

## **What Makes Women-Friendly Public Accounting Firms Tick? The Diffusion of Human Resource Management Knowledge Through Institutional and Resource Pressures**

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*Through the analysis of qualitative data, this research applies institutional theory and the resource-based perspective to examine why public accounting firms adopt women-friendly human resource management policies. The study reveals that 5 types of institutional pressures explain why women-friendly policies have proliferated in the public accounting industry. In addition to these institutional pressures, the proliferation of women-friendly policies in accounting firms has occurred because these firms are motivated to optimize available economic choices. Firms view women-friendly policies as a means to acquire, develop, and accumulate resources that will give them a competitive advantage in the marketplace. However, these women-friendly policies only provide competitive advantage when they are both valuable and difficult for competitors to imitate because of social complexity, knowledge management, and tacitness.*

In this economy driven by knowledge workers, the challenges of competing in the input market for human capital demand that professional service firms have the ability to attract and retain talented women employees. The United States labor market in recent years has experienced an influx of women into traditionally male professions. Women now account for approximately 25% of physicians, 26% of attorneys, 10% of engineers, and 18% of architects (Koretz, 1997). In the accounting profession, the gender shift is even more pronounced. In 1970, less than 10% of bachelor's degrees in accounting were

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awarded to women, and today women account for 56% of the employment in this sector.

Although women have made dramatic strides breaking into the accounting profession, it is still rare for women to reach the top managerial positions in public accounting firms. Not only are women in the accounting profession having difficulties “breaking the glass ceiling,” but the turnover rate is also substantially higher for women than men. Women’s lack of success in reaching partnership and manager status can have a detrimental effect on the competitive advantage of accounting firms. Female employees are major resources for these firms since public accounting firms, like other professional service firms, are the ultimate embodiment of the familiar phrase “our assets are our people.” Furthermore, the success of professional service firms is determined by the expertise, experience, and execution capabilities of their human capital.

The lack of women in senior positions and their low retention rates has caught the attention of upper management in many public accounting firms and led to the adoption and implementation of women-friendly human resource management practices (Fleming & Leaby, 1998; Flynn, 1996). Women-friendliness refers to the extent to which organizational policies provide women with the opportunity to integrate personal, work, marital, and family roles successfully (Cattaneo, Reavley, & Templer, 1994).<sup>2</sup> Examples of women-friendly policies include on-site child care, flexible work schedules, mentoring programs for women, and alternative career paths. In other words, from an organizational perspective, women-friendliness refers to how easy it is for women to work and have a successful career within an organization given the stress they confront in the both the work and home environments—stress that is not experienced by their male colleagues (Chui & Ng, 1999). This stress can result from one status as the token woman, the demands of managing a career and family, limited opportunities for career development, and exclusion from the “old boy” network.

Even though women-friendly policies have become a popular concept in the media, we know little about the institutional and organizational determinants of these policies, especially in context of professional service firms such as public accounting. Instead, human resource management research has focused more on the determinants of other types of policies, such as family-friendly work environments and participative management practices (Kossek, Dass, & DeMarr, 1994; Osterman, 1995). Given this vacuum

<sup>2</sup>Although some researchers prefer the term family-friendly when referring to similar types of human resource management policies, the two programs differ. Women-friendly human resource management policies refer to practices that specifically help women manage both their career aspirations and balance the responsibilities of work and family. In contrast, family friendly-policies focus on reducing the work-family conflict of all employees.

in the literature, this research employs qualitative data analysis to examine why public accounting firms adopt women-friendly human resource management policies. Additionally, this study provides examples of these policies and their strategic outcomes.

## METHODOLOGY

The public accounting industry was selected for this study because in no other industry have the top five competitors battled as hard to create the best women-friendly work environment (Shellenbarger, 1998). This is because all of the “Big Five” firms in this industry have high levels of employee turnover among women and a shortage of experienced talent. To keep women happy, they are vying to get on *Working Mothers Magazine’s* annual best-employer lists and promote an array of initiatives for women. The public accounting industry as the context of this study is an example of theoretical sampling (Strauss & Corbin, 1998). Theoretical sampling chooses cases that are likely to replicate or extend emergent theories and selects extreme situations where the process of interest is “transparently observable” (Eisenhardt, 1989).

