can be used to develop long-term relationships with employees. Also, equity stakes and other work-related policies create embedded employees who are psychologically and financially invested in their employer rather than simply being paid higher wages. As noted in the analysis, people who were not highly embedded tended to value short-term rewards more strongly; however, people who were more embedded tended to value things that enhanced their long-term existence. Given the constraints faced by smaller firms, it may be a desirable management practice to create structures to embed valuable employees and accommodate their needs rather than look at the employee and employer relationship as a short-term one.

A Need for Diverse Models for a Diverse Workforce

Finally, it is helpful to consider the role the model presented in this research can play for managers and other practitioners who are dealing with issues related to attracting, retaining, and promoting talented firm members. Although it is not reasonable to expect managers, especially in firms with limited resources, to be able to conduct sophisticated or statistically valid analyses of the constructs discussed in this work, this discussion does provide some heuristics to help managers model different arrangements that may result in improved employee attitudes. Given the tendency to rely on a traditional model of a bright line between partners and employees and a preference for promotion-orientated full-time employees, it is potentially useful for managers to consider how to use the concepts discussed here to help improve employee retention, satisfaction, and advancement orientation. To operationalize this requires that managers broadly contemplate the economic model presented throughout this work as it may apply to their organization. In practical terms, this involves considering each employee's costs and contributions as well as contextualizing individuals into the firm's structure relative to the firm's short- and long-term needs. To highlight this point, it is useful to reconsider the quote from Almer et al. (2011):

Partner 1 did state clearly that the existence of the "quasi partner" types of PSMs: enables the partners to hold a bigger ledger, which is an increasing trend In order to be able to do that, you have to have people you can rely on during the engagement to really do a lot of the work, with a fairly . . . surface review by partners, because otherwise they can't do a \$4,000,000 ledger or a \$3,000,000 ledger, or something of that sort. (p. A48)

If approached from a traditional perspective, management would not consider much beyond the idea that PSMs are necessary for the firm and that the overall compensation and ownership structure is as it should be. However, applying the economic model, this statement invites further analysis. Specifically, if it becomes evident that PSMs or other employees are generating large amounts of revenue for a firm, it may be helpful to consider how refining an incentive structure could lead to further productivity. Using the statement above as a simplified hypothetical example, and if we assume that rewarding a PSM with 20% of the equity that a full partner would receive would increase productivity by 140% either directly through increased job performance or retention, then the partners would see an increase in income of 12% above what they earned before despite only owning 80% as many shares as they did before. A similar cost-benefit logic can be applied to the constructs explored in this work. As mentioned before, if an economic model is adopted, the flexibility of how the constructs are used would naturally follow depending upon the firm's structure and the market it exists in. Such analyses would be more limited in methodology for smaller firms; however, larger firms could use their more extensive resources to develop optimized compensation, equity models, and workplace policies application to help a diverse workforce to maximize employee motivations and firm outcomes. Using such an approach inherently provides flexibility that managers can use the constructs explored in this study to optimize their resources regardless of the size of the firm or the nature of the market it operates in.

Constraints to a Diversified Approach

It is also helpful to consider why firms might not fully endorse using such an approach as an economic model. Especially with smaller firms, but conceivably with others,

it may be the case that management desires to retain a degree of control over ownership even if a diversified model may result in better outcomes. For example, a small firm might be run by a family or tight-knit group of colleagues who do not desire to extend control of the firm to people outside of that group. However, given the factors explored here, numerous other approaches can be used to incentivize employees even in situations where there is a desire to retain control. Ultimately the defining feature of the model presented here is flexibility.

Future Research

A final area to consider is how the research presented here can be used to inform future research. Given the breadth of this research, multiple approaches can be used to develop future research. However, given the findings of this work and various practical considerations, it is useful to consider a few areas of particular interest.

Smaller Firms

The first area to consider is research relating to smaller firms. Although this work included a significant number of participants from smaller firms, it would still be helpful to more extensively survey individuals who work at smaller firms. Given the responses by sole practitioners regarding work-life balance, it would be useful to see how their opinions about work differ from their larger counterparts. Specifically, one concept that would be useful to explore is autonomy and personalization versus job demands. As a participant quoted above noted, smaller firms are attractive because of the more personalized nature of the work environment. Also, some participants noted that smaller firms or solo practices provide a greater sense of flexibility and autonomy. For example, one

participant stated, “I work long hours but have great flexibility as a sole member. I can’t make the money if I were in [a] larger company, but [that is] my choice.”

