

## Entry-Level Selection Criteria: Differences Between Large and Small Firms

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### Abstract

A nationwide study was conducted to solicit employee selection information from both national (large) and non-national (small) accounting firms. The primary objective of this study was to investigate what job attributes are perceived important in the firms' recruiting process. The results were first evaluated to identify attributes that were perceived significant to all public accounting firms regardless of their size. Subsequent analysis included a comparison of the ratings on some specific personal characteristics presented in the survey. While, the results indicated that certain attributes are highly important to both groups of firms, significant differences were found in their relative

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rankings between the national and non-national firms, suggesting the need for individuals with different personality and preparation for entry into the large firms compared to their smaller counterparts. The information provided herein also suggests that increased awareness about firm size differences coupled with realistic employment expectations are necessary ingredients for a successful career in public accounting.

Employee turnover and job dissatisfaction in public accounting have received considerable attention in accounting literature in recent years [Nance and Daniels, 1988; Reed and Kratchman, 1989; Carcello, et.al., 1991]. These and similar studies indicate that many graduates find that their early employment experience falls short of the expectations they developed during their college years. A logical consequence of unmet expectations could result in reduced attractiveness of a career in public accounting [AECC, 1992].

From an economic standpoint, when employees leave and replacements are hired, recruiting costs, unbillable training time, lower productivity and audit inefficiencies associated with new employees are to be expected. Although limited involuntary turnover may be desirable if some employees do not meet the firm's expectations, there is no doubt that the present level of turnover is excessive and more efforts need be directed toward reducing it to a reasonable amount. This study provides evidence that suggests differentiating accounting firms by size and proper

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preparation at the college level are viable remedies to control voluntary turnover.

### **Reasons for Turnover**

Are the values, attitudes, and motivation of today's accounting job entrants different from those who entered the accounting profession a generation ago? There are those who believe that is the case [Benke and Argualo, 1982; Nance and Daniels, 1988; Carcello, et. al., 1991]. These studies suggest that the new graduate has a different work philosophy. The new graduate is less willing to make a personal sacrifice for the job. This lack of firm loyalty, disregard for adherence to firm rules and procedures, and dislike for work standardization are seen by practitioners as the basis for a schism between the "old guard" and the new staff [Yorks, 1978]. Furthermore, many practitioners are of the opinion that new staff level hires view their position with nearsighted opportunism. They join the firm for a relatively short period of time in order to gain invaluable experience that will serve them well in positions outside of the firm.

What do those who left public accounting consider as their reasons for leaving? Many indicated discontent with the firm's modus operandi as their primary reason. Specifically, some stated that no formal evaluations were provided for guidance, training was fair, poor, or nonexistent, and overtime requirements were excessive [Nance and Daniels, 1988]. Other criticisms included:

little or no consideration for career development when job assignments were made, too rigid standardization of rules, procedures, and tasks, and ineffective use of their capabilities and talents [Nance and Daniels, 1988].

Dissatisfaction with management was not the only reason stated by accountants for leaving their jobs. Some found the work uninteresting, uncreative and boring [Benke and Argualo, 1982; Carcello, et.al., 1991]. Others underestimated the severity of accounting work and cited the presence of an information / expectation gap between the staff and partners as another reason for resentment [Sorensen, Rhode and Lawler, 1973; Nance and Daniel, 1988; Carcello, et.al., 1991]. It is this information / expectation gap that is indeed the basis for employee dissatisfaction and eventual staff turnover. The study presented herein is intended to provide relevant and timely information useful to close the gap and reduce the expectation mismatch experienced by many college graduates [Carcello, et.al., 1991].

### **Mismatch of Expectations**

Accounting practitioners as well as educators exert considerable amount of time and resources encouraging students to choose accounting as their career. These efforts include sponsoring job fairs, displays at university open houses, and classroom presentations by both educators and practitioners. Yet, perhaps the most appealing factors for students in choosing

accounting for employment career have been (1) a higher than average pay scale and (2) the market demand for accountants. With these economic factors as their primary motives, students often fail to evaluate the more fundamental issues such as size differences between the firms and whether or not the firms' expectations match with their individual needs. Previous research has documented the latter to be a major problem by detecting a significant level of information / expectation gap between public accounting job candidates / employees and recruiters / practitioners [Sorensen, et.al., 1973; Yunker, et. al., 1986; Reed and Kratchman, 1989; Carcello, et. al., 1991]. Evidence provided by these studies suggest that employment mismatch is indeed one possible source of turnover in public accounting. Additionally, a study by Bergman and Taylor [1984] revealed that economic factors such as future growth and profitability of the firm and opportunities for advancement are the most important considerations in choosing future employment. Perhaps much of this problem lies with the lack of information about differences between firms by size and firm-specific employment expectations of potential employers. In fact, this issue has been substantiated by the prior research by reporting that many job candidates find the interview as their primary source of information about the job [Bergman and Taylor, 1984; Yunker, et. al., 1986]. Through the interview, Prospective accountants learn what rules and requirements regulate the work environment including