### Data Collection

The first phase of data collection was part of a larger study that examined the strategic management practices of public accounting firms (Wooten, 1998). This phase consisted of field interviews with partners/directors of public accounting firms and employees of the American Institute of Certified Public Accountants (AICPA), the national governing body organizations for all CPAs. One consistent theme emerged from these interviews: public accounting firms must aggressively compete for both clients and employees. During one interview, a partner of a large public accounting firm expressed this concern. “Unlike manufacturing, we cannot afford to focus too much on clients alone. We must also compete for employees.” Similarly, a managing partner of a regional public accounting firm stated, “It is a battle to keep good employees. The larger firms steal our employees and reward them for recruiting a friend.” Very often during these interviews, partners expressed the thought that because of workforce demographic changes, competing for and retaining talented human capital demanded a work environment where women could excel.

These comments were the catalyst for the second phase of data collection and analysis, the goal of which was to understand the antecedents and consequences of women-friendly human resource management policies in public accounting firms. Multiple case study data were collected following the

**Table I.** Interview Sample

Demographics of interviewee	# Of interviewees	Percentage of interview sample (%)
Occupational position		
Industry experts	2	8
Human resource management directors	4	16
Partners	6	24
Managers	2	8
Staff accountants or consultants	11	44
Total	25	100
Gender		
Female	14	56
Male	11	44
Total	25	100

guidelines set by Miles and Huberman (1994). Twenty-five interviews were conducted with industry experts and employees of public accounting firms, using semistructured interview questions meant to examine the firm's rationale for adopting women-friendly human resource management policies and the strategic benefits of these policies. Table I summarizes the interview sample.

In addition to interviews, documentary and archival information was the major source of data. This data includes (1) transcribed interviews and proceedings from the 1994 conference, *Achieving: A Balance in the Accounting Workplace*, which was cosponsored by Catalyst and the AICPA, (2) open-ended responses from the AICPA *Women and Family Issues Survey of Public Accounting Firms and Professionals (1998)*, and (3) 72 articles from the business press and industry trade journals. These articles represent public accounts provided by legitimate organizational sources regarding the implementation of women-friendly policies in public accounting firms. Each account from the various data sources served as the unit of analysis. Similar to Langley's description of qualitative process data (Langley, 1999), these accounts told stories about why public accounting firms adopt women-friendly policies, and how employees utilize these programs.

### **Data Coding**

The author and three graduate research assistants coded the data. This coding process involved constant comparisons among the data sets to identify antecedents, examples, and strategic consequences of women-friendly policies. An analysis matrix was created to organize the comparison process and condense the data. The research team constantly moved back and forth

between the data and theory to identify patterns and refine categories. This entailed a qualitative content analysis to identify and describe patterns in transcribed texts of interviews and the documentary information.

The data coding and analysis took into account prior research on institutional theory and the resource-based view of the firm to develop categories. Strauss and Corbin (1998) suggest that in certain instances of qualitative data analysis, prior concepts and knowledge of existing theories may be useful. This method of coding is described as a template analytical technique and considers established frameworks to analyze data (Boyatzis, 1998). Qualitative data analyzed in this manner can extend theories from the emergence of new categories or provide further information about existing theoretical frameworks. In the case of this study, the results of the qualitative data analysis make a contribution by integrating established frameworks from institutional theory and the resource-based theory when studying the implementation of women-friendly human resource management policies in public accounting firms. The sections below describe these findings.

## **INSTITUTIONAL THEORY AND THE ADOPTION OF WOMEN-FRIENDLY POLICIES**

Consistent with the findings from other research (Goodstein, 1995; Oliver, 1991), we found that institutional pressures have influenced the proliferation of women-friendly policies in the public accounting industry. Five major types of institutional pressures result in the adoption of women-friendly policies: (1) external pressure for firms to manage workforce diversity; (2) pressure from constituents; (3) consistency and congruence of institutional pressures within an organization's existing goals; (4) pressures imposed by legal authorities; and (5) pressures resulting from environmental uncertainty. Table II describes the accounts that identified institutional pressure as a rationale for implementing women-friendly policies in public accounting firms.

