

**PREDICTORS OF TURNOVER INTENTION
AMONG AUDITORS: THE MEDIATING ROLES
OF WORK INTERFERENCE WITH PERSONAL
LIFE AND AFFECTIVE PROFESSIONAL
COMMITMENT**

GABRIEL GIM CHIEN WEI

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by

GABRIEL GIM CHIEN WEI

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AOB	Audit Oversight Board
AVE	Average Variance Extracted
COR	Conservation of Resources Theory
DRS	Dispositional Resilience Scale
FIW	Family Interference with Work
GDP	Gross Domestic Product
IFAC	International Federation of Accountants
IPMA	Importance-Performance Matrix Analysis
LMX	Leader-Member Exchange
MIA	Malaysian Institute of Accountants
OCQ	Organisational Commitment Questionnaire
PLIW	Personal Life Interference with Work
PLS-SEM	Partial Least Squares Structural Equation Modeling
SEM	Structural Equation Modeling
SOX	Sarbanes-Oxley Act
US	United States
WIF	Work Interference with Family
WIPL	Work Interference with Personal Life

**PERAMAL NIAT UNTUK BERHENTI KERJA DALAM KALANGAN JURUAUDIT:
PERANAN PERANTARAAN GANGGUAN KERJA DENGAN KEHIDUPAN
PERIBADI DAN KOMITMEN PROFESIONAL AFEKTIF**

ABSTRAK

Niat untuk berhenti kerja yang tinggi dalam kalangan juruaudit di firma perakaunan menandakan pentingnya untuk mengkaji peramal niat untuk berhenti kerja dalam kalangan juruaudit. Berdasarkan teori pemuliharaan sumber dan model kepercayaan-sikap-niat gelagat, kajian ini menggunakan satu model penyelidikan untuk memeriksa faktor peribadi (ketabahan-komitmen, ketabahan-kawalan, dan ketabahan-cabaran), faktor yang berkaitan dengan kerja (kekaburan peranan, konflik peranan, beban peranan, dan sokongan rakan sekerja), dan faktor organisasi (keadilan teragih, keadilan bertatacara, keadilan interpersonal, keadilan maklumat, dan iklim psikologi persaingan) sebagai peramal niat untuk berhenti kerja dengan gangguan kerja dengan kehidupan peribadi dan komitmen profesional afektif sebagai pemboleh ubah perantaraan. Seramai 383 juruaudit dari firma perakaunan antarabangsa di Klang Valley, Pulau Pinang, dan Johor Bahru mengambil bahagian dalam kajian ini. Berdasarkan analisis partial least squares structural equation modeling, hasil kajian mendedahkan bahawa ketabahan-komitmen, ketabahan-cabaran, keadilan teragih, konflik peranan, beban peranan, dan iklim psikologi persaingan mempunyai hubungan yang signifikan dengan gangguan kerja dengan kehidupan peribadi. Hasil kajian juga menunjukkan bahawa ketabahan-komitmen, ketabahan-cabaran, keadilan bertatacara, keadilan interpersonal, kekaburan peranan dan konflik peranan mempunyai hubungan yang signifikan dengan komitmen profesional afektif. Hasil kajian juga menunjukkan bahawa gangguan kerja dengan kehidupan peribadi and komitmen profesional afektif memainkan peranan perantaraan. Hasil kajian ini adalah berguna untuk ahli akademik dan pengamal audit yang ingin memahami peramal niat untuk berhenti kerja dalam kalangan juruaudit supaya gelagat berhenti kerja boleh diurus dan dikurangkan.

**PREDICTORS OF TURNOVER INTENTION AMONG AUDITORS: THE
MEDIATING ROLES OF WORK INTERFERENCE WITH PERSONAL LIFE AND
AFFECTIVE PROFESSIONAL COMMITMENT**

ABSTRACT

The high turnover of auditors in accounting firms signals the need to examine the predictors of turnover intention among auditors. Grounded by the conservation of resources theory and the belief-attitude-behavioural intention model, this study utilised a research model examining personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), and organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) as the predictors of turnover intention with work interference with personal life and affective professional commitment as the mediating variables. A total of 383 auditors from international accounting firms in Klang Valley, Penang, and Johor Bahru participated in this research. Based on partial least squares structural equation modeling analysis, the study revealed that hardiness-commitment, hardiness challenge, distributive justice, role conflict, role overload, and competitive psychological climate have a significant relationship with work interference with personal life. The results also indicate that hardiness-commitment, hardiness-challenge, procedural justice, interpersonal justice, role ambiguity and role conflict have a significant relationship with affective professional commitment. It is also found that both work interference with personal life and affective professional commitment play a mediating role in the relationship between the independent variables and turnover intention. The findings of this study are useful to both academics and practitioners who wish to understand the predictors of turnover intention so that the turnover of auditors can be managed and minimised.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter discusses the background of the study, problem statement, research objectives, research questions, significance of the study, definition of key terms, and organisation of the thesis.

1.2 Background of the Study

Human capital is an important foundation for a high-income economy (The World Bank, 2011) because human capital is considered the main key driver of economic growth of a nation and in defining a nation's true wealth (Inclusive Wealth Report, 2012). Human capital is an important asset to a country and that is why the Malaysian government recognises the importance of human capital to the country. The loss of talent in Malaysia can set off a vicious cycle of constrained growth and investment in the country, which will result in fewer job opportunities in the end (Talent Corporation Malaysia, 2012). Moreover, the loss of skilled professional talents from Malaysia is perceived to be a main barrier for the Malaysian government to achieve a high-income and a developed nation status by 2020 (Foo, 2011). Thus, each organisation should monitor the employee turnover rates to curb the loss of talent.

