

The Effect of Career Growth Opportunities and Ethical Climate towards Turnover Intention of Auditors in Accounting Firm

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Abstract— This study aims to demonstrate the role of ethical climate and career growth opportunities towards auditors' turnover intention in accounting firm in Jakarta, Indonesia. Total respondents in this study are 210 people. The respondents are auditors who are permanent employee and in non-managerial position. This study use SEM as data analysis method. This study is expected to contribute to turnover intention issue in companies, specifically auditors. Result of the study shows that there is a positive and significant association between career growth opportunities and turnover intention. However, ethical climate effects turnover intention negative and significant.

Index Terms— ethical climate, career growth opportunities, turnover intention

1 INTRODUCTION

Turnover intention has been one of the most important issues in organization because it affects employee's commitment towards their organization (Liu & Lin, 2016). It is believed that turnover intention is the strongest predictor of employee turnover itself because it is the conscious desire or intention of employees to leave the organization (Lambert, Lynne Hogan, & Barton, 2001). High rate of employees turnover in organization could cause additional cost such as recruitment, new employees training program, and separation cost (Boushey dan Glynn, 2012). Career growth opportunities is one of the relevant benefit which accounting firm could offer, especially for junior auditors who in general are young, has better education, and ambitious (Weng, McElroy, Morrow, & Liu, 2010). Nouri & Parker (2013) explains that the chance of career growth which accounting firm offer to their auditors would help to increase their commitment towards their organization, hence their intention to leave would also decrease.

Other than career growth opportunities, accounting firm should be able to create the appropriate environment for auditors so they would able to work according to applicable standards and codes of ethics. Ethical climate that organization has would create foundation of rules, procedure, and policy in their operational system (Dickson, Smith, Grojean, & Ehrhart, 2001). In order to encourage all the members of the company to be ethical, organization or company adopts codes of ethics which members must follow (DeConinck, 2010). If ethical values in the company are not strong, then the integrity of the company is questioned and employees do not know which standards they should follow when they perform their functions and operational activities (Liu & Lin, 2016). Employees who viewed that their organization has already implemented their codes of ethic accurately would likely to commit to their organization which will lead to low turnover intention (Jr Schwepker, 2001). On the contrary, company that has negative ethical climate would increase work pressure, lower employees performance, which will lead to turnover (Mulki, Jaramillo, & Locander, 2008).

The purpose of this research is to see the effect of ethical climate

and career growth opportunities towards auditors turnover intention. This research is expected to describe managerial implication specifically to accounting firm so they could lower their auditors turnover intention from the observed variables. your paper.

2 LITERATURE REVIEW

2.1 Ethical climate and Turnover intention

Tett & Meyer (1993) defines turnover intention as someone's intention or desire to leave their organization. The rate of employees' turnover intention could be affected by numerous reasons such as job attitudes, ethical climate, and the amount of job pressures (Jay Prakash Mulki, Jaramillo, & Locander, 2006). Organizational climate is a valuation of organizational members for what the organization is like, not supposed to be. The implications of the climate are generally explained in the local scope which is inside the organizations (Duh, Belak, Milfelner, & Belak, 2018). When employees consider that positive climate has been internalized in company's regulations and policies, employees will tend to make decisions according to the applicable code of ethics.

External auditor who works in accounting firm have to follow specific code of ethics and standards throughout audit process. Accounting firm established certain rules and strict supervision to avoid an unethical conduct by auditors. A positive ethical climate have been proven to reduce the rate of employees turnover intention in organization (Jay Prakash Mulki et al., 2006; Filipova, 2007; Stewart, Volpone, Avery, & McKay, 2011).

H1: There is negative and significant association between ethical climate and auditors turnover intention.

2.2 Career growth opportunities and Turnover intention

Career growth could be defined as the results of efforts made by someone by defining it as a perception of the possibility of development and progress in an organization (Jans, 1989 in Weng et al., 2010). There are four factors that consist in career growth according Weng, McElroy, Morrow, & Liu (2010) which are developing individual professional skills, obtaining promotion, achieving career goals, and compensation commensurate with ones' skills. If individuals fail to meet their expectations in the organization, then this will

cause individuals to look for career opportunities in other places so that employee turnover intention will tend to increase.

