PRACTITIONER SUMMARY

Big 4 Alumni’s Attitudes and Behavior Toward their Former Firm

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SUMMARY: This article summarizes a recently published academic study (Cannon, Herda, and Puffer 2019) that examines factors associated with Big 4 alumni’s proclivity to benefit their former firm by recommending the firm to others as a potential service provider or employer (i.e., post-employment citizenship). Based on social exchange theory, our study predicts and finds that alumni who perceive their firm treated them fairly and supported them during their time with the firm are more committed to the firm, and therefore more likely to engage in post-employment citizenship. Although we find that firm commitment decreases after individuals exit the firm, our results suggest that the firm’s alumni outreach efforts (both formal and informal) can help soften this decline. Practical implications for audit firms are discussed.

Keywords: post-employment citizenship; organizational commitment; Big 4 alumni; auditor selection.

I. INTRODUCTION

This article summarizes the motivation, method, results, and takeaways of a recently published academic study (Cannon, Herda, and Puffer 2019) examining the predictors of Big 4 alumni’s propensity to benefit their former firm (e.g., by sending the firm more business). We label alumni’s proclivity to benefit their “alma mater” firm as post-employment citizenship. We conclude this article with practical implications for audit firms to consider. Specifically, we highlight how social exchange relationships between Big 4 professionals and their

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firm can be developed and sustained both during and after employment, ultimately leading to higher levels of post-employment citizenship.

While research in various disciplines using different methods (e.g., archival, survey, interview) supports the notion that alumni engage in post-employment citizenship, relatively little is known about the specific drivers of this phenomenon. The present research examines how Big 4 alumni’s post-employment citizenship is influenced by factors occurring both during and after employment with the firm. Our research model is based on social exchange theory, which argues that positive interactions with an organization (i.e., perceptions of fair treatment and support) can lead to quality social exchange relationships, which in turn motivate individuals to reciprocate in kind.

The remainder of this paper proceeds as follows. We first summarize relevant prior research and use social exchange theory to inform our predictions in Section II. We then discuss our research method in Section III, results in Section IV, and practical implications for audit firms to consider in Section V.

II. BACKGROUND AND PREDICTIONS

Social exchange theory has long been used to explain individuals’ attitudes and behavior toward organizations (Cropanzano and Mitchell 2005). Social exchange pertains to “subjective, relationship-oriented interactions between employers and employees characterized by an exchange of socio-emotional benefits, mutual trust and commitment, a long-term focus, and unspecified, open-ended commitments” (Lavelle, Rupp, and Brockner 2007, 845). When individuals perceive their interactions with a firm to be positive, quality social exchange relationships can develop, motivating them to behave in a manner that benefits the firm (Lavelle et al. 2007). Commitment is frequently used to assess the extent to which individuals perceive themselves to be engaged in a high-quality social exchange relationship with a firm (Cannon and Herda 2016). We examine whether the positive effects of social exchange fostered both during and after employment result in Big 4 alumni’s post-employment citizenship. Figure 1 illustrates our predictions.

The left-hand side of our model replicates Herda and Lavelle’s (2011) arguments on how quality social exchange relationships between auditors and their firm can emerge during the employment period. They posit and find that auditors’ perceptions of firm fairness signal perceived firm support, and this support leads to an increased sense of dedication to the firm (i.e., during-employment firm commitment). As such, we predict that perceived firm fairness will be positively related to perceived firm support, and perceived firm support will be positively related to during-employment firm commitment.

The right-hand side of our model extends the literature on social exchange relationships in a Big 4 alumni context. Although interactions between alumni and their former firm inevitably diminish after they exit the firm, the quality of social exchange during employment is likely predictive of post-employment firm commitment. Consequently, we expect that during-employment firm commitment will be positively related to post-employment firm commitment.

Social exchange requires ongoing interactions to be effectively preserved (Emerson 1976). After individuals exit the firm, interactions with the firm are much less frequent and, accordingly, social exchange relationships (and commitment levels) may deteriorate. As such, we predict that

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1 See, for example, Lennox (2005), Lennox and Park (2007), Cohen, Krishnamoorthy, and Wright (2010), Dhaliwal, Lamoreaux, Lennox, and Mauler (2015), Bird, Ho, and Ruchti (2018), and Lennox and Yu (2018).
during-employment firm commitment will be higher than post-employment firm commitment. Firms can continue to engage with alumni, however, and prior research suggests that formal and informal firm outreach activities can be effective in retaining connections and the goodwill of alumni (Iyer, Bamber, and Barefield 1997; Iyer 1998; Dhaliwal et al. 2015). Consequently, we predict that both formal and informal firm alumni outreach will be positively related to post-employment firm commitment.

Strong social exchange relationships, as evidenced by high commitment levels, essentially obligate individuals to benefit their relationship partners (Lavelle et al. 2007). Since prior research finds a positive association between commitment and citizenship behavior in a variety of contexts (e.g., Lavelle et al. 2009; Herda and Lavelle 2013; Devece, Palacios-Marqués, and Alguacil 2016), we predict that post-employment firm commitment will be positively related to post-employment citizenship.²

III. METHOD

We test our predictions with a survey of 2,533 alumni of a Big 4 firm in the United States. Over half of the participants are audit alumni and our results hold when using only this subgroup (n = 1,357).

² Consistent with Herda and Lavelle’s (2011) arguments, we also predict that perceived firm fairness will be directly (positively) related to post-employment citizenship.
Perceived firm fairness and perceived firm support are measured with scales identical to those used by Herda and Lavelle (2011). During-employment firm commitment is measured using Klein, Cooper, Molloy, and Swanson’s (2014) scale also prefaced by the Brockner et al. (1992) introduction. An example item is “How dedicated were you to the firm?” (1 = not at all, 7 = completely). Post-employment firm commitment is measured using the same scale but is prefaced by asking participants to answer with regard to how they feel now, not necessarily how they felt while working at the firm. An example item is “To what extent do you care about the firm?” (1 = not at all, 7 = completely).

To measure formal firm alumni outreach, participants indicated the extent to which they have participated in each of the following six firm-sponsored alumni outreach programs (1 = no participation, 7 = extensive participation): alumni newsletters, formal email communications, executive education, webcast/podcast, alumni socials, and online alumni network. We summed participation scores to create this measure. Informed by prior research, informal firm alumni outreach is measured using the following three items developed for this study (1 = strongly disagree, 7 = strongly agree): “I have a strong relationship with an individual professional contact at the firm,” “A professional contact at the firm checks in with me periodically,” and “If I needed a professional reference, a contact at the firm would be willing to serve as one.”

Post-employment citizenship is measured using the following two items taken from Herda and Lavelle (2011): “I would encourage anyone interested in working for the firm to accept a job there,” and “I would have no problem at all in recommending the firm to others” (1 = strongly disagree, 7 = strongly agree). We also used the following item created for this study in our three-item scale: “If I knew someone in the market for professional services (e.g., audit or tax work), I would recommend the firm” (1 = strongly disagree, 7 = strongly agree).

**IV. RESULTS**

The results provide evidence supporting our predictions. We also find consistent results when examining each service line separately (e.g., audit, tax, consulting), and when looking at only those individuals who felt unfairly treated at the time they left the firm. The latter finding rebuts the idea of “lost causes” and suggests that the beneficial effects of formal and informal alumni outreach on post-employment citizenship likely extend to all alumni. We also asked participants to estimate the cumulative dollar amount of professional services they have actually purchased from the firm and use this measure as an alternative outcome variable, finding similar results. The cumulative amount of firm services purchased by alumni in our sample approximates $250 million. Statistical comparisons reveal that the average level of post-employment citizenship among audit alumni is significantly greater than average post-employment citizenship levels among alumni from other service lines (e.g., tax, consulting). In addition, the average level of dollar purchases among audit alumni is significantly higher than the average dollar purchases level among consulting alumni.
post-employment firm commitment, finding that informal firm alumni outreach, formal newsletters, alumni social events, and online alumni network participation emerged as the strongest predictors of post-employment firm commitment.

Since many professionals view their Big 4 career as a stepping-stone to subsequent employment opportunities (Bagley, Dalton, and Ortegren 2012), some alumni may feel beholden to their former firm because their time with the firm helped them attain their current position and salary. This obligation stems from economic exchange as opposed to social exchange (Konovsky and Pugh 1994). As a sensitivity test, we added a measure of economic exchange to our model and the results indicate that both types of exchange lead to post-employment citizenship. 6 Our predicted results hold.

V. DISCUSSION AND PRACTICAL IMPLICATIONS

Big 4 firms have a substantial number of alumni who are positioned to significantly benefit their former firm if they so choose (Herda and Lavelle 2011). Indeed, archival research finds that when an audit firm has an alum on the management team at a potential client, the “alma mater” firm is more likely to be selected as the company’s auditor (e.g., Lennox and Park 2007; Dhaliwal et al. 2015). Our study highlights that the strength of this alumni influence can vary and examines the specific factors driving this variance. We find that social exchange relationships initially developed during employment can continue to be fostered in the post-employment phase through formal and informal alumni outreach activities, softening the natural decline in commitment after auditors exit the firm and resulting in increased post-employment citizenship.

This research has important takeaways for audit firms to consider. First, firms should ensure that their current employees feel they are being treated fairly and supported; for instance, by encouraging employee input on how organizational decisions are made and implemented (Brockner 2006). Firms could monitor the perceived fairness of key organizational practices such as performance evaluation, scheduling, and mentoring, and consider sponsoring fairness training for supervisors that has been shown to enhance employee perceptions of fairness (Rupp, Baldwin, and Bashshur 2006). Second, firms should strive to maintain social exchange relationships with their former employees through continued alumni outreach efforts. Checking in with alumni periodically (both formally and informally), hosting alumni social events, and maintaining social networking websites seem to be particularly effective in this regard. These and similar efforts are likely to pay dividends for the firm down the road.

This study has limitations typically associated with cross-sectional survey research, including an inability to make strong causal statements and the potential for omitted variables, measurement error, common method bias, nonresponse bias, retrospective bias, and restorative memory. However, it is worth noting that it is alumni’s current perception of past events that influences their present decision-making. Nonetheless, future studies could help address these limitations by using experimental or longitudinal research designs.

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