According to AON Hewitt SIS Study 2009-2011, employee turnover rates in Malaysia increased from 10% in 2009 to 15.9% in 2011 (Goh, 2012). In another study, Towers Watson (2013) reported that the overall employee turnover rates in Malaysia increased from 12.3% in 2012 to 13.2% in 2013. The two different studies above witnessed a similar rising trend in turnover among employees in Malaysia. It therefore signifies that employee turnover in Malaysia is a rising problem.

PwC (2012) conducted a survey among newly graduate employees in Malaysia and reported that only 5% of the respondents expected to remain in their current organisation

while 70% expected to have between two to five employers in their lifetime. A study carried out by Randstad (2014a) revealed that 65% of employees in Malaysia intend to quit their job within the next 12 months. Randstad (2014a) further added that the acute talent shortages driven by the turnover could impede Malaysia's goal of turning into a high-income nation by 2020. Thus, it is important to tackle the employee turnover problem at the workplace to retain talents within Malaysia.

Although undesirable employee turnover is prevalent in every single industry, its effect is more onerous on accounting firms because accounting firms have invested significant amount in staff training and development (Stallworth, 2004; Chan, Monroe, Ng, & Tan, 2008). The training and recruitment costs for each auditor could reach up to US\$8,000 (Roth & Roth, 1995) and auditors are trained extensively and continuously throughout their employment (Almer, Higgs, & Hooks, 2005; Audit Oversight Board [AOB], 2014; Bullen & Flamholtz, 1985; Hall, Smith, & Langfield-Smith, 2005; Law, 2005; Marxen, 1990; Rhode, Sorensen, & Lawler, 1977). Furthermore, the high turnover among auditors may cause a reduction in audit quality due to loss of expertise and the use of newly hired inexperienced staff (Chi, Hughen, Lin, & Lisic, 2013; Hermanson et al., 1995; Law, 2010; Oxford Economics, 2014; Persellin, Schmidt & Wilkins, 2014) resulting in a loss of goodwill from clients (Waller, 1985). Turnover is not cheap because the cost to an employer to replace an auditor who left is estimated at 1.5 times their current salary (Boomer, 2005; Hildebeitel & Leaby, 2001) and such costs may include selection, recruitment, training, greater supervision, and loss of productivity (Bullen & Flamholtz, 1985; Oxford Economics, 2014). Furthermore, according to Willingham and Carmichael (1968), there are higher numbers of individuals leaving the audit profession compared to those leaving law or medicine. Therefore, high turnover rates among auditors will ultimately disadvantage the entire audit profession as well.

Based on a study in the United Kingdom, the annual employee turnover costs all accounting firms a total of £580 million per annum (Oxford Economics, 2014). Additionally, Oxford Economics (2014) reported that the cost to replace a single employee who left an

accounting firm amounted to £39,230, which comprises both loss productivity costs and logistical costs. Loss productivity costs refer to the cost of lost output between the newly hired employee's productivity level and the optimum productivity level whereas the logistical costs refer to advertising fees, agency fees, cost of temporary workers, cost of human resource processes, and cost of interviewing (Oxford Economics, 2014). Once a new employee is hired in an accounting firm, it then takes an average of 32 weeks for the new employee to reach the optimum productivity level (Oxford Economics, 2014). It therefore highlights that employee turnover in accounting firms is not cheap and thus it should be managed and minimised.

Excessive employee turnover has been recognised as a plague in the audit profession for a long time (Istvan & Wollman, 1976) and it persists judging by the numerous research studies on employee turnover among auditors over several decades which are still carried out today. Substantial staff turnover rates were witnessed in accounting firms around the world (Bullen & Flamholtz, 1985; Collins, 1993; Gaertner, Hemmeter, & Pitman, 1987; Gstraunthaler & Kaml, 2007; Kalbers & Cenker, 2007; Yew, 2003). The environment in the audit profession is similar across the globe regardless of the geographic region and it has always been plagued by high turnover (Chi et al., 2013). True enough, high turnover among auditors is also well recognised in Malaysia by local practitioners citing turnover rates in accounting firms ranging from 25% to 65% (Abdullah, 2007; Growing Practice, 2013).

While employee turnover in accounting firms is actually a healthy routine to retain organisational performance, the rates should not be too high as every percentage-point increase in the annual turnover rate cost the Big Four accounting firms between US\$400 and US\$500 million annually (The Economist, 2007). The Big Four accounting firms are Deloitte, EY, KPMG, and PwC (Messier, Glover, & Prawitt, 2014; Nazri, Smith, & Ismail, 2012). Richard Baird, PwC's people chief, mentioned that the comfortable turnover rates in the Big Four should be between 12% and 15% annually and the Big Four firms want their talented staff to stay instead of leaving (The Economist, 2007). However, the turnover rates in the Big Four is not at a comfortable level because it was reported that the Big Four firms

have average employee turnover rates of between 15% to 20% annually, which is considered high by accounting practitioners (The Economist, 2007). According to the American Institute of Certified Practising Accountant's annual survey, the turnover rates for large accounting firms is at an average of between 22% to 28% annually while the turnover rates for smaller accounting firms is at an average of between 7% to 10% annually (Satava, 2003). Satava (2003) emphasised that it may be part and parcel of losing staff in accounting firms but turnover rates which is higher than 20% annually is unnecessary and wasteful. Therefore, the high turnover rates in large accounting firms reflect that turnover is indeed a real practical problem.