Nouri & Parker (2013) mendasari hubungan antara peluang pertumbuhan karir dan komitmen organisasi dengan teori pertukaran sosial (*social exchange theory*). Peluang pertumbuhan karir individu mempengaruhi *turnover intention* individu itu sendiri (Bedeian, Kemery, & Pizzolatto, 1991; Kohlmeyer, Parker, & Sincich, 2017); Nouri & Parker, 2013).

H2: There is negative and significant association between career growth opportunities and auditors turnover intention

3 RESEARCH METHOD

A survey questionnaire was administered to auditors who are in non-managerial positions in large public accounting firms in Jakarta, Indonesia. The surveys were distributed through online form that provided with explanations, instructions, and notification that the questionnaire was anonymous. Surveys were not given to those who are in managerial positions because it is believed that career growth is not a significant issue. This research uses structural equation model (SEM) as method that provides and efficient estimation of the testing influences between complex variables (Hair, Black, Babin, & Anderson, 2014). 210 questionnaires are returned and pass the validity and reliability test. The research model is based on previous research by Nouri & Parker (2013) and Mulki, Jaramillo, & Locander (2008).

4 MEASUREMENT

The variables measured in this study include those in the theoretical model: ethical climate, career growth opportunities, and turnover intention. To measure ethical climate, this research developed a measure based upon Jr Schwepker (2001). In the current research, respondents were asked of how positive ethical climate based on company's rules and procedures. For example, subject to assess the statement: "company has formal, written code of ethics", "company enforces a code of ethics", and "unethical behavior not tolerated".

Career growth opportunities developed measure based upon Bedeian et al (1991) which were used by Nouri & Parker (2013). For example, subject to asses the statement: "my present job is useful in achieving my career goals" and "i feel that my present job will lead to future attainment of my career goals". Turnover intention developed measure based upon London & Howat (1978) which also had been developed by Nouri & Parker (2013). For example, subject to assess the statement: "barring unforeseen circumstances, i intent to stay with my current firm" and "i plan to remain with my current firm for at least a few years".

5 RESULTS

Path analysis is used to assess the hypothesis. Each theorized link between the variables has a path coefficient which has t-value. Accepted and significant hypothesis would have t-value ≥ 1.645 for one-tailed model.

Table 1. Path analysis result

Dependent Variable	Independent Variable	Hypothesis	t-value	
TI	EC	H1	1.52	Significant*
	CGO	H2	-2.16	Significant

TI, turnover intention; EC, ethical climate; CGO, career growth opportunities. T-values ≥ 1.645 (one-tailed); GFI sebesar 0.98 (good fit); SRMR= 0.097 (good fit, CFI >0,9); RMSEA= 0.073 (good fit)

n = 210

*confidence level 90% (≥ 1.281)

6 CONCLUSION

This study shows that positive ethical climate in organization which conduct the policies, procedure, and rules strictly will lead to higher turnover intention among auditors. Respondents in this study are Generation Y, also known as Millennials. There are several possibilities why there's a negative effect between ethical climate and turnover intention among millennials auditors. One of them is the common traits that millennials are more likely to be narcissistic and need to be actively involved in newest and important company's informations (Mastrolia & Willits, 2016). Management is advised to be able to practice more open communication through the mentoring method where the mentor acts as an auditor's co-worker so it would "smooth" the gap between positions.

Career growth opportunities which accounting firm offers to auditors have proven to decrease auditors turnover intention rate. The better career growth programs company offer, the more auditors will likely to stay in their current firm. This proves that firm appreciates and values auditors' skills (Wang, Weng, McElroy, Ashkanasy, & Lievens, 2014). Auditors, especially generation Y, would feel their potential is being explored and maintained through development programs such as transfer skills and overseas job rotation.

This study has several limitations. First, research method only using quantitative through surveys. This could cause unexplored problems that might occur which are not address in this study. Second, purposive sampling might cause the result could not be generalized all auditors outside the specified criteria. Future research suggested to add qualitative method in order to explore more depth problems and use a more broad ethical climate questionnaires that comprise wider areas.

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