

Does Student Work Experience Affect CPA Firm Recruiting Decisions?

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Abstract

In a competitive job market accounting students and faculty need to be aware of exactly what factors influence hiring decisions for entry-level accountants. While anecdotal evidence suggests that an accounting student's job experience while in school would be viewed positively by CPA firm recruiters, the empirical research addressing this issue is limited. Also, it is not known whether different types of work experiences affect recruiters' decisions differently. This study attempts to determine the relative importance that CPA firm recruiters place on different student job experiences.

To address the research question, an experiment was designed to determine the effect that different types of job experiences have on hiring decisions by CPA firm recruiters of entry-level accountants. CPA firm recruiters were surveyed to determine if four levels of student job experience influenced their hiring decisions for entry-level accountants: non-accounting experience, internship experience with a CPA firm, industry accounting experience, or no experience of any kind. Responses were analyzed based on CPA firm size. The results suggest that recruiters' decisions are positively affected by internship experience and to a lesser extent by industry accounting experience. The results were the same regardless of CPA firm size.

Introduction

The hiring process in a CPA firm is a two-way street. CPA firm recruiters must look for characteristics, traits, knowledge, skills, and abilities exhibited by prospective hires in order to make appropriate hiring decisions. On the other side of the hiring table, new hires that are seeking employment with CPA firms need to have some knowledge of what factors CPA firm recruiters are looking for in making their hiring decisions.

The most common liaison between potential new hires and CPA firms are members of the university academic community (Winter, 2000). Faculty serve as mentors/advisors to students in helping to make sure that students possess the appropriate characteristics to be attractive to a CPA firm recruiter. Faculty also advise firms about how to attract the best and brightest accounting majors (Dickinson, 1988). Unfortunately, faculty often impart knowledge to students without seriously considering

or understanding the criteria that CPA firms currently use to evaluate accounting graduates for positions as entry-level accountants (Carver and King, 1986).

Students must not only be academically prepared with the knowledge, skills, and abilities desired by the CPA profession, but must also possess other background characteristics that CPA firm recruiters are seeking. Students and faculty often assume that GPA is the primary factor considered by CPA firm recruiters in the hiring decision. However, studies have suggested that there are other factors that CPA firm recruiters consider important in addition to GPA. Among these factors is work experience of the new hire (Jordan, 1990; Larkin, 1991; Messmer, 1999-2000).

This study attempts to determine the importance that CPA firm recruiters place on different student job experiences. Accordingly, this paper is divided into four remaining sections. The next section examines the prior research on this issue, followed by the research problem and hypotheses. In the third section, the methodology is presented along with the data analysis and results. The study concludes with a discussion of the implications of the results.

Prior Research

Several empirical studies have identified characteristics that CPA firm recruiters find important in the hiring process. Dinius and Rogow (1988) recruited a panel of Big Eight partners to participate in a Delphi study during which they analyzed and refined a set of characteristics considered important for entry-level accountants. While this study found that CPA firm recruiters place the highest value on academic GPA, the nature of a prospective hire's work experience was considered in the study and was ranked higher than the quantity of work experience possessed by the potential hire. Stunda and Klersey (1999) found that employers want candidates who have 'done things,' such as community work or work in the field they wish to enter. Bruns (1999) noted that today's job market requires students to demonstrate skills that go beyond the boundaries of technical skills that are taught in the classroom. These skills include: interpersonal skills, analytical problem solving, conflict resolution, teamwork, integrity, application of technology, data manipulation and communication, leadership, social interaction, negotiation, self management, and resource management.

One way that many students gain work experience is through internships. Accounting internships have been prevalent for some time in university accounting curricula. Schmutte (1986) found that 69% of institutions surveyed offered accounting internships in the mid-80s. This was a significant increase over the 23% reported by Lowe (1965) about twenty years earlier. Several articles have consistently suggested the importance of internships with accounting firms as a hiring factor. Dennis (1996) reported that participating in a local university's internship program proved to be valuable to a CPA firm in finding quality personnel. Likewise, McCombs and VanSyckle (1994) reported that CPA firms found that internships helped to facilitate recruitment. Jeffords, et al., (2000) suggested that CPA firms should consider internship programs as a recruiting tool

However, the literature is not universally supportive of work experience as desirable. In 1989 Big Eight firms issued the White Paper, which described characteristics they believed necessary for success in the public accounting profession. The following year, the Accounting Education Change Commission (AECC) identified seven characteristics or skill sets that accounting graduates should have (AECC, 1990). It should be noted that neither of these reports considered work experience as a valuable characteristic. Pasework, et al. (1988) reported that past work experience plays a less important role

than academic performance in hiring decisions made by CPA firms. For national and non-Big Eight firms, past work experience was least important in explaining recruiter's decisions. Moreover, for Big Eight firms, past work experience did not appear to play an important role at all in the recruiting process. Hassell and Hennessey (1989), using Saaty's (1980) Analytical Hierarchy Procedure, found that recruiters rank prior work experience as the most important factor in making recruiting decisions. However, when using simple self-reported rankings they found that prior work experience ranks eighth out of nine selection factors. Since the results of the AHP rankings and simple rankings differed significantly, they concluded that recruiters are not able to self-report accurately the relative importance of factors used in decision making. And finally, using a conjoint analysis, Baker and McGregor (2000) assessed the importance of seven characteristics important to CPA firm recruiting, and concluded that many accounting students and accounting educators alike, simply do not know which attributes are most important to potential employers in the new millennium.

Research Problem and Hypotheses

Prior studies have found various student attributes (including work experience and internships) that are potentially important to the recruitment of entry-level accountants. However, the research indicates conflicting findings as to the importance that work experience has on the hiring decision. In addition, there has not been any research that focused solely on the importance of the types of job experience to CPA firm recruiters from different size CPA firms. This study attempts to do that by examining how various types of job experience is viewed by a CPA firm recruiter. Specifically, CPA firm recruiters from various size firms were surveyed to determine if four levels of student job experience influenced their hiring decisions for entry-level accountants: non-accounting experience, internship experience with a CPA firm, industry accounting experience, or no experience of any kind. Therefore, this study attempts to answer the research question by addressing the following hypotheses, which are stated in the null.

H1: There is no difference among non-accounting experience, internship experience with a CPA firm, industry accounting experience, or no experience of any kind on hiring decisions by CPA recruiters of entry-level accountants.

H2: Based on firm size, there is no difference among non-accounting experience, internship experience with a CPA firm, industry accounting experience, or no experience of any kind on hiring decisions by CPA recruiters of entry-level accountants.

Research Methodology

An experiment was designed to determine the effect that different types of job experiences have on hiring decisions by CPA firm recruiters of entry-level accountants. The following sections present the research design, research instruments, sample and data collection procedures, and data analysis and results.

Research Design

Recruiters were asked to evaluate a prospective entry-level accountant based on several criteria using a between-subjects design. Job experiences were manipulated by indicating that the student either had non-accounting job experience, internship experience with a CPA firm, industry accounting experience, or no experience of any kind. In addition, the subjects were asked to provide the approximate number of

employees in the firm in order to provide a proxy measure for firm size, allowing testing of whether the findings differed across firm size.

Research Instruments

The instruments are illustrated in Appendices A - D. The one-page research instrument instructs the subjects to assume that they are in the process of recruiting an entry-level staff accountant. Subjects are further instructed to assume that interviews had been conducted at several regional universities, and that a student with specific attributes had been interviewed. The eight attributes included in each instrument had been identified in prior research as factors of potential importance to accounting recruiters (Baker and McGregor 2000; Pasewark et al. 1988; Dinius and Rogow 1998; Hardin and Stocks 1995; AECC 1990; Craig 1990).

The student attributes were randomly ordered on the instrument. Seven of the eight attributes were identical on all instruments. One attribute was the subject of manipulation - type of job experience. Four identical instruments were used with the exception of the following manipulations:

- *The student held a non-accounting job during his/her junior and senior year (approximately 20 hours per week).* ([Appendix A](#))
- *The student held an internship with a CPA firm during his/her junior and senior year (approximately 20 hours per week).* ([Appendix B](#))
- *The student held an accounting job in industry during his/her junior and senior year (approximately 20 hours per week).* ([Appendix C](#))
- *The student has no work experience.* ([Appendix D](#))

The recruiters were asked to rate how actively their firms would recruit the student by placing a slash (/) on a scale ranging from zero to 10. The zero on the scale indicated that the student would not be recruited very actively while a 10 indicated that the student would be recruited very actively.

Sample and Data Collection Procedures

The subjects of the study were drawn from a database acquired from the Emerson Company. The Emerson Company database was chosen because it provided a current national database of individuals in CPA firms who are responsible for recruiting. A random sample of 125 CPA firms was selected for each of the four manipulations. Therefore, a total of 500 instruments were mailed to CPA firms. Forty-one mailings were returned undeliverable. Of the 459 instruments delivered, 175 completed instruments were returned for a response rate of 38 percent.