### **External Pressures to Manage Workforce Diversity**

External pressures for conformity can result because of social responsibility obligations or desire for economic advantage, both of which provide support for the women-friendly policy trend in the public accounting industry. The workforce diversity initiatives serve as major catalysts for the social obligations to women-friendly policies. In the public accounting industry, these policies have become known as "Not the nice thing to do, but the right

**Table II.** Institutional Pressures Influence on the Proliferation of Women-Friendly Policies in the Public Accounting Industry

Institutional pressure	Examples	Referenced in the data (%)
External pressure to manage workforce diversity	Demographic changes in the workforce Social obligation Economic advantage of a diverse workforce	35
Pressures from constituents	Clients American Institute of Certified Public Accountants (AICPA) State societies of the American Institute of Certified Public Accountants	26
Consistency of institutional pressures with organizational goals and characteristics	Firm size Organizational culture Organizational control mechanisms	38
Institutional pressures imposed by legal authorities	Gender discrimination lawsuit Civil Right Acts of 1991 Pregnancy Discrimination Act of 1978 Family Medical Leave Act	10
Environmental uncertainty	Shortage in labor markets Imitation of human resource management strategy	25

thing to do” because of a diverse workforce (Sunoo, 1998, p. 3). An example of this social obligation is evident in a speech given by the CEO of Deloitte and Touche on why public accounting firms should adopt women-friendly policies:

Our organization—and I believe the right kinds of organizations everywhere—stands for full and equal opportunity for our people and for the notion that people should have the opportunity to realize their full potential. It’s very important to me to have an organization that I lead to be committed to a principle of equal opportunity. (Catalyst and American Institute of Certified Public Accountants, 1994, p. 33)

Even more important, as major drivers of these women-friendly policies have been the perceived economic benefits of capitalizing on workforce diversity. A Price Waterhouse partner suggests this rationale as an explanation for flexible work arrangements and alternative career paths for women:

At Price Waterhouse, the call for change was loud and clear. We had an increasingly diverse workforce; our clients wanted more in-depth expertise; employees were asking for career growth options and alternative routes to success; we were losing 25% of our staff each year; and the firm itself needed to attract and retain top-performing people with diverse skills and capabilities. It was high time to replace this homogeneous “up and out” career model with a more flexible arrangement. (Engoron, 1997, p. 9)

Other large public accounting firms view women-friendly policies as an economic benefit because they reduce turnover costs:

Employees who might have lost without our Women's Initiative and our work/life programs are now available to clients, generate revenue, and add value to the organization's long-term success. From our perspective, the return on investment for these programs is significant. (Scott, 1998, p. 32)

Statistics support the economic advantages associated with effectively managing a diverse workforce. Industry experts estimate that turnover of staff costs public accounting firms 150–300% of each lost employee's salary (Sheridan, 1992). Deloitte & Touche gauges that a 10% improvement in the rate of retention at the manager level translates into \$5.5 million to the firm's bottom line. The firm credits two efforts with having the most profound affect on the retention of women: the "Men and Women as Colleagues" workshops, and continuous communication to employees about the progress of the women's initiative (Lindy, 1997).

### **Pressures From Constituents**

External stakeholders who exert institutional pressures on organizations include government agencies, various professional organizations, interest groups, and the general public. Organizations confront both compatible and incompatible demands from multiple constituents and will acquiesce and conform to the demands of those constituents on whom they have a high level of dependence (DiMaggio & Powell, 1983; Salancik, 1979). Like other professional service industries, the work of public accounting demands coordination beyond the formal boundaries of the firm so that organizational members maintain a complex set of external ties with competitors, clients, regulatory agencies, and research institutions. Corporate clients are the most demanding of public accounting firms' constituents, and their profiles and expectations are changing. Since more women work in corporate America, clients expect their auditors or consultants to reflect the demographics of their own workforce (Hooks, 1996). For instance, some clients of accounting firms demand employee diversity profiles before submitting a bid for an audit engagement. KPMG Peat Marwick recently faced such a situation with a large client:

Our all-male customer service team met with its client's leader, including the chairman of their company. It didn't go well. In fact, the next day, their chairman called our chairman, Jon Madonna, to discuss the composition of our client service team. It wasn't a matter of whether this service team could do the job, but rather the perception that we didn't know or value their ultimate customer. You see the client's customers are almost all women.

