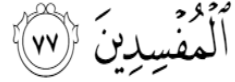


CHAPTER I

INTRODUCTION

وَابْتَغِ فِيمَا آتَاكَ اللَّهُ الدَّارَ الْآخِرَةَ وَلَا تَنْسَ نَصِيبَكَ مِنَ الدُّنْيَا
وَأَحْسِنْ كَمَا أَحْسَنَ اللَّهُ إِلَيْكَ وَلَا تَبْغِ الْفُسَادَ فِي الْأَرْضِ إِنَّ اللَّهَ لَا يُحِبُّ
الْمُفْسِدِينَ



A. Background

Meaning: "And look for what Allah has bestowed on you (happiness) in the Hereafter, and do not forget your portion from the (pleasures) of the world and do good (to others) as Allah has done good to you, and do not do harm on (face) earth. Allah does not like those who do damage." (QS. Al-Qashash : 77)

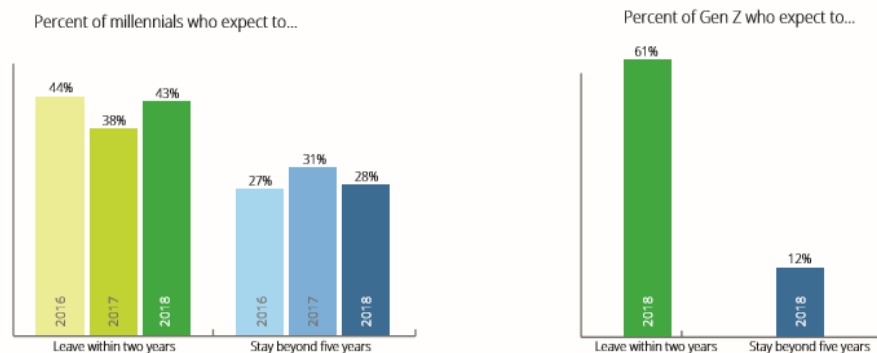
Human resources play the most important part in a business entity because every employee cooperates to achieve the goal of the business entity. It can be said that employees become the important assets in every organization because every employee and unit in organization assists to support and develop organizations to successfully achieve goals (Malik et al., 2010). It is important for employees to work hard and get involved in the whole part of organization to make sure that organization achieve the goal congruence. However, sometimes there is a period when the workers feel their job demand do not match anymore as they expect before. Pfeffer (2007) argues that sometimes

there are situations where employees are not satisfied with their jobs so it will increase their intention to leave. He also argues that the level of intention to leave will be higher if the organizations do not have a sense of trust to their employees. There are two choices when the employees already feel this kind of situation: they have strong commitment to stay within the organization or they have intention to leave the organization.

According to Suharno et al (2017), some experts agree that turnover intention is the best predictor for early detection of employees' behavior who want to resign from the organization. Omar and Ahmad (2014) state, "Turnover intention is a warning sign before an individual actually quits a job, since it is considered as a preceding factor for effectively forecasting an employee's propensity for changing occupations." Turnover also refers to the number of workers who leave the organization and are replaced by new employees. The employee's intention to leave becomes more serious nowadays because it is a crucial problem that must be faced by each organization. In the current Industrial 4.0 Revolution Era, Generation Y (known as millennials) is a generation that now starts to enter many companies. According to CNN Indonesia News (2016), Faridah Lim, the country manager of JobStreet Indonesia, revealed that the millennial generation was the "flea" generation. It means that the millennial generation tends to change jobs in less than two years. This generation is very concerned with the benefits of working in a company, including facilities and work convenience such as high salaries. Millennial generation also wants the company where they work to be able to provide a

variety of trainings and self-development for them. According to Deloitte Millennial Survey conducted in 2018, turnover rate will likely remain high. This survey took a sample of 10,455 respondents who belonged to millennial age (born in January 1983 to December 1994) and 1,844 respondents categorized as Generation Z (born in January 1995 to December 1999). Each respondent answered several questions through online questionnaires taken between 24 November 2017 and 15 January 2018.