Given such responses, in addition to the lower than average preference that sole practitioners have for work-life balance, this may be a helpful construct to explore further.

Exploring Diversified Ownership

The next area of potential research to consider is that of individual firms dealing with the issues explored in this work. Considering the anecdote of the equity incentive structure mentioned in the introduction, it would be useful to seek out and interview managers about incentive structures and management policies to address retention, advancement, and satisfaction among their employees. Given the example cited in the introduction and some other anecdotal evidence that firms are using alternative ownership structures to incentivize employees, it would be useful to understand how these structures work. Given the lack of accounting-specific literature on this topic, understanding how firms have used their ownership structures would be helpful. At the same time, topics relating to ownership or a specific firm’s policies might be considered too sensitive or proprietary to be openly discussed. Given this potential, research must contemplate maintaining strict confidentiality or the potential bias of engaging participants willing to discuss their compensation structures. Although somewhat of a sensitive topic, the ultimate utility in exploring what exists regarding compensation structures is to understand how they potentially vary and what an optimized incentive structure looks like.

Issues of Retention and Advancement at Smaller Firms

Other than ownership structure, research might also be directed at managers regarding how issues relating to advancement and retention differ between large and small firms. Although the emphasis of this work has been on small firms and the economics of how and why they retain employees, such logic can be adapted to larger firms. One of the advantages of exploring these topics with larger firms is that they likely would have more resources and specialized management that understand many of the details of advancement and retention that would not be as evident in smaller firms. Given this progression, it may also be helpful to consider how the model used here applies to other professional service organizations such as law or engineering firms.

Embeddedness and Employee's Valuation of Compensation and Workplace Policies

This work points to the conclusion that much is to be desired in understanding how embeddedness plays a role in how workers value compensation and various aspects of their work environment. As observed throughout this work, people with ties that bind them to a given community likely use different economic logic than those with few ties. Conceptually, this can be both a positive and a negative connection. On the positive side, embedded employees value what an employer provides them more than non-embedded employees. However, taking a more pessimistic view of this situation, one could theorize that embedded employees are also prone to exploitation and settling for work arrangements that are less than optimal for them. Given that little research has been done on embeddedness and accounting professionals, this concept warrants further exploration. Also, along these lines, we should consider the potential to explore the concepts of embeddedness relative to other social and cultural constructs. As the analysis notes, embedded workers were not necessarily workers who live in small communities. This is an

important finding because it suggests that familial ties and cultural group membership ultimately define whether an individual is embedded or not. The importance of family and other relationships concerning a work-life balance and AWAs embeddedness as a construct may have some value in determining whether employees benefit from such policies.

Inclusivity and Embeddedness

Regarding efforts at inclusivity, embeddedness might provide insight into why programs directed at inclusivity fail or succeed. For instance, consider the following example: Two firms have inclusivity programs. One firm is in a large urban area with distinct minority communities. In contrast, another firm is in a rural area, is homogeneous, and desires to attract applicants from diverse backgrounds due to a talent shortage. Conceivably, the firm in the urban area would likely benefit more from an inclusivity program because it is likely that diverse individuals are already embedded in the community, whereas the rural firm would have to contemplate the negative influence of the lack of embeddedness of minority employees on the success of the firm's inclusivity programs and make efforts to facilitate some amount of inclusiveness and hence embeddedness in the workplace as a way of mitigating the lack of community embeddedness. Regardless of the specific relationship, the notion that a worker's compensation valuation and work environment are influenced by the strength of their ties to the community warrants further exploration.

Conclusion

Although there are many potential avenues for future research on this topic, the research conducted here provides a relatively comprehensive foundation for future

understanding. In particular, is the idea that compensation, whether it be monetary or non-monetary, is ultimately economic. If the economic model is accepted, an inclusive and comprehensive model can be created that anticipates who will value what type of compensation most. Also, if factors outside of a firm are included, such as the nature of the community that a firm operates in or the background of a particular employee, a more robust and contextualized model can be created of how a firm operates. Although this model adds some degree of complexity and ambiguity, it also provides robustness and flexibility that managers and others can use to help create efficient and optimized compensation and management structures that lead to improved employee attitudes.

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Appendix A: Survey

Instructions

In this survey, you will be asked to respond to various questions about firm ownership, engagement, attitudes, and advancement in public accounting firms. There are several different types of questions, including multiple-choice, "slider scale" questions where you select a value on a sliding scale, and free-response questions. With many of the questions, you may choose *Not applicable* if you are not familiar with the topic. Even though some of the responses might not precisely reflect your views, always try to select the answer that best matches your beliefs. Also, we appreciate any additional insights you might be able to provide in the free-response question. Thank you for your participation.