The bottom line is that we would have lost significant business if we continued to ignore the realities of that client's customer base and their expectations of us. We had to act fast. We changed the team—including its leader—to respond to the client's demand and expectations. A woman runs the engagement now; the service team includes women at all levels. (Catalyst, 1994, p. 68)

In addition to pressures from clients, the AICPA exerts pressure on accounting firms to adopt women-friendly policies. The AICPA has made the retention and development of women a major strategic goal by providing information and resources specific to women and family issues in the accounting profession (American Institute of Certified Public Accountants [AICPA], 1998). This initiative began in 1988, and in 1992 the AICPA governing council created the Work/Life and Women Initiatives Executive Committee (WLWIEC) with the goal of providing a voice for guiding AICPA policies that impact women and families. This committee's initiatives include a discrimination and sexual harassment policy statement, exploration of child care referral services as a benefit for all members, flexible work arrangement publications, and the monitoring and lobbying of legislation and public policy concerning women and family issues. These efforts have diffused down to state societies of the AICPA and some now offer policy statements and training seminars regarding women-friendly human resource management practices.

### **Consistency of Institutional Pressures With Organizational Goals And Characteristics**

The third theme identified in the data suggests that public accounting firms are more willing to comply with institutional pressures when these pressures are compatible with existing internal goals and policies. Several factors influence the congruency between a firm's internal goals and the adoption of women-friendly policies. For example, the large public accounting firms were more likely to establish social responsibility as an internal goal because it results in external prestige and reputation enhancement (Goodstein, 1993). When Deloitte and Touche began their women's initiative, communicating change internally was a goal, but they raised the stakes by launching an aggressive external campaign. This was the first time a public accounting firm had published a formal policy detailing their plans to retain and promote women to senior management positions. The national director of human resource management for Deloitte and Touche expressed this need for goal alignment and legitimacy:

We were willing, from the beginning, to expose ourselves externally, to make our statement of what we were going to do public. Strategically we did that to hold



ourselves accountable internally. The view was if we told the world what we wanted to do, we couldn't back down. We had to deliver. (Flynn, 1996, p. 58)

However, smaller public accounting firms are more flexible or individualistic with their implementation of women-friendly policies, and this behavior is congruent with their organizational environment (Glass & Fujimoto, 1995). Women-friendly policies are easier to implement in smaller firms because there is less bureaucracy and supervisors have more discretion. In particular, small firms are more flexible and decentralized with the handling of women-friendly policies relating to maternity and family care because they can adjust their work schedules for phased-in or part-time work. Professionals at a smaller CPA firm expressed this viewpoint:

We are a small local firm. When one of our staff had a child, we let her bring the child to work for a year. We also allow staff to bring children to work if they are sick and can't go to day care or if the parent is working late and can't get a baby sitter. This policy has been very favorably accepted by staff and clients. (Hooks & Cheramy, 1994, p. 84)

In addition to a firm's size influencing the congruence of institutional pressures, management's need for control can dictate its adoption of women-friendly policies (Kossek et al., 1994). In public accounting firms, clan control mechanisms are common, because they emphasize humanistic practices through a strong sense of shared values (Greenwood, Hinings, & Brown, 1990). Often the goal of these "clan-like" practices is to produce a cohesive feeling of community that is inextricably connected, and this decreases the boundaries between work life and home life (Kunda, 1992). For some public accounting firms, rethinking the boundary-less culture of work life and home life resulted in the adoption of women-friendly policies. Price Waterhouse partner James Schiro articulates this opinion in a *Journal of Accountancy* interview:

The male culture issue is real, and it remains a barrier for the advancement of women throughout most of American business today. . . . The public accounting environment is demanding and we can't change that. But we can provide our people with more flexibility at various points during their careers to help balance parental and personal demands. . . . This change will not eliminate the demands and pressures of the profession, but it will provide all of our people, including working mothers, more options without moving off track. (Hooks, 1996, p. 52)