Data Analysis and Results

H1 predicts that there is no difference among non-accounting experience, internship experience with a CPA firm, industry accounting experience, and no work experience on hiring decisions by CPA recruiters of entry-level accountants. As presented in [Table 1](#), the 175 responses include 48 responses for the non-accounting experience manipulation, 42 for the accounting internship experience manipulation, 44 for the industry accounting experience manipulation, and 41 for the no work experience manipulation. The means for each manipulation are also presented in [Table 1](#). As a result of the structure of the questions presented in the instrument, higher scores reported by the subject on the Likert scale indicate a higher rate of recruitment activity. Therefore, the means from the highest to the lowest are accounting internship experience (8.90), industry accounting experience (8.05) non-accounting experience (7.45), and no work experience (6.97).

In order to determine whether the means reported in [Table 1](#) represent statistically significant differences, an analysis of variance (ANOVA) was performed. The dependent variable (RESPONSE) is the rating provided by the recruiters as to how actively the student described in the instrument would be recruited. The independent variable of interest is type of work experience (TYPE). TYPE was manipulated in the experiment by including an attribute for whether the student had non-accounting experience, accounting internship experience, or no work experience. The other independent variable is the number of employees in the firm (SIZE).

[Table 2](#) summarizes the results of the ANOVA procedure. As indicated, the main effect of TYPE is significant ($p < .001$). Accordingly, there is sufficient evidence to reject H1. However, the results do not indicate which means are different. A Scheffe's post hoc test was used to determine which treatment level means are statistically different. [Table 3](#) presents the results of the Scheffe post hoc test. The results indicate that there is a significant difference between the means for non-accounting experience and accounting internship experience ($p < .001$), between accounting internship experience and industry accounting internship experience ($p < .037$), between accounting internship experience and no work experience ($p < .001$), and between industry accounting experience and no work experience ($p < .004$). However, the results indicate that there is not a significant difference between the means for non-accounting experience and industry accounting experience ($p < .201$) and non-accounting experience and no work experience ($p < .412$).

H2 predicted that there is no difference among non-accounting experience, internship experience with a CPA firm, and no work experience on hiring decisions by CPA recruiters of entry-level accountants based on firm size. The interaction term TYPE*SIZE was used to test this hypotheses in the ANOVA model. As shown in [Table 2](#), the results of the ANOVA reveal no interaction between the size of the firm and the type of experience manipulation ($p < .528$) indicating that there is no difference in how firms responded to the TYPE manipulation based on firm size. Therefore, there is insufficient evidence to reject H2.

Conclusion

Four random samples, each from 125 CPA firm recruiters, were selected. Each sample represented a group of recruiters who participated in an experiment to determine whether student job experience affected recruiting decisions. The results of the experiment suggest that such activity has a significant positive impact on recruiter's hiring decisions. However, it varies depending on the type of experience. For example, accounting internship experience has a significant positive effect on CPA firm recruiter's hiring decisions when compared to non-accounting experience, accounting industry experience, and to no work experience. Also, industry accounting experience has a significant positive effect on CPA firm recruiters' hiring decisions when compared to no work experience. However, there is no difference on CPA firm recruiters' hiring decisions between students with non-accounting experience compared to students with industry accounting experience or no work experience. In addition, the results did not vary based on firm size.

Accounting educators and students need to understand what characteristics recruiters are looking for in entry-level staff accountants. While prior research identified several attributes that appear to be important to recruiters, there has been no empirical research on whether work experience affects recruiting decisions. The results of this experiment indicate that accounting internships, and to some extent industry accounting experience, do have significant positive effect on recruiting decisions. Therefore, the results of the

study provide guidance as to where students should focus their time and resources while in college. But perhaps more importantly, the results of this study suggest how the academic community can better advise and mentor accounting majors regarding career preparation..

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Manipulation	Number of Responses	Means
Non-Accounting Experience	48	7.45
Accounting Internship Experience	42	8.90
Industry Accounting Experience	44	8.05
No Work Experience	41	6.97

Source (Response)	F Value	Prob>F
TYPE of Experience	16.41	.001
SIZE	.574	.621
Type*Size	.682	.528

Manipulation – Mean Comparisons	Prob>F
Non-Accounting Experience (Mean=7.45) Compared to Accounting Internship Experience (Mean=8.90)	.001
Non-Accounting Experience (Mean=7.45) Compared to Industry Accounting Experience (8.05)	.201
Non-Accounting Experience (Mean=7.45) Compared to No Work Experience (Mean=6.97)	.412
Accounting Internship Experience (Mean=8.90) Compared to Industry Accounting Experience (Mean=8.05)	.037
Accounting Internship Experience (Mean=8.90) Compared to No Work Experience (Mean=6.97)	.001
Industry Accounting Experience (Mean=8.05) Compared to No Work Experience (Mean=6.97)	.004

Appendix A: Questionnaire

Assume that your firm is in the process of recruiting an entry-level staff accountant. You have conducted interviews at several regional universities. At one of these universities you met a student with the following attributes:

- The student is 23 years old with a professional appearance.
- The student is willing to travel.
- The student's university has an average academic reputation.
- The student is an active member in an accounting organization.
- The student held a non-accounting job during his/her junior and senior year (approximately 20 hours per week).
- The business programs at the institution are accredited by the AACSB (The International Association for Management Education).
- The student's GPA in accounting courses is 3.6 with an overall GPA of 3.4 on a 4.0 scale.
- The student demonstrated excellent communication and computer skills.

HOW ACTIVELY WOULD YOUR FIRM RECRUIT THIS STUDENT? PLEASE INDICATE YOUR ANSWER BY PLACING A SLASH (/) ON THE LINE BELOW?

0-----1-----2-----3-----4-----5-----6-----7-----8-----9-----10

Not Very Actively

Very Actively

What is the approximate number of employees in your firm? _____

Appendix B: Questionnaire

Assume that your firm is in the process of recruiting an entry-level staff accountant. You have conducted interviews at several regional universities. At one of these universities you met a student with the following attributes:

- The student is 23 years old with a professional appearance.
- The student is willing to travel.
- The student=s university has an average academic reputation.
- The student is an active member in an accounting organization.
- The student held an accounting internship job with a CPA firm during his/her junior and senior year (approximately 20 hours per week).
- The business programs at the institution are accredited by the AACSB (The International Association for Management Education).
- The student=s GPA in accounting courses is 3.6 with an overall GPA of 3.4 on a 4.0 scale.
- The student demonstrated excellent communication and computer skills.

HOW ACTIVELY WOULD YOUR FIRM RECRUIT THIS STUDENT? PLEASE INDICATE YOUR ANSWER BY PLACING A SLASH (/) ON THE LINE BELOW?

0-----1-----2-----3-----4-----5-----6-----7-----8-----9-----10

Not Very Actively Very Actively

What is the approximate number of employees in your firm?_____

Appendix C: Questionnaire

Assume that your firm is in the process of recruiting an entry-level staff accountant. You have conducted interviews at several regional universities. At one of these universities you met a student with the following attributes:

- The student is 23 years old with a professional appearance.
- The student is willing to travel.
- The student's university has an average academic reputation.
- The student is an active member in an accounting organization.
- The student held an accounting job in industry during his/her junior and senior year (approximately 20 hours per week).
- The business programs at the institution are accredited by the AACSB (The International Association for Management Education).
- The student's GPA in accounting courses is 3.6 with an overall GPA of 3.4 on a 4.0 scale.
- The student demonstrated excellent communication and computer skills.

HOW ACTIVELY WOULD YOUR FIRM RECRUIT THIS STUDENT? PLEASE INDICATE YOUR ANSWER BY PLACING A SLASH (/) ON THE LINE BELOW?

0-----1-----2-----3-----4-----5-----6-----7-----8-----9-----10

Not Very Actively

Very Actively

What is the approximate number of employees in your firm? _____

Appendix D: Questionnaire

Assume that your firm is in the process of recruiting an entry-level staff accountant. You have conducted interviews at several regional universities. At one of these universities you met a student with the following attributes:

- The student is 23 years old with a professional appearance.
- The student is willing to travel.
- The student=s university has an average academic reputation.
- The student is an active member in an accounting organization.
- The student has no work experience.
- The business programs at the institution are accredited by the AACSB (The International Association for Management Education).
- The student=s GPA in accounting courses is 3.6 with an overall GPA of 3.4 on a 4.0 scale.
- The student demonstrated excellent communication and computer skills.

HOW ACTIVELY WOULD YOUR FIRM RECRUIT THIS STUDENT? PLEASE INDICATE YOUR ANSWER BY PLACING A SLASH (/) ON THE LINE BELOW?

0-----1-----2-----3-----4-----5-----6-----7-----8-----9-----10

Not Very Actively Very Actively

What is the approximate number of employees in your firm?_____