expectations regarding appearance, relations with supervisors and colleagues, continuing education, and performance evaluation, to name only a few. Although the interview could be viewed as an important source of information about a "specific" employer, information concerning selection criteria and expectations geared to a particular organizational size and environment should be available prior to the interview. Putting things in their proper perspective can provide a better match of college graduates and their prospective employers.

While previous studies have examined the selection criteria used by mostly large accounting firms. Little or no attempts have been directed to identify significant differences between the firms with regard to their socio-economical levels. With recent merger mania, layoffs and downsizing plans among the big firms, it is likely that, in the years to come, more and more graduates will turn to the smaller firms for employment. The information provided herein is expected to increase the awareness about public accounting firms' employment expectations of college graduates and firm size differences in an attempt to foster greater successful in public accounting profession.

### **The Study**

To collect the data necessary to investigate the stated research questions a national survey was conducted. Drawing from the work of scholars including Bergman and Taylor [1984], Dinius and

Rogow [1988], Hassell and Hennessey [1989], and Reed and Kratchman [1989], a six-page questionnaire was developed containing 81 employment characteristics. The survey instrument contained items used in previous research as well as additional items of perceived significance. To ensure validity and reliability, the instrument was pre-tested with a small yet representative sample of ten public accounting firms. As a result of this pre-testing, several items were modified. Subsequently, the instrument was re-submitted for further review. Participants unanimously approved the revised version and then completed the questionnaire as a test of internal validity.

The questionnaire was mailed to the partner responsible for recruiting in each public accounting firm selected for sample. The sample included 11 national firms as identified by Emerson's Directory of Leading U.S. Accounting Firms [1992], and 300 of the regional and local (non-national) firms randomly selected from the same directory. Research participants were asked to indicate the importance of each factor in their firms' personnel selection and retention process. A seven-point scale was used with "1" being "most important," and "7" being "most unimportant." A neutral rating was represented with a "4". Early-late responses were tested for non-response bias. No significant differences were detected at  $p = 0.05$ .

Nonparametric tests for paired observations were used to investigate whether Significant differences exist between the

national and non-national firms. Similar tests were conducted on the non-national firms further subclassified by size. Subsequently, an item by item statistical comparison t-test was done to detect any significant disparity between the firms in their ratings of employment attributes. Finally, those selection criteria important to each group of firms were identified.

### **The Results**

The importance of the study is perhaps underscored by the overwhelming participation of nearly all of the national firms. Ten out of eleven firms completed the survey, representing a response rate of over 90 percent. Of the non-national firms, 135 firms completed the survey representing a response rate of 45 percent. Table 1 Presents the number of respondents classified on the basis of revenue as well as the number of partners. The purpose of this classification was to divide the local and regional firms to determine whether any statistical inferences could be made with regard to the firm size.

### **Size Differences**

Survey responses were first evaluated to measure any size differences among the non-national firms. The Mann-Whitney test was performed to determine if local and regional firms classified on the basis of revenue or the number of partners demonstrate any dissimilarities in their ratings of employment characteristics.



ACCOUNTING FIRMS	REVENUE*	NO.	PARTNERS	NO.
National	\$100,000 & more	10	100 & more	10
Nonnational:				
Group 1	\$10,000 & more	31	20 & more	21
Group 2	\$1,000-\$9,999	8	10-19	14
Group 3	\$500-\$999	21	5-9	37
Group 4	Below \$500	75	1-4	63
Total Firms		145		145

Table 1 Survey Respondents Classified by Revenue and Number of Partners

\* Revenue is in Thousands of dollars.

No significant differences were found at  $p = 0.05$ .

Subsequently, additional analyses were performed on the overall sample classified by national and non-national groups. The results revealed that a firm's personnel selection and retention criteria are indeed significantly correlated with the firm's size ( $p = 0.05$ ). That is, by comparison it was found that the national firms use recruiting measures that are notably different from those used by their non-national counterparts. Thus, it is concluded that a firm's size is a significant influential factor in the development of the organizational rules and expectations.

Further analysis lead to the identification of 17 size-dependent criteria which were statistically different between the two

Rank	Selection Criteria	National	Nonnational	P
1	Involvement with Student Organizations	2.417	3.388	0.000
2	Future Potential	1.417	2.306	0.000
3	Overall Grade Point Average	2.083	2.964	0.000
4	Degree from a Prestigious School	3.083	3.964	0.001
5	Scholastic Records	2.333	3.153	0.008
6	Poise & Composure	1.250	1.806	0.010
7	SAT/ACT Scores	3.500	4.638	0.010
8	Accounting Grade Point Average	1.917	2.489	0.028
9	CPA Certification	3.500	2.237	0.030
10	Awards & Scholarships Received	3.250	3.971	0.035
11	Ability to Relocate	3.833	4.797	0.039
12	General Work Experience	2.500	2.935	0.042
13	Personal Hobbies	3.500	4.022	0.045
14	Work Specialization	3.000	3.572	0.058
15	Oral Communication	1.500	1.847	0.072
16	Written Communication	1.583	1.914	0.085
17	Personal Recommendations	3.667	3.151	0.092

Table 2 Size - Dependent Selection and Retention Criteria Along With Mean Ratings Ranked in the Order of Significance

employer groups ( $p < 0.10$ ).

The Wilcoxon signed rank test was used to test significant differences between the two groups. The overall results showed

that in comparison to the local and regional firms, the national firms' ratings were differentially significant at  $p = 0.05$ . Only two employment aspects were viewed more important by the local and regional firms than their national counterparts, CAP certification and personal recommendations. The first of these two is particularly important since, as indicated by prior research [Yunker, Sterner, and Costigan, 1986] accounting firms traditionally view CPA certification important for consider nations leading to promotion and advancement. However, this study supports the notion that the local and regional firms are interested in recruiting accountants who posses professional certification at the entry - level position. Personal recommendations, the second requirement, as with previous studies [Dinius and Rogow, 1988] is of a lesser importance to both employer groups (with mean ratings of 3.667 and 3.151). However, it seems to be a more significant factor in the recruiting decisions of smaller - sized organizations compared to the large ones. This may be attributable to the more parochial nature of the non- national firms.

The next phase of this analysis focused on identification of those criteria which are considered important for employment by each employer group. For this purpose, each group's responses were evaluated independent of the ratings of the other group.

### NON- National Accounting firms

Table 3 includes the selection criteria which received significant ratings by local and regional accounting firms along with their mean ratings and standard deviations. Table 3 has been arranged by category ranked in order of importance. Performance - related factors received the highest ratings by this employer group.

Category	Criteria	Mean Ratings	Standard Deviation
PERFORMANCE	Trustworthiness	1.353	0.550
	Dependability	1.374	0.529
	Sense of responsibility	1.547	0.568
	Ability to work under pressure	1.806	0.588
	Enthusiasm and energy level	1.871	0.658
	Willingness for Advancement	2.036	0.570
	Future Potential	2.036	0.664
	Punctuality	2.137	0.754
PERSONALITY	Ability to get along with clients	1.489	0.641
	Conscientiousness	1.717	0.651
	Positive attitudes	1.748	0.603
	Ability to listen	1.835	0.644
	Sincerity	1.856	0.804
	Maturity	1.964	0.685
	Tactfulness	2.095	0.663
APPEARANCE	Personal cleanliness	1.712	0.580
	Poise and composure	1.806	0.647
	Neatness	1.921	0.565
	Personal grooming	1.964	0.544
EDUCATION	Ability to conduct oral communication	1.847	0.652
	Ability to conduct written communication	1.914	0.665
	Practical knowledge	1.950	0.755
	Desire to learn new skills	2.007	0.532
EXTRACURRICULUM	Personal problems	1.906	1.100

Table 3 Most Significant Selection and Retention Criteria for Nonnational Accounting Firms in the Order of Significance by Category

In fact one - third of the highly rated attributes were related to this category. The most significant of these included trustworthiness, dependability, and sense of responsibility. Other significant performance- related factors included the ability to work under pressure, enthusiasm and energy level, willingness for advancement, future potential, job perpetuation, and punctuality.

The second highly important attributes rated by local and regional firms were personality characteristics. These characteristics included the ability to get along with clients, conscientiousness, positive attitudes, ability to listen, sincerity, maturity, and tactfulness. Previous research [Hassell and Hennessey, 1989], also found accounting recruiters place significant importance on a job candidate's personality.

Appearance was the third most important category of job attributes for this group. Personal cleanliness was the highest rated factor followed by poise and composure, neatness, and personal grooming. The significant ratings received by these factors underscore the notion stereotyping accountants as individuals highly sensitive about appearance favoring conservative dress code.