### **Institutional Pressures Imposed by Legal Authorities**

When the government or a legal authority mandates certain cultural expectations, organizations become aware of the public's interests and are more likely to comply because the consequences of noncompliance are both tangible and more severe (DiMaggio & Powell, 1983; Oliver, 1991). The

accounts in the sample conveyed that legal pressures influencing the adoption of women-friendly policies first became salient in 1989 when the accounting firm Price Waterhouse lost a lawsuit that alleged discrimination against Ann Hopkins on the basis of gender. Hopkins won this lawsuit because the judge found two main conditions for sex-role stereotyping were present: rarity (Ann Hopkins was the only woman among 88 partnership candidates) and ambiguity in criteria for making decisions about promotions (Swift, 1997). Recently, Ann Hopkins suggested that her lawsuit has changed the work environment for women in public accounting firms. "My firm is a different place today than it was then. A decade later there are 50 female partners in the firm, compared to seven women partners in 1985," she stated (American Broadcasting Companies, 1995). In addition to this lawsuit, the Civil Rights Act of 1991 increased the potential liability for employers found guilty of sexual harassment. These legal pressures have resulted in accounting firms adopting policies to eliminate sexual harassment, such as training programs, a system for processing and investigating sexual harassment complaints, and fair job-performance evaluation methods (Wootton, Hogan, & Huie, 1992). Similarly, through Affirmative Actions laws and the Equal Employment Opportunity Commission, firms are required to remove any discriminatory employment barriers and take action to promote equal opportunity for women and ethnic minorities.

Other legal mandates influencing the adoption of women-friendly policies are the Pregnancy Discrimination Act of 1978 which states that pregnancy is a disability and that employees can receive disability benefits for 4–6 weeks, and The Family and Medical Leave Act which gives employees the right to take up to 12 weeks unpaid leave in a calendar year for childbirth, adoption, or an illness in the immediate family. The Family and Medical Leave Act has made maternity leave a standard practice in accounting firms, and women no longer feel the need to rush back to their jobs. Not only are legislative policies employed to encourage the development of women-friendly policies in the workplace, but also some state and local governments provide tax credits for corporate-sponsored child care centers, and these programs result in a workplace that allows women to balance the demands of work and family (Maynard, 1994).

### **Environmental Uncertainty**

The final category of institutional pressures revealed in the narratives is environmental uncertainty, "the degree to which future states of the world cannot be anticipated and accurately predicted" (Pfeffer & Salancik, 1978, p. 67). When an organization's environment is uncertain (e.g., labor shortages or an economic recession), it will exert an effort to establish an illusion of

control and stability over future organizational outcomes. Frequently in the accounts analyzed, managing partners discussed the high level of environmental uncertainty in their labor markets. The market for hiring accountants has become competitive with a reduction in the number of recruitable-age professionals, and because more college students are shunning the accounting profession (Palmer, 1989). A strategy for managing this labor shortage in the public accounting industry is to be the “best” place for women to work, and firms are mimicking this strategy.

Another tactic for managing environmental uncertainty is to partner with firms in your industry (DiMaggio & Powell, 1983). On several occasions, public accounting firms have met to discuss the issue of attracting and retaining women employees. For example, in 1994 the AICPA, the New York State Society of CPAs, and Catalyst (a national research organization that helps corporations foster the career development of women) sponsored a symposium on achieving balance in the accounting workplace. Similarly, in 1996, leaders of the six largest national international accounting firms met to discuss women’s issues (Hooks, 1996). These meetings on women’s issues provide an example of industry members collaborating to manage labor market uncertainty, and the shared knowledge obtained from this collaboration has led to imitation of strategy for managing women issues.

## **RESOURCE-BASED PERSPECTIVE AND THE ADOPTION OF WOMEN-FRIENDLY POLICIES**

Thus far, this paper presents support for an institutional theory viewpoint of women-friendly policies in public accounting firms and assumes that accounting firms are motivated because of external social pressures. The accounts also indicate, however, that the proliferation of women-friendly policies in accounting firms has resulted because these firms are motivated to optimize available economic choices. Firms view women-friendly policies as a means to acquire, develop, and accumulate resources that will give them a competitive advantage in both the human capital and client marketplaces. Table III provides examples of the resource optimization pressures that resulted in the proliferation of women-friendly policies in public accounting firms.

### **Women-Friendly Policies as “Valuable Resources”**

According to the resource-based perspective, firms are collections of productive resources for which management determines the use (Penrose,

**Table III.** Resource Optimization Pressures and the Proliferation of Women-Friendly Policies in the Public Accounting Industry

Resource optimization pressures	Examples	Referenced in the data (%)
Valuable resource	Organizational attraction Reduction in turnover costs	42
Accumulation of knowledge stocks	Client services Management style of women	24
Tacitness	Organizational culture Shared values and beliefs	18
Social complexity	Leadership Networks Mentoring relationships	21

1959).<sup>3</sup> A firm's resources can be defined as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 99). For a resource to be valuable, it must enable a firm to develop strategies that result in positive economic consequences for the firm.