The significance of the audit profession is that it is the only profession with a public responsibility (Almer et al., 2005; Aranya, Pollock, & Amernic, 1981, Barber, 2013). Not only they need to serve their clients, they also have a public responsibility to third parties. The third parties that auditors are responsible and liable to are the investors, customers, suppliers, creditors, lenders, employees, the public, and the government who rely on the audited financial statements (Baker & Prentice, 2008; Malaysian Accounting Standards Board, 2014). There are always risk of litigation claims against auditors by those third parties should the auditors are found to be negligent in their duties (Barber, 2013, Marxen, 1990; O'Leary, 1998). The audit profession itself is also very much different compared to other accounting positions in the commercial and government sector because accountants outside the audit profession do not have a public responsibility (Almer et al., 2005). High turnover in accounting firms could cause a reduction in audit quality due to loss of expertise and the use of newly hired inexperienced staff (Chi et al., 2013; Hermanson et al., 1995; Law, 2010; Oxford Economics, 2014; Persellin et al., 2014). The reduction in audit quality has negative implications on Malaysia as a whole because lower audit quality could reduce investors' confidence on the financial markets (Financial Reporting Council, 2007; Jeffrey, 2015) that would in turn have a negative impact on the nation's economy (Dailami & Masson, 2009). That spells how important for accounting firms to retain talented auditors to

ensure a continual smooth performance of their responsibilities and duties to their clients and to the third parties.

According to Lee and Ali (2008), local accounting graduates today hold the view that the audit profession is a less attractive profession due to its long working hours and less lucrative remuneration. Lee and Ali (2008) added that the audit profession is a service-based profession, which is labour intensive where human capital is the most essential asset. It takes six weeks to fill a professional position in Malaysia, which is the highest number of weeks in the South East Asian region (Talent Corporation Malaysia, 2012). Therefore, it will be costly to accounting firms even if one headcount is lost. The impact of globalisation coupled with the global shortage of accountants worldwide have caused accounting firms in Malaysia to have a harder time recruiting and retaining qualified talented auditors (Ravendran, 2008). Such difficulties of retaining qualified talented auditors could pose problems to audit clients and the third parties who rely on the audited financial statements.

The employee turnover rates in accounting firms are further worsened by the global shortage of accountants especially after the passage of the Sarbanes-Oxley Act (SOX) in the United States (US) in 2002 (Smith & Hall, 2008). There have been public outcries for tighter regulation on auditors due to the increasing number of financial scandals in the last decade among large companies such as Enron, WorldCom, Microsoft, Xerox, and Parmalat (Lee & Ali, 2008; Zakaria, Haron, & Ismail, 2010). The passage of SOX in 2002, which was a result of the Enron scandal, creates additional workload and responsibilities for auditors (Jones, Norman, & Wier, 2010; Messier et al., 2014). The SOX requirements also apply internationally to any auditors around the world who are providing audit services to companies registered with the U.S. Securities and Exchange Commission although they are located outside the US (Hsu, Cheek, & Etheridge, 2005). The additional audit workload translates to higher demand for auditors (Bierstaker, Houston, & Wright, 2006; Stuart, 2006). Shortly after the passage of SOX, shortages of qualified auditors are seen around the world including the US (Vigilante, 2004), United Kingdom, Australia (O'Sullivan, 2006), New Zealand (Gray, 2005), and China (Coonan, 2007; Wild, 2005). This debacle does not leave

Malaysia alone because Malaysia is also suffering from shortages of qualified accountants (Dewi & Cheah, 2007; Ravendran, 2008). The passage of SOX in the US also has an impact on auditors in Malaysia because the US is the largest foreign direct investor in Malaysia especially in the manufacturing, banking, and oil and gas sectors (US Relations with Malaysia, 2014). It therefore signifies that there are large numbers of US multinational companies in Malaysia where SOX audit is relevant to the local auditors in Malaysia.

Malaysia also have a fair share of accounting scandals involving Technology Resources Industries Bhd, Cold Storage (Malaysia) Bhd, Transmile Group Bhd, Ocean Capital Bhd, Megan Media Bhd, Bumiputra Commerce Holdings Bhd, and Fountain View Development Bhd (Krishnan, 2011; The Edge, 2009), which also resulted in calls for tighter regulation on auditors. As a result, the Audit Oversight Board (AOB) was established in Malaysia on April 2010 (AOB, 2014) which imposed additional workload on accounting firms with public listed companies' clients. This is because the AOB requires accounting firms to be fully compliant of the International Standards on Quality Control and this implies that accounting firms will have to carry out a multitude of new audit processes and documentations (Jayaseelan, 2010). Due to the large number of US foreign direct investments in Malaysia such as Western Digital, Intel, First Solar, Jabil Circuit, and SunPower (Leong, 2014), SOX audit is also applicable to auditors in Malaysia (Hsu et al., 2005). As a result, auditors in Malaysia providing audit services to local public listed companies or multinational companies will definitely face a higher number of workload due to the increased regulation as stated above (ACCA Malaysia, 2013). This means that the international accounting firms are the one receiving the biggest impact as they are the one dominating the audit market of public listed companies' clients (Nazri et al., 2012; Hickman, 2010; Yeap, 2012) and multinational companies' clients (Law, 2008) in Malaysia. Due to those accounting scandals, auditors in international accounting firms are facing extensive workloads due to the increased regulations. Thus, these additional workloads are bound to lead to additional turnover problems among auditors.

It has been estimated that Malaysia needs 60,000 chartered accountants by the year 2020 in line with our aspirations to achieve a developed country status (Dewi & Cheah, 2007; Speech Collection Archives of Chief Executives, 2005; New Straits Times, 2007). The Committee to Strengthen the Accountancy Profession, which was set up in 2013, also echoed the call that Malaysia needs 60,000 accountants by 2020 in order to meet the government plans such as Economic Transformation Programme, Government Transformation Programme, Capital Market Masterplan 2, Financial Sector Blueprint, and SME Masterplan (Oh, 2015). As at 2014, there are only 30,298 qualified chartered accountants in Malaysia (Malaysian Institute of Accountants [MIA], 2014). The gap to hit the 60,000 target is still large because it is only half of the target reached. Moreover, accountants in Malaysia are highly sought after overseas due to their multilingual skills (Coonan, 2007; Hickman, 2010). It is therefore not easy for accounting firms to retain talented auditors. As a result, this unfortunate shortage will affect the capability of Malaysia to achieve its Vision 2020 because auditors are providing audit services to all public and private limited companies in Malaysia.

1.3 Problem Statement

Employee turnover among auditors has been reported in extant research as early as the 1960s (Leathers, 1972) and it remains a significant problem even to the recent decade indicated by the numerous research on turnover intention among auditors which are still being carried out in the recent decade (Chi et al., 2013; Hall & Smith, 2009; Herda & Lavelle, 2012; Huang, Lawler, & Lei, 2007; Kalbers & Cenker, 2007; Law, 2005, 2010; Nouri & Parker, 2013; Pasewark & Viator, 2006) including within Malaysia (Hasin & Omar, 2007; Mansor, 2012; Surlenty, Ramayah, Lo, & Tarnizi, 2014).

The turnover issue among auditors in Malaysia is not an exception. Turnover among auditors in Malaysia is critical today due to the chronic shortage of qualified accountants and the high demand for qualified accountants both from within the country and from overseas. It has been estimated that Malaysia needs 60,000 chartered accountants by the year 2020 (Dewi & Cheah, 2007; Speech Collection Archives of Chief Executives, 2005; New Straits

Times, 2007; Oh, 2015) but as at 2014, there are only 30,298 qualified chartered accountants (MIA, 2014). The problem is further worsened by the increasing flow of professional audit talents draining from Malaysia to other countries (Abdullah, 2007; Ravendran, 2008). Therefore, high rates of turnover in accounting firms is not just merely a loss of labour, but a loss of professional talent, which is hard to come by. The loss of talent in accounting firms will have a deleterious impact on audit quality (Chi et al., 2013; Hermanson et al., 1995; Law, 2010) and this does not only affect the audit client but also the third party users, including the government, who rely on audited financial statements for various business and investment related decisions. Thus, the turnover of auditors is an important issue that would affect all Malaysians.

Empirical studies on turnover intention among auditors which have been carried out by local scholars (Hasin & Omar, 2007; Mansor, 2012; Surlenty et al., 2014) are testament that auditors' turnover in accounting firms is recognised as a problem in Malaysia. Turnover rates in accounting firms in Malaysia are rather daunting. Based on a benchmarking exercise carried out by Malaysia Productivity Corporation in 2006, it was revealed that an unnamed accounting firm in Malaysia reported an extremely high turnover rate of 65% (Growing Practice, 2013). According to the former MIA President, Abdul Rahim Abdul Hamid, the average annual employee turnover rate in accounting firms is said to be 25% (Abdullah, 2007). Furthermore, one of the Big Four firms, Deloitte, reported to have an annual employee turnover rate of 30% (Abdullah, 2007). AOB (2014) examined ten accounting firms and reported that the employee turnover rates among auditors below managerial level for the year 2013 and 2014 in Malaysia were 27.8% and 26.8%, respectively. Hence, the above reported turnover rates signal that turnover among auditors is an issue not to be neglected.

Additionally, there are several well documented discussions by audit practitioners in Malaysia pointing that high turnover among auditors is a recognised problem in accounting firms and this particular problem is unanimously agreed upon by the practitioners (Abdullah, 2007; ACCA Malaysia, 2013; Ravendran, 2008; Guidelines on Staff Training Funds, 2012).

The MIA organised a forum in 2008 which saw a gathering of practitioners and academics to discuss the shortage of auditors in Malaysia. The entire panellist unanimously agreed that the shortage of auditors in Malaysia is a significant problem (Ravendran, 2008). All of the panellists also agreed that the local auditors are leaving Malaysia for greener pastures overseas to seek better pay and a greater leverage of work life balance. Additionally, the AOB (2014) maintained that the high turnover coupled with talent shortages remain a challenge to the audit profession in Malaysia. This is the reason why turnover among auditors should be given due attention in order to curb the auditors from leaving the country which could pose a serious threat to the economic growth of Malaysia (Lee, Lim, Yap, & Tam, 2011a).

Lee et al. (2011a) have raised concerns and highlighted the issue of high turnover among auditors in Malaysia which is still unresolved. Based on the study by ACCA Malaysia (2013), 49% of the auditors in Malaysia reported that they intend to leave their jobs within three years or less. This is detrimental to the quality of the audit services delivered if a firm were to lose close to half of its workforce within a short time-frame. Therefore, it is critical to examine the determinants of turnover intention among auditors to assist policy makers and practitioners to retain talented auditors.

Although empirical research have already been carried out on turnover intention among auditors in Malaysia and in other countries, there is still a need to plug the literature gap that would eventually benefit practitioners. Researchers (Hsieh, Pearson, & Kline, 2009; Lambert, Cluse-Tolar, Pasupuleti, Prior, & Allen, 2012; Law, 2005) have called for an extension of their research to examine the predictors of turnover intention by investigating both personal and work environment factors. Additionally, researchers (AbuTair, 2012; Herda & Lavelle, 2012), who carried out their research at Northern Cyprus and the US respectively, have called to extend the research on turnover intention among auditors at other geographic regions. Furthermore, Yousaf, Sanders, and Abbas (2015) have called for an extension to study the relationship between affective professional commitment and turnover intention on other professions beyond university employees. Boswell, Run, and Hinrichs

(2008) also urged future researchers to focus their turnover research on a specific profession to better understand the context of the profession that will assist the practitioners to manage the turnover problem. The extension of the research by including other variables is needed to assist accounting firms in their recruitment and retention efforts (Boswell et al., 2008; Chi et al., 2013; Law, 2005). This study therefore heeds the call by previous researchers by examining turnover intention through the angles of personal, job-related, and organisational variables within a research model.

Prior studies have looked at hardiness (Cash & Gardner, 2011; Law, 2005; Utami, Nurjahjanti, & Widodo, 2010), role stress (Gaither et al., 2008; Jones, Chonko, Rangarajan, & Roberts, 2007; Karatepe & Karatepe, 2010), co-worker support (Nissly, Mor Barak, & Levin, 2005; Thompson & Prottas, 2005; Westwood, 2007), organisational justice (Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Howard & Cordes, 2010; Nadiri & Tanova, 2010; Parker, Nouri, & Hayes, 2011), competitive climate (Barankay, 2010; Dalton, Hill, & Ramsay, 1997; Gaertner et al., 1987), work interference with family (WIF) or work interference with personal life (WIPL) (Hsieh et al., 2009; Karatepe & Kilic, 2007; Pasewark & Viator, 2006), and affective professional commitment (Bline, Duchon, & Meixner, 1991; Harrell, Chewing & Taylor, 1986; Huang et al., 2007; Weng & McElroy, 2012) as the predictors of turnover intention or actual turnover. However, the above studies did not examine all of the stated variables together. Therefore, this study examines the different predictors as stated above into one research model in order to further contribute theoretically in understanding turnover intention among auditors.

Responding to the suggestion that the conservation of resources (COR) theory could be applied within the WIPL context in explaining how stressors or resources could influence strain (Grandey & Cropanzano, 1999; Westman, Hobfoll, Chen, Davidson, & Laski, 2005), WIPL is therefore examined as a mediator guided by the causal explanation of the COR theory (Hobfoll, 1989). Due to the paucity of research in examining affective professional commitment as the determinant of turnover intention (Maertz, 2004; Weng & McElroy, 2012; Yousaf et al., 2015), affective professional commitment is examined as a mediator guided by

the causal explanation of the belief-attitude-behavioural intention model (Fishbein & Ajzen, 1975). Therefore, this study sees an integration of the COR theory and the belief-attitude-behavioural intention model within a research model in explaining turnover intention among auditors.

The variables mentioned above are important to be examined among auditors because hardiness is an important personality disposition to survive in the audit profession (Greenhaus, Collins, Singh, & Parasuraman, 1997; Law, 2010); role stress is prevalent within the audit profession (Fogarty, Singh, Rhoads, & Moore, 2000); teamwork is critical in the audit profession (Almer et al., 2005; Taylor & Cosenza, 1998); fairness of compensation is the most important factor for auditors in choosing an employer (PwC, 2012), the audit working environment is highly competitive (Brierley & Gwilliam, 2003; Law, 2010); there is a growing demand by auditors for an improved work-life balance (ACCA Malaysia, 2013), and professionals are more committed to the profession than to the organisation (Kim & Mueller, 2011). Thus, hardiness, role stress, co-worker support, organisational justice, competitive psychological climate, WIPL, and affective professional commitment merit examination in this study in explaining turnover intention.

Thus, there is a great need to study turnover intention among auditors in Malaysia to assist both practitioners and academics to stymie the auditors' intention to quit the accounting firm. In a nutshell, this study seeks to address the impact of hardiness, role stress, co-worker support, organisational justice, and competitive psychological climate on turnover intention among auditors through the mediating roles of WIPL and affective professional commitment.

1.4 Research Objectives

The objectives of this research are:

1. To examine the relationship between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors

(distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) and WIPL.

2. To examine the relationship between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) and affective professional commitment.
3. To examine the relationship between WIPL and turnover intention.
4. To examine the relationship between affective professional commitment and turnover intention.
5. To examine the mediating role of WIPL on the relationship between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) and turnover intention.
6. To examine the mediating role of affective professional commitment on the relationship between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) and turnover intention.

1.5 Research Questions

This research aims to answer the research questions below:

1. Do personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and

co-worker support), and organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) have a relationship with WIPL?

2. Do personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) have a relationship with affective professional commitment?
3. Does WIPL have a relationship with turnover intention?
4. Does affective professional commitment have a relationship with turnover intention?
5. Does WIPL mediate the relationship between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) and turnover intention?
6. Does affective professional commitment mediate the relationship between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) and turnover intention?

1.6 Significance of the Study

This study provides significant theoretical, practical, and methodological contributions in the area of turnover intention among auditors.

1.6.1 Theoretical Contributions

First of all, this study helps to plug the literature gap to benefit academics although many empirical studies have already been carried out on turnover intention within the context of auditors. Researchers (Hsieh et al., 2009; Lambert et al., 2012; Law, 2005) called for an extension of their research to examine the predictors of turnover intention by investigating both personal and situational variables. The extension of the research by including other variables is needed to assist accounting firms in their recruitment and retention efforts (Law, 2005). This study therefore heeds the call by examining turnover intention through the perspectives of personal, job-related, and organisational variables within a research model. The variables are categorised accordingly based on the personal, job-related, and organisational perspectives following the approach taken by Porter and Steers (1973) and Mobley, Griffeth, Hand, and Meglino (1979). Hence, this study integrates the COR theory and the belief-attitude-behavioural intention model by examining personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), and organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate) as the predictors of turnover intention among auditors.

Secondly, this study contributes by testing WIPL and affective professional commitment as mediators between the independent variables and the dependent variable. Based on calls for the expansion of work-family conflict (Bellavia & Frone, 2005; Greenhaus, Collins, Singh, & Parasuraman, 1997; Sulsky & Smith, 2005), this study examines WIPL which enables the research to include both married and unmarried individuals in studying the interference of work into the personal lives of auditors. On the other hand, research on affective professional commitment is warranted because it is an under-studied attitudinal variable (Maertz, 2004) compared to organisational commitment. Furthermore, the employment relationship in accounting firms is becoming less stable in recent years due to reasons such as economic globalisation, changing audit technologies, and

communication alterations (Hooks & Higgs, 2002) leading to the shift of commitment from the organisation to the profession which makes it more critical to examine professional commitment among auditors (Smith & Hall, 2008). Therefore, this study hopes to discover whether WIPL and affective professional commitment mediate the relationship between the independent variables and turnover intention among auditors. For this study, turnover intention, WIPL, and affective professional commitment also function as the organisational strains in their relationship with the stressors and resources within the research model.

Finally, this research contributes through the application of the COR theory by examining the impacts of stressors and resources towards turnover intention among auditors in one holistic research model. Westman et al. (2005) suggested that researchers should build on extant research by examining different variables to enrich the COR theory. In this study, hardiness, role stress, co-worker support, organisational justice, competitive psychological climate, WIPL, affective professional commitment, and turnover intention are utilised to contribute to the body of knowledge in the COR theory. Apart from the COR theory, the belief-attitude-behavioural intention model (Fishbein & Ajzen, 1975) is applied to the model of this research. Hence, this study contributes theoretically by integrating two theories within the research model.

1.6.2 Practical Contributions

This research seeks to address the turnover problem that is currently plaguing accounting firms. Both professional accounting bodies and policy makers of accounting firms would be interested to know how to reduce the turnover of auditors that could eventually overcome the shortage of auditors. It is therefore practically important to examine the predictors of turnover intention among auditors so that effective interventions and important policies can be enacted by the policy makers to reduce the intention to quit.

Narrowing the context of this study specifically within the audit profession should provide greater understanding to the audit practitioners on the predictors of turnover intention among auditors (Boswell et al., 2008). This study should benefit policy makers and

practitioners in accounting firms by encouraging them to reduce the stressors and to increase the resources in the audit working environment. A single stressor may not be overwhelmingly dysfunctional, but the cumulative effects of several stressors may exceed an individual's coping resources leading to strain (Singh, Goolsby, & Rhoads, 1994), which might ultimately lead to the intention to quit. This research is expected to provide insights to accounting firms in Malaysia on how auditors' hardiness disposition, role stress, co-worker support, organisational justice, and competitive psychological climate could influence their intention to quit the accounting firm. Therefore, policy makers and practitioners of accounting firms might find this study beneficial on identifying the predictors of turnover intention and the steps they should take to manage and to minimise turnover intention among auditors in accounting firms.

The importance-performance matrix analysis (IPMA) (Hair, Hult, Ringle, & Sarstedt, 2014) is assessed to assist practitioners to focus their attention on the variables depending on their scores on two dimensions which are importance and performance. Specifically, the IPMA assist practitioners to prioritise their managerial actions on those variables that score relatively high on the importance scores but scoring low on the performance scores because they have the strongest impact on turnover intention but there is still room for improvement to achieve a higher performance score.

This research draws attention to the effects of hardiness personality on WIPL and affective professional commitment. This research is expected to influence accounting firms to consider providing hardiness training to enhance resiliency among their auditors or to screen its potential recruits on hardiness personality. Since people make the place, it signals the importance of having employees who are able to adapt to the audit environment.

Besides that, this study also provides insights to practitioners on the effects of role stressors, co-worker support, organisational justice relating to salary, and competitive psychological climate at the workplace on WIPL and affective professional commitment. Through this research, the decision to clarify work roles, cultivating support and cooperation, promoting fairness, and discouraging a competitive climate at the workplace can then be

firmly decided by accounting firms to their benefits. Insights can also be gathered from this research on how WIPL can be reduced and how affective professional commitment can be strengthened.

Last but not least, this research offers practitioners the knowledge on whether reducing WIPL and strengthening affective professional commitment could improve the retention of auditors. Ultimately, practitioners and policy makers are able to address those factors that weaken retention and thus enabling them to take remedial steps in order to retain the best talented auditors they want.

1.6.3 Methodological Contributions

This research also provides several methodological contributions by utilising partial least squares structural equation modelling (PLS-SEM) and the bootstrapping approach to analyse the hypothesised relationships in the research model.

First of all, the ability of PLS-SEM to maximise explained variance in the dependent constructs; to work efficiently with increased model complexity; having lesser restrictions on normality of data; and having stronger statistical power makes PLS-SEM an appropriate choice for statistical analysis (Hair, Ringle, & Sarstedt, 2011b). Furthermore, most empirical behavioural studies do not meet the normality requirement (Micceri, 1989; Peng & Lai, 2012) and the PLS-SEM results are still robust even if data are highly skewed (Hair, Sarstedt, Ringle, & Mena, 2012; Peng & Lai, 2012). The use of PLS-SEM is therefore justified in the current study.

Secondly, new findings may be uncovered with the use of PLS-SEM which would not otherwise be found with the use of multiple regression. This is because PLS-SEM as a second generation technique (Hair et al., 2014) has many advantages over multiple regression by providing more predictive accuracy and a much lower risk of chance correlation (Cramer, 1993). Hall et al. (2005) also recommended the use of PLS-SEM in future research when examining the relationship between professional commitment and turnover intention among auditors. Thus, the use of PLS-SEM is expected to provide

additional methodological contribution to the turnover literature among auditors and perhaps to discover further findings.

Lastly, the bootstrapping approach is applied in this study to test the mediating relationships instead of using the causal steps approach which was popularised by Baron and Kenny (1986). The bootstrapping approach is used because it has been recommended by researchers (Hayes, 2009; Hayes, 2013; MacKinnon, Lockwood, & Williams, 2004; Preacher & Hayes, 2008; Preacher, Rucker, & Hayes, 2007) to test for indirect effects in a mediation model. According to Hayes (2013), the causal steps approach should not be used because it is not an inferential test; it does not quantify the indirect effect; it is illogical to rely on several hypothesis tests to infer a mediating effect; it is illogical to require a significant relationship between an independent variable and a dependent variable prior to testing the indirect effect; and it requires a qualitative interpretation to infer a mediating effect instead of relying on a quantitative application. As a result, the causal steps approach is the least powerful approach to testing a mediating relationship (Hayes, 2013). Hence, the application of the bootstrapping approach contributes methodologically to this study.

1.7 Definition of Key Terms

Definitions and descriptions of key terms used in the study are presented below:

Turnover intention: Turnover intention is the immediate antecedent to turnover (Mobley et al., 1979), which reflects an employee's intention to leave the organisation (Wayne, Shore, & Liden, 1997).

Hardiness: Hardiness is a personal characteristic that functions as a stress resistance resource, which consists of three dimensions, which are commitment, control, and challenge (Hystad, Eid, Johnsen, Laberg, & Bartone, 2010; Kobasa, 1979).

Hardiness-Commitment: The commitment dimension of hardiness reflects an individual's belief in the meaningfulness of life which predisposes them to be deeply involved and committed to the activities of their lives (Hystad, Eid, Laberg, & Bartone, 2011; Kobasa, 1979).

Hardiness-Control: The control dimension of hardiness reflects an individual's belief that one can control and influence the events of their experience (Hystad et al., 2011; Kobasa, 1979).

Hardiness-Challenge: The challenge dimension of hardiness reflects how an individual perceives changes as exciting challenges and opportunities for growth (Hystad et al., 2011; Kobasa, 1979).

Role Ambiguity: Role ambiguity occurs when an employee is uncertain about the expectations to meet the job functions and responsibilities (Rizzo, House, & Lirtzman, 1970).

Role Conflict: Role conflict occurs when an employee is required to meet incompatible demands and expectations at the workplace (Rizzo et al., 1970).

Role Overload: Role overload occurs when an employee has too much work to do in the available time (Bacharach, Bamberger, & Conley, 1990).

Co-worker Support: Co-worker support refers to the employees' perception of their co-workers' attitudes towards them (Ladd & Henry, 2000).

Organisational Justice: Organisational justice refers to the employees' perceptions of fairness at the workplace (Colquitt, Greenberg, & Zapata-Phelan, 2005). Organisational

justice is characterised by four dimensions which are distributive justice, procedural justice, interpersonal justice, and informational justice (Colquitt, 2001; Colquitt et al., 2001).

Distributive Justice: Distributive justice refers to the fairness of the decision outcomes (Colquitt et al., 2001).

Procedural Justice: Procedural justice refers to the fairness of the procedures used to determine outcomes (Colquitt et al., 2001).

Interpersonal Justice: Interpersonal justice refers to how fair employees are treated by the authority figures involved in implementing procedures or determining outcomes (Colquitt et al., 2001).

Informational Justice: Informational justice refers to the fairness of the explanations provided by the authority figures on the procedures and the outcomes (Colquitt et al., 2001).

Competitive Psychological Climate: Competitive psychological climate refers to employees' perception on the extent that organisational rewards are awarded to employees based on the comparisons of their performance against their peers (Fletcher, Major, & Davis, 2008).

Work Interference with Personal Life (WIPL): WIPL refers to the perceptions of the extent to which work interferes into an employee's personal life (Fisher, Bulger, & Smith, 2009).

Affective Professional Commitment: A person who is affectively committed to his or her profession has a strong desire to remain in that profession and one who is more likely to keep up with the developments in that profession (Meyer, Allen, & Smith, 1993).

Auditor: In this study, auditor refers to an external auditor employed in an accounting firm who performs an independent audit of financial statements for various business entities including both public and private limited companies (Messier et al., 2014).

International Accounting Firms: The international accounting firms in this study refer to the large accounting firms (Wheeler, Felsing, & Reilly, 1987) belonging to the international accounting networks, which entitled them to be members of the Forum of Firms (Forum of Firms, 2013).

Big Four Accounting Firms: Big Four accounting firms refer to the four biggest international accounting firms, which are Deloitte, EY, KPMG, and PwC (Messier et al., 2014; Nazri et al., 2012). The Big Four accounting firms are members of the Forum of Firms (Forum of Firms, 2013).

Mid-Tier Accounting Firms: The mid-tier accounting firms refer to other large international accounting firms that are not part of the Big Four networks (Hickman, 2010) and they are also members of the Forum of Firms (Forum of Firms, 2013).

1.8 Organisation of the Thesis

The thesis is arranged into five chapters. Chapter 1 introduces the reader to the background of the study including the problem statement, research objectives, research questions, significance of the study, and definition of key terms. Chapter 2 reviews the literature relating to the study variables. Additionally, the underlying theories, research model, and hypotheses are presented in Chapter 2. Chapter 3 covers the research methodology employed for this study, which includes the research philosophy, research design, population and source of data, unit of analysis, sampling technique, minimum sample size, data collection procedures, research instruments, common method bias, pre-testing of questionnaire, and the statistical analyses used for the research. Chapter 4 presents the

statistical results of this research. Chapter 5, which is the final chapter, discusses the findings, implications of the study, limitations, and suggestions for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The purpose of this study is to investigate the relationships between personal factors (hardiness-commitment, hardiness-control, and hardiness-challenge), job-related factors (role ambiguity, role conflict, role overload, and co-worker support), organisational factors (distributive justice, procedural justice, interpersonal justice, informational justice, and competitive psychological climate), work interference with personal life (WIPL), affective professional commitment, and turnover intention. This chapter reviews the relevant literatures leading to the development of the research model. Specifically, literatures pertaining to turnover intention, hardiness, role stressors, co-worker support, organisational justice, competitive psychological climate, WIPL, and affective professional commitment are reviewed. Previous empirical findings relating to each variable are explored as well. Next, the theories that underpin the research model are presented and explained. Finally, the research model and the hypotheses for this study are provided.

2.2 Turnover

Employee turnover refers to the movement of employees from one organisation to another organisation (Price, 2001). Turnover can be classified as voluntary or involuntary turnover (Price, 2001). Voluntary turnover refers to employees who voluntarily left the organisation while involuntary turnover refers to turnover due to layoffs, dismissals, retirements, and deaths (Lambert et al., 2012; Price & Mueller, 1981). Voluntary turnover is within the decision of an employee while involuntary turnover is not dictated by the employee (Holtom, Mitchell, Lee, & Eberly, 2008). Consequently, organisations are therefore more concern about the factors leading to voluntary turnover. For this reason, voluntary turnover garners the most attention by researchers and practitioners in order to identify the reasons why employees voluntarily left their employers (Holtom et al., 2008;

Price, 2001). Voluntary turnover is regarded as a coping strategy for employees to leave the undesired workplace (Bothma, Roodt, & van de Bunt-Kokhuis, 2015).

Turnover has been examined based on the pull theory and the push theory concepts by researchers from different fields. The pull theory is often examined by market-oriented researchers focusing on job alternatives and how such alternatives surface while the push theory is often examined by psychologically oriented researchers focusing on job-related perceptions and attitudes (Lee & Mitchell, 1994). Specifically in the organisational behaviour literature, researchers have examined the relationship between work-related perceptions, job attitudes, intention to quit, and actual turnover (Lee & Mitchell, 1994). Hence, more attention should be paid to the perceptions and attitudes of employees when examining turnover because at least it is manageable by organisations.

2.2.1 Turnover Process

Mobley (1977) conceptualised a heuristic model explaining the psychological process of turnover starting from the assessment of the current job towards the final stage of quitting the job. Mobley (1977) theorised that one will (1) evaluate their existing job first, resulting in (2) either job satisfaction or dissatisfaction. Consequently, the job dissatisfaction will lead to (3) thinking of quitting, which in turn lead to (4) evaluation of the expected utility of searching and the costs of quitting. After the evaluation, comes (5) the intention to search for alternative jobs, (6) the actual search for alternative jobs and eventually, (7) the evaluation of the acceptability of those alternative jobs. After the final evaluation, one will (8) compare the alternative jobs found with the present job resulting in (9) intention to quit, and finally (10) the actual turnover. There are also feedback loops between the steps. For an example, if (8) the evaluation of the alternative job found is less favourable than the present job, the job incumbent will (1) evaluate the existing job again. The entire process and the feedback loop are shown in Figure 2.1 below.

Mobley (1977) contributes to the turnover literature by providing an explanation on the sequential steps towards turnover behaviour and presenting the intervening variables