Figure 14. In an uncertain environment, turnover will likely remain high



Q4. If you had a choice, how long would you stay with your current employer before leaving to join a new organization or do something different?
 Base: 2018 all millennials 10,455, 2017 all millennials 7,900, 2016 all millennials 7,867, 2018 all Gen Z in work 684

Source: Deloitte Millennial Survey (2018)

The survey result in 2018 showed that about 43% of respondent in millennial age chose to leave their current job within two years and only 28% of millennials would prefer staying within the firm more than 5 years. Furthermore, Gen Z respondents also have higher expectation in leaving their jobs within two years. 61% of Gen Z respondents prefer to leave within two years and only 12% of them would stay over 5 years. The result of this survey is quite surprising, because it can give an overview to all parties that the turnover intention rate of employees is very high.

Turnover phenomena also become a major concern in auditor environment. Employee turnover is one of the most critical issues faced by the public accounting industry (Hall and Smith, 2009) and it becomes more serious problem nowadays. This phenomena is already familiar to external auditors who typically deal with deadlines, overtime, and limited time for personal life (Sulistiyo, 2017). Some previous study already reported high level of turnover in public accounting firms (Lampe and Earnest, 1984; Snead and Harrell, 1991; Ratnawati, 2001; Nouri and Parker, 2013). The recent study conducted by Sulistiyo (2017) in 24 cities in Indonesia found that 56.3% of auditors stated that they had already had experience in changing jobs and 43.7% of auditors had never changed their jobs. This result shows that auditor turnover level in Indonesia is also high enough.

On the other hand, high turnover lead to high cost regardless of the firm size. Sulistiyo (2017) says, “This increase in costs is due to lost productivity, training, election time and the increased recruitment costs for new workers.” Hildebeitel and Leauby (2001) in Omar and Ahmad (2014) have provided evidence, “One international public accounting estimates hiring and replacing an existing employee cost 150% of that employee’s annual salary. As recruiting and training costs are expensive, it becomes a great challenge for the accounting firms to survive.” Additionally, for the public accounting firm, high staff turnover will eventually result in the audit firm having inexperienced staff. It is because high turnover level would give negative impact to the organization effectiveness.

There are several factors which can influence the auditor turnover intention. This research will focus on the organizational commitment and career growth opportunity which are expected to reduce the turnover level. The uniqueness of this research which different from the others is that it transforms each multidimensional aspect of organizational commitment and career growth opportunity as a variable. This aims to provide details because each multidimensional has different characteristics. Organizational commitment among employees is typically assumed to reduce withdrawal behavior, such as lateness, absenteeism, and turnover (Irefin and Mechanic, 2014). Employees will tend to leave their current organization and seek other proper jobs if they feel that their current organization does not support the development of their career growth and progress (Biswakarma, 2016). Although there are many researches about organizational commitment and career growth opportunity, but there are still a limited number of researches which considered each dimension of organizational commitment and career growth opportunity in explaining turnover behavior, especially in terms of auditor behavior.

This current research is a compilation from several previous studies by taking several variables and then combining them into one research to be restudied. The variables consisting of affective commitment, continuance commitment, and normative commitment were taken from the research conducted by Suharno et al. (2017) entitled “The Effect of Organizational Commitment toward Turnover Intention at Narada School, Indonesia”. Meanwhile, the variables including career goal progress, professional ability

development, promotion speed and remuneration growth were taken from the research by Ohunakin (2018) entitled “Perception of Frontline Employees towards Career Growth Opportunities: Implications on Turnover Intention”.

Some previous researches which have studied dimensions of organizational commitment show inconsistency in the findings. The researchers have found that affective commitment become the best predictor to predict turnover intention rather than other forms of organizational commitment (Meyer and Herscovitch, 2001; Stallworth, 2004; Kalbers and Cenker, 2007; Mehmood et al., 2016; Yustina and Putri, 2017). Suharno et al. (2016) found that affective and continuance commitment has negative significant influence on turnover while normative commitment positively and significantly affects auditor turnover intentions. Different results are shown by Mensah and Kosi's study (2016). They have found that affective commitment does not significantly predict turnover intentions. Meanwhile continuance commitment has positive contribution to predict turnover and normative commitment has the greatest negative effect in predicting turnover intention. Furthermore, some other previous studies about career growth opportunity also shows inconsistency in the result of study. Karavardar's (2014) study has found that career goal progress and promotion speed do not have significant effect on turnover intention while professional ability development and remuneration growth have negative significant influence on turnover intention. Biswakarma's (2016) research shows that career goal progress, remuneration growth, and promotion speed have negative and significant effect towards turnover

intentions, and only does professional ability development have no significant effect to turnover. Thus, the result of this study is contradictory to the previous study conducted by Karavardar (2014).

The previous researches involved respondents consisting of employees in a company and some experts such as teachers, laboratory scientists, and nurses. In this study the researcher will take samples including accounting experts called auditors, especially external auditors in public accounting firms. Furthermore, this research will also compare two generations of auditors belonging to the millennial and non-millennial ages. Those samples become the uniqueness of this research compared to previous studies. Thus, because of the existence of turnover phenomena, inconsistency in the previous studies' findings, and different samples, the researcher is interested in conducting a further research about each dimension of organizational commitment, career growth opportunity, and its effect on auditor turnover intentions. Hence, the researcher wants to do further research under the title **“THE INFLUENCE OF ORGANIZATIONAL COMMITMENT AND CAREER GROWTH OPPORTUNITY TOWARDS AUDITORS' TURNOVER INTENTION ON MILLENNIAL AND NON-MILLENNIAL GENERATIONS (A Study at Public Accounting Firms in Central Java and Special Region of Yogyakarta)”**.

B. Research Scope

This study aims to examine the factors affecting auditor turnover intention. This research focuses on the factors regarding three dimensions of

organizational commitment developed by Allen and Meyer (1990) and four dimensions of career growth opportunity developed by Weng and Hu (2009) that can affect the auditor turnover intention. This study takes place at public accounting firms in Central Java and Special Region of Yogyakarta.

C. Research Questions

The researcher formulates the research questions based on the explanation above as follows:

1. Does affective commitment have negative influence towards auditors' turnover intention on millennial and non-millennial generations?
2. Does continuance commitment have negative influence towards auditors' turnover intention on millennial and non-millennial generations?
3. Does normative commitment have negative influence towards auditors' turnover intention on millennial and non-millennial generations?
4. Does career goal progress have negative influence towards auditors' turnover intention on millennial and non-millennial generations?
5. Does professional ability development have negative influence towards auditors' turnover intention on millennial and non-millennial generations?
6. Does promotion speed have negative influence towards auditors' turnover intention on millennial and non-millennial generations?
7. Does remuneration growth have negative influence towards auditors' turnover intention on millennial and non-millennial generations?

8. Is there any difference between auditors' turnover intention on millennial and non-millennial generations?

D. Research Objectives

The objectives of this study need to be achieved by researcher as follows:

1. To obtain the empirical evidence whether the affective commitment has negative influence towards auditors' turnover intention on millennial and non-millennial generations.
2. To obtain the empirical evidence whether the continuance commitment has negative influence towards auditors' turnover intention on millennial and non-millennial generations.
3. To obtain the empirical evidence whether the normative commitment has negative influence towards auditors' turnover intention on millennial and non-millennial generations.
4. To obtain the empirical evidence whether the career goal progress has negative influence towards auditors' turnover intention on millennial and non-millennial generations.
5. To obtain the empirical evidence whether the professional ability development has negative influence towards auditors' turnover intention on millennial and non-millennial generations.

6. To obtain the empirical evidence whether the promotion speed has negative influence towards auditors' turnover intention on millennial and non-millennial generations.
7. To obtain the empirical evidence whether the remuneration growth has negative influence towards auditors' turnover intention on millennial and non-millennial generations.
8. To obtain the empirical evidence and compare the difference between the auditors' turnover intention on millennial and non-millennial generations.

E. Research Benefits

The researcher hopes that this study can bring some benefits for further researchers and related parties. The expected benefits of this study are as follows:

1. Theoretical Benefit

- a. This study provides developing research about determinant factors which affect auditor turnover intention, especially organizational commitment and career growth opportunity related to social exchange theory.
- b. This study provides some information that is expected to contribute as the reference for future researches.

2. Practical Benefit

- a. This study is expected to give information to the accounting firms about auditors' willingness to move to other workplaces. It is expected that public accounting firm can prevent high turnover to retain their employee.
- b. This study provide knowledge and understanding related to organizational commitment and career growth opportunity in particular, especially regarding turnover intention as feedback in preventing auditors' turnover intention.