Survey

Post senior managers (PSMs) are positions where senior staff who do not make managing partner or shareholder remain at the firm in a non-managerial role. Typically, these employees do not have executive powers regarding firm-wide decisions, nor do they usually have equity interests in the firm.

- If your firm has a PSM position, answer the questions as they are written.
- If your firm does not have a PSM position and you are familiar with PSMs, answer the questions to the best of your knowledge.
- If you are unfamiliar with PSMs, select the box labeled *Not applicable*.

1. Smaller firms retain PSMs more than larger firms.

(Slider response, 1–100), 0 (*Strongly disagree*), 25 (*Disagree*), 50 (*Neutral*), 75

(*Agree*), 100 (*Strongly agree*), (*Not applicable*)

2. Given your response to the prior question, how much do the following considerations play a role in your answer:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Direct compensation that is not competitive with larger firms
- b. Offering equity
- c. Alternative work arrangements
- d. Work-life balance
- e. Mentorship
- f. Programs directed at inclusivity
- g. Limited supply of talent

Compensation, Equity, and Firm Policies

1. How important is compensation to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Staying at your position
- b. Advancing or being promoted
- c. Being satisfied with your job

2. How important is being offered equity to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

- a. Staying at your position
- b. Advancing or being promoted

c. Being satisfied with your job

3. How important is work-life balance to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

a. Staying at your position

b. Advancing or being promoted

c. Being satisfied with your job

4. How important are alternative work arrangements to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

a. Staying at your position

b. Advancing or being promoted

c. Being satisfied with your job

5. How important is mentorship to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

a. Staying at your position

b. Advancing or being promoted

c. Being satisfied with your job

6. How important is inclusivity to each of the following:

(Slider response, 1–100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)

a. Staying at your position

- b. Advancing or being promoted
 - c. Being satisfied with your job
7. How important is staying in a community that you have, friends, family, or ties to relative to the following:
- (Slider response, 1-100), 0 (*Not at all*), 25 (*Somewhat important*), 50 (*Neither important or not important*), 75 (*Important*), 100 (*Very important*), (*Not applicable*)
- a. Staying at your position
 - b. Advancing or being promoted
 - c. Being satisfied with your job

Priorities

8. For the following statements, rank how important they are to you when thinking about where you want to work. (Rank each)
- a. Direct compensation
 - b. Owning stock in your employer
 - c. Work-life balance
 - d. Alternative work arrangements (remote work, alternative schedules)
 - e. Mentorship
 - f. Inclusivity
 - g. Inclusivity based upon gender, race, or other demographic background.
 - h. Staying in a community you have ties to.

Demographic/background information

9. Age in years

- a. Numerical (Slider response 1–100) (Can be segmented based upon various age groups)

10. Gender

- a. Male
- b. Female
- c. Other/non-binary

11. Ethnicity

- a. White
- b. Black (non-white)
- c. Hispanic (non-white)
- d. Asian/Pacific Islander (non-white)
- e. Native American (non-white)
- f. Other (non-white)

12. Years of education:

- a. High school or less (*0–12*), *12–16 (2-year college)*, *16–20 (4-year college)*, *20–22 (Master's degree)* *22–30 (Doctorate)*

13. What best describes your current position?

- a. Student
- b. Sole practitioner/industry/government
- c. Staff (non-accountant/non-managerial)
- d. Associate
- e. Manager
- f. PSM, director, non-equity partner (does not have executive powers)

- g. Partner/Shareholder
- h. Retired
- i. Other non-accounting manager such as HR.

14. Have you ever worked in public accounting?

- a. Yes/No

15. Have you ever been on track to become a partner/shareholder?

- a. Yes/No

16. How many years of work experience do you have?

- a. (numeric) (Can be segmented based upon experience levels)

17. How would you describe the community you live in?

- a. 0 (*Rural*), 25 (*Semirural*), 50 (*Suburban*), 75 (*Small city*), 100 (*Large city*)

18. Being a member of the community, being from here, or having family obligations are reasons I stay here.

- a. (Slider response, 1–100), 0 (*Strongly disagree*), 25 (*Disagree*), 50 (*Neutral*), 75 (*Agree*), 100 (*Strongly agree*)

19. How many people worked at your most recent employer? (Can be segmented in to small, medium, and large firms)

- a. (Slider response 1–500)

20. Is there anything else you would like to add about the topics covered in this survey?

- a. (Free response)