Many of the accounting firms in the interviews expressed the value of adopting women-friendly policies. This value comes from the firm's ability to attract talented human capital, reduce turnover costs, and improve client service. If talented women professionals are recruited and retained there is a reduction in costs relating to placement fees, signing bonuses, relocation expenses, and training. Moreover, clients are better served because industry knowledge and technical expertise remain with the firm. Also, the longer work experience within the firm translates into greater employee value and productivity (Fleming & Leaby, 1998). For example, KMPG Peat Marwick implemented these women-friendly policies because of the bottom-line financial consequences:

We want to compete effectively, and we have to attract and retain the best people to do that. When they leave, it is not because someone is recruiting them away from us. It's because they can't balance work and family obligations. We can't afford to lose them. (Lindy, 1996, p. 4)

Ernst & Young also realizes the financial worth of women-friendly programs. They believe the longer people stay with Ernst & Young, the more the firm and their clients benefit. As Ernst & Young partner expressed:

<sup>3</sup>The resource-based view of the firm that originates from strategic management differs from resource-dependency theory. Resource-dependency theory argues that firms are dependent on the external environment for resources, and therefore must respond to its demands (Pfeffer & Salancik, 1978).

If I lose a key player in the middle of an engagement, I lose revenue because my client is unhappy. You only need a few of those to feel the pain. Retention is pragmatic, not an altruistic issue.

Because of spillover effects these policies have reduced turnover costs for both male and female employees at KMPG Peat Marwick. “We expected family-friendly efforts to help us retain females, but we’ve been surprised at the way they’ve helped us retain males” (Lindy, 1998, p. 6).

An additional expense associated with the turnover of women in accounting firms is the cost of female employees starting their own firms and stealing clients away. Clients followed these women because they wanted to maintain relationships and liked the way the women conducted business. A female manager and a partner explained why they left their firm to start their own business because of the lack of a women-friendly culture:

I walked into a culture that wasn’t used to having women in senior positions, she recalls. It wasn’t warm, welcoming, or nurturing. One of the older male partners never seemed at ease talking with me. Finally in 1990, I decided it was time to go and opened my own consulting business. (Lawlor, 1994, p. 38)

This firm was established for many reasons, one of which being a lack of concern relating to women issues by my former employer. The following issues were different for men and women in our office: salary, flex-time, promotional track, and client assignments. (AICPA, 1998, p. 111)

An increased ability to attract human capital is another example of women-friendly policies serving as resources that create value. The recent economic boom has produced a tight labor market. As Mary Kline-Cueter, managing partner of Gordon and Company public accounting firm, contends, “We can always get customers. We can’t always get good team members or staff people, especially in a competitive economy” (McDonald, 2000). These labor market conditions have led to changes in the recruitment strategies of public accounting firms. In particular, women recruits are demanding flexible work schedules and special programs that meet their needs and are aligned with their values:

The Big Six accounting firms are playing well with Generation Xers jaded by juggling woes of their parents. Anita Hutchinson, a University of California, Berkeley, graduate who just joined Cooper & Lybrand says she gave life-balance concerns a 50% weighting in picking employers. “I don’t want to be working so hard that I can’t enjoy my twenties. I don’t want to have a mid-life crisis at 25,” she says. (Shellenbarger, 1998, p. B1)

Often the public accounting firms are advertising the value of women-friendliness in their recruitment brochures as they compete to be the employer of choice. These firms realize that even young college female students are more concerned about flexible and part-time work schedules than in prior years (AICPA, 1998). For instance, Deloitte & Touche’s women’s

initiative initially had a retention focus, and the attraction of female job candidates was an unplanned byproduct (Flynn, 1996). In a firm survey of job candidates who had both accepted and declined job offers with Deloitte & Touche, 98% of women and 88% of men commented that the initiative had a positive influence on their decisions.

### **Are Women-Friendly Policies Competitive-Advantage-Creating Resources?**

Although women-friendly policies create valuable resources, the ultimate goal of resources is competitive advantage. If a resource is valuable—but it is easy to imitate or substitute—each firm in the industry would have the ability to exploit similar human resource management strategies. Given these conditions and the proliferation of women-friendly human resource management practices in the public accounting industry, the question becomes “do these policies create a competitive advantage for firms, and if so why and how?” These policies create advantage in the human capital when they are difficult to imitate or substitute. This study’s qualitative data analysis suggests several factors contribute to whether or not certain women-friendly human resource management practices result in inimitable resources for public accounting firms. The following sections describe the characteristics of these women-friendly management practices.

#### *Appropriability and the Accumulation of Knowledge Stocks*

Some of the inimitability of firm resources as a consequence of women-friendly programs can be viewed as appropriability: the firm’s ability to retain added value for its own benefit (Kamoche, 1998). Appropriation is the capacity to prevent the erosion of knowledge stock by retaining valued expertise within the firm. Selective retention is the first step to appropriating value from human resources because longer work experience will translate into greater employee value and productivity as a result of enhanced knowledge and skills (Burke & McKeen, 1995). Therefore, if the women-friendly programs of public accounting firms lead to retention of high performing women, this creates a resource that is difficult for other firms to imitate because of the intangible nature of expertise (Kamoche, 1996). Ernst & Young estimates its 24% attrition rate translates into 2500 women walking out the door annually (Interview, National Public Radio, 1998). However, if Ernst & Young could retain some of these women, it would possess an expertise based on long-term employment relationships, and this configuration of firm-specific skills built over time would be difficult for competitors to duplicate.

In addition to technical ability, the retention of women enhances the firm's communication, mentoring, and consensus-building capabilities. Firms such as KPMG Peat Marwick acknowledge this and try to capitalize on this:

Women are more attuned to corporate policies aimed at retaining and developing loyal, skilled workers. In the new millennium women's unique set of competencies will give a competitive edge to organizations that make the most of them. (WTP, 1998)

*The Tacitness of Organizational Culture, Shared Beliefs and Values*

Even though it may appear that many accounting firms compete for female human capital by adopting similar programs such as flex-time, subsidized child care, and sensitivity training, the tacit organizational values and beliefs that are the catalyst for these programs make them difficult to imitate (Barney, 1986). Itami and Roehl (1987) describe organizational culture as invisible assets that are powerful enough to shape the norms and rules employees follow, and these actions in turn determine the firm's performance. Often these actions are driven by decisions and norms handed down by top management. In the case of women-friendly management practices, firm leadership and organizational culture provide employees with a framework of the policies, the permissible approaches to the policies, and the expected level of effort.

The second-tier accounting firm Plante & Moran and industry experts attribute the success of its women-friendly programs to a concerted effort from top management and the organizational culture. This effort has resulted in the highest percentage of women partners in the industry: 14% (NSC, 1998). Plante & Moran's managing partner, Bill Matthews, has made a long-term commitment to women-friendly policies, and he understands the relationship between these policies and organizational culture:

We constantly get calls from business inquiring about our family-friendly policies. Sometimes they think we have a magic formula. But the key is to be proactive, committed, and to ingrain this philosophy in your culture. (NSC, 1998)

It's grounded in Plante & Moran's culture to be "familyish." They make a big deal about it to all of their employees. When I went on my office visit they told me the golden rule at Plante & Moran is to do unto others as you would yourself. I think this atmosphere they create at work spills into their women-friendly policies. (interview of former public accounting employee)

Firm members at Deloitte & Touche also credit the leadership of CEO/Chairman Michael Cooke as the force behind changed mindsets and the success of their women-friendly programs:

Many were reluctant about the Women's Initiative. They were philosophically and emotionally committed, but professionally, they were concerned. . . . We have lots of

these flavor-of-the-month kind of initiatives, and people were looking to us to see if we were really serious about this. . . . Maybe it was Cooke's and top management's forceful platforming of the program that convinced the doubtful. When you have a person like Mike Cooke who's completely supportive of an initiative like this people listen; people pay attention. He demonstrates his commitment every day in everything he does. We don't just have the sign-off initials of the chairman and CEO; we have his ongoing, very visible and highly vocal commitment. (Gillian, 1996, p. 59)

These accounts suggest these women-friendly programs are tacit and complicated to imitate because they are rooted in the norms of individual players and encourage employee loyalty (Glass & Fujimoto, 1995).

### *Social Complexity*

Socially complex organizational resources result in competitive advantage because of the interpersonal relationships of individuals or groups. Socially complex organizational resources are difficult to imitate because they are embedded in the collective actions of organizational members and may only work in a particular organization because of the mixture of personalities, shared values, organizational skills, and support systems (Nelson & Winter, 1982; Wilkins, 1989).

The "Women Partners' Conference" at Pricewaterhouse Coopers is an example of a socially complex resource. Women come together annually to discuss how to leverage workforce diversity. At this conference women partners have an opportunity to forge strong global relationships and networks, not only with top management but also with each other (Dey, 1998). It is these relationships that women develop at the conference which are difficult for competitors to imitate. Other firms are employing women's networks as a means to develop socially complex resources too. These women's networks are used as forums to exchange ideas and strategies regarding issues women confront in the public accounting profession, and encourage higher levels of organizational affiliation among women (Catalyst, 1999). For example, Ernst & Young has launched a "Women's Forums and Women's Networks" program. The Women's Forum events addressed key issues for women, such as how they can affiliate with the firm and better understand leadership paths and the strategies for work/life balance. The Women's forum has been a vehicle for cross-practice knowledge exchange and improving women's access to career-enhancing information.

In addition to women's networks, mentoring is another socially complex resource that facilitates the advancement of women in organizations. Mentoring relationships create commitment to the organization and educate the mentee about the organization's routines and norms (e.g., proper dress). Also, these mentoring relationships socialize the mentee on how to deal with



peer, subordinate, and superior relationships. Often organizational advancement is dependent on one's ability to find suitable mentors throughout one's career (Maupin, 1994). In particular, cross-gender mentoring relationships can help women develop the skills beyond technical competencies needed for advancement in public accounting, such as marketing and new business development. A perceptive male respondent in a study of women's lack of upward mobility in accounting organizations shared this concern:

Developing new business is a critical factor in promotion decisions at higher levels. . . . Women do not seem to realize the importance of getting involved in professional organizations and office activities outside of work in order to develop significant relationships with successful mentors—they tend to assume that their technical abilities and competence will automatically lead to promotions but technical skills do not make partners. (Maupin, 1993, p. 141)

Women in the accounting profession are beginning to reap the benefits from mentoring relationships and alternative networking opportunities. They have learned that mentoring programs are a good way to vent concerns to a confidential source and learn more about management practices:

Our company acts on many levels to nurture women as it has always nurtured men. We put women under the wings of mentors. Scheduling office retreats on sunset cruises and other gender-neutral activities, rather than golf courses or fishing trips, where men often networked and women felt left out. And holding managers accountable for the progress of women under their supervision. (Cable News Network, 1999)

## **DISCUSSION**

Through qualitative data analysis this exploratory study has developed a framework to explain the proliferation of women-friendly human resource management policies in public accounting firms. From an interorganizational perspective the knowledge diffusion of women-friendly policies occurs because of institutional pressures. Public accounting firms are monitoring and learning from their external environment. The analysis suggests that this learning process entails responding to pressures from competitors, government regulation, demographic changes, professional associations, and the demands of clients (DiMaggio & Powell, 1983). In addition, firms in this industry are learning by seeking out competency blueprints from their competitors (Oliver, 1997). These competency blueprints include direct imitation of successful competitors' women-friendly practices, indirect mimicking of role models through benchmarking, and use of outside consultants such as Catalyst.

Because firms in the public accounting industry are tightly embedded in their social and economic relationships, a common body of knowledge

relating to women-friendly policies has diffused throughout the industry. This explains the growth of programs for women such as mentoring, flex-time, and subsidized child care. It appears that institutional pressures have caused public accounting firms to become homogeneous in their approach to managing women.

However, from a resource-based view, public accounting firms wanting to achieve a sustainable competitive advantage in their human capital markets must select and accumulate a heterogeneous bundle of resources. Developing knowledge frameworks that ensure the heterogeneity of women-friendly policies is a difficult task because the implicit assumption is that heterogeneous resources are tacit, socially complex, and ambiguous. Also, constraