Abstract

The Post Senior Manager (PSM) position is a relatively new development in accounting firms. PSMs are accountants who do not make partner either by personal choice or firm decision. Research relating to PSMs in large firms has indicated that demographics, especially gender, work-life balance issues, managerial skill, and geographic preferences, play a role in determining who becomes a PSM. Research also notes that PSMs are viewed as economically vital to firms since their high skill level and billed hours represent an essential component of firm revenue. At the same time, research notes that PSMs are often viewed unfavorably for not advancing to partner/shareholder. Additionally, anecdotal evidence suggests that firms are evolving in dealing with career advancement, employee management, and ownership-related issues. From this, it is clear that accounting firms are dealing with matters relating to management and ownership that represent challenges not traditionally faced by accounting firms. This research applies an economic model to explain these changes and present a model of how firms can structure financial and non-financial compensation to optimize employee performance. Using a survey instrument and 490 participants, this research confirms that firms are perceived as using their resources, either pay, equity, or firm policies, to efficiently maximize the rents generated by employees. Specifically, this research confirms that there is a perception that rents PSMs create and the more limited the amount of firm resources, create an incentive to retain PSMs in small and medium-sized firms. This research also confirms that offering equity and work-related policies geared towards work-life balance, alternative work arrangements, mentorship, and inclusivity are perceived as improving job satisfaction, retention, and promotion orientation. Finally, this research confirms that different types of employees will value monetary or non-monetary compensation differently. When these factors are considered and integrated into a holistic approach to management, often referred to as the “black box” of employee ownership, employee attitudes (job satisfaction, turnover intentions, promotion orientation) and behaviors (increased Organizational Citizenship Behavior (OCB) and limited Counter Productive Work Behaviors (CWB)) will enhance employee attitudes, which in turn improves performance and, ultimately, firm performance.

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