The fourth category of important attributes were factors related to one's education. Pasewark, Strawser and Wilkerson [1988] also found academic performance an important factor in recruiting accounting employees. Ability to communicate both orally and in writing, practical knowledge of accounting, and the

desire to learn new skills received significant ratings. Conspicuously missing from this list was the grade point average, reported by Lewis, Shimerda and Graham [1983], as the most important recruiting aspect used by CPAs.

Finally, the last category included personal problems which received a somewhat important rating from the factors in extra curricular activities. Other studies [Posner, 1981; Dinius and Rogow, 1988] also found similar results in that recruiters viewed extracurricular activities important but to a lesser degree than other employee characteristics.

### **National Accounting firms**

Table 4 contains those selection and retention criteria that are most significant to the national accounting firms.

The most important category is appearance with poise and composure rated significantly higher than all other attributes. Other characteristics included, personal cleanliness, neatness, and grooming.

Personality traits comprised the next significant category of characteristics for these employers. As with the non-national firms, the ability to get along with clients was at the top of this category, followed by conscientiousness, sincerity, positive attitudes, maturity, tactfulness, self-confidence, and listening ability.

The third category of significant ratings was performance.

Considerations regarding an employee's future potential as well as trustworthiness, dependability, ability to work under pressure, sense of responsibility, willingness for advancement, enthusiasm and energy level, and drive for leadership were among the important factors to these employers. Finally, criteria attributable to one's education the fourth highly rated factors among the national firms. The most significant of these factors are communication skills, desire to learn new skills, accounting and overall grade point average (GPA).

Research by Carcello, et. al., [1991] also found communication skills are highly important among accountants. In addition, Hassell and Hennessey [1989] and Dinius and Rogow [1988] reported both overall and accounting GPA important to the large public accounting recruiters.

### **Discussion and conclusion**

This study provides evidence suggesting that with respect to personnel selection criteria significant size difference exist among accounting firms. These results are conceptually supportive of those espoused by Pratt and Beaulieu [1992] stating that:

Organizational culture can also be viewed as an active force that influences the environment of public accounting firms. The fact that the measures of culture relate to firm size and technology, employee rank functional area suggest that cultural values and practices may affect the conduct and outcomes of the

accountant's tasks [p. 680].

Local and regional accounting firms attach the most significance to the employee's performance, followed by personality, appearance and educational background. In contrast, the national firms find appearance most important followed by personality, performance and education. In addition, non-national firms demonstrate some concern about the employee's personal problems. For national firms self-confidence, drive for leadership, and grade point average are important considerations in decisions leading to selection and promotion of entry-level accountants. Prior research also found GPA to be a significantly important factor in CPA firm's recruiting process.

The implication is that students who pursue employment with the national accounting firms, among other things, are expected to care for their appearance by following a strict dress code and pay extra attention to directing their efforts in securing a high grade point average not only in accounting but also in general university requirements. On the other hand, those who are somewhat less concerned about their appearance should be strongly sensitive about their demeanor on the job if they seek employment with the small firms. In addition, unlike previous studies that examined only objectively measurable attributes such as GPA, this study discovered subjective measures such as personality and job performance more important to recruiters than academic performance.



Emanating from these findings are significant implications which when placed in proper context can lead to an overhaul of the firm's recruiting process resulting in improved personnel decisions. For one thing, recruiting practices can be revised to include personality tests such as Ghiselli self-Description Inventory [Ghiselli, 1971] and preference tests such as the job Diagnostic survey [Schuler and Youngblood, 1986]. While these tests may have to be modified to suit accounting organizational culture [Wiener, 1988], any effort that can help capturing the important aspects of a job candidate's personality is worth making.

For, another in an attempt to inform business students, in general and accounting students in particular about the work environment that awaits them and what factors are highly significant not only for entry into the firm but for a successful professional career, genuine efforts are needed by the professionals. These efforts may be exerted by participation in college - sponsored programs such as job fairs, co-op and internship programs, and presentations to student clubs and in accounting classes. Cooperative activities that are implemented early in one's academic pursuit will not only benefit students in choosing their preferable career track, they will conceivably reap economic results by lowering recruitment costs and providing a better match of employees with the jobs. Identification and training of college graduates who are a "perfect" match for the

job, at their earliest stage in the developmental process, would indeed be an important step toward a total quality management. Additionally, by acting as their organization's official representative, firms's campus liaisons can help students to learn about both positive and negative aspects of working in public accounting profession [AECC , 1992].

Finally, career counselors and academics will benefit from the findings of this research in performing their responsibilities in advising students. Faculty are expected to advise students on the particular difference between the firms that hire college graduates. Any knowledge of organizational culture and work environment could help to close the expectation gap between the employee and the employer and possibly lowering employment turnover [AECC, 1992].

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