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Young CPAs Remain Undaunted by Scandals

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RESPONSIBILITIES & LEADERSHIP

Perceptions of the Profession

Young CPAs Remain Undaunted by Scandals

By Heather M. Hermanson, Mary C. Hill, and Susan H. Ivancevich

Did the demise of Arthur Andersen and the related fallout affect the satisfaction of entry-level accountants at Big Four firms? The answer appears to be “no.” Despite the considerable negative press focused on the profession, entry-level accountants still assess positively the profession and their careers.

The authors followed the careers of 32 new hires from the summer of 2000, assessing their job satisfaction every six months. Job satisfaction remained stable over the period just before and after the Andersen collapse. In June 2002, participants were asked a series of questions about the Enron/Andersen debacle.

On the whole, participants indicated positive feelings about the future of the profession.

Study Logistics

The study surveyed newly hired staff accountants in December 2000, collecting information about their initial expectations and perceptions of work at one Big Five firm. The first survey of the group yielded 182 responses. Three subsequent surveys measured job satisfaction, work assignment details, and personal-life issues. As time went on, participants were lost due to terminations, address changes, and nonresponses. The final group of 32 participated in all four surveys (mailings in December 2000, June 2001, December 2001, and June 2002). One limitation of this group is that it represents accountants who were satisfied enough to remain with their firm for two years and who were willing to answer all four surveys. This limitation, however, is somewhat mitigated by the analysis of exit interviews, in which departing staff cited issues such as overtime, travel, and personnel conflict—not the Enron/Andersen debacle—as their reason for leaving.

If I Could Do It Over Again, I Would Still Be an Accountant

The Exhibit shows the responses to the survey section about the Enron debacle included in the June 2002 mailing. Participants were asked whether they agreed with 15 statements, where 1 equaled “strongly disagree” and 7 equaled “strongly agree.” The statements are organized in descending order by mean.

While statement 1 reflects agreement that the public now perceives the profession as less credible, statements 2 through 5 indicate that the Andersen failure has not had a similar negative impact on these accountants’ views of the profession. Participants agreed that the future of the profession is bright and that, if choosing their career path today, they would choose the same path. In the face of much public scrutiny, these young accountants still have a positive outlook on the profession. Maintaining a positive view of work is likely an important factor in employee retention.

Business as usual. Despite the negative press, respondents indicated that their firm is operating much as it had in the past. For example, the group was neutral on the statements “My workload has increased significantly as a result of the Enron/Arthur Andersen incident” and “I have witnessed significant changes in auditing procedures and documentation due to the Enron/Arthur Andersen incident.” The neutral responses may indicate business as usual or a wait-and-see approach to the changes precipitated by the Sarbanes-Oxley Act. In addition, participants responded neutrally to statements about increased commitment to professional ethics and increased concern about personal legal liability. It is possible that participants already had a commitment to professional ethics and concern about legal liability such that a significant change was not plausible (i.e., a ceiling effect). On the whole, the neutral responses suggest that significant shifts in the participants’ workplace had not occurred as of June 2002.

Job satisfaction unchanged. After the initial perceptions survey of December 2000, participants were asked to rank their overall job satisfaction on a scale of 0 to 100 for each six-month period. Interestingly, job satisfaction significantly declined from June 2001 to December 2001, but not from December 2001 to June 2002, the time of the Enron/Andersen debacle. Job satisfaction started at a mean of 81 and declined to 76. In the next period, it dropped only slightly, to 73, suggesting that the Enron/Andersen debacle had little immediate impact on job satisfaction.

The relatively stable satisfaction is supported by responses to several of the survey statements as well. For example, participants did not think that their long-term career goals have changed. Also, they disagreed with the statement “Due to the Enron/Arthur Andersen incident, I will leave public accounting earlier than originally planned.” Finally, they reported that the current public scrutiny of the profession has not negatively affected their job satisfaction. The group’s stable job satisfaction throughout the debacle appears to mirror their agreement with the positive statements about the profession discussed earlier.

Job security. Continuing the rather upbeat attitude about the profession, respondents disagreed that they have less job security than before. In addition, they disagreed that their firm would experience an incident similar to Andersen. Respondents expect that they and their firm will weather the storm. This upbeat attitude may be critical, because respondents disagreed that friends and acquaintances have new respect for what they do.

After Enron and Andersen

While Enron was clearly an unfortunate event for the accounting profession, the survey responses suggest that, for young CPAs, there is “life after Enron.” Despite the negative publicity and an untrusting public, these young accountants appear to have a positive outlook on their public accounting careers and the profession as a whole. Hopefully, this will translate into less turnover and greater retention of quality

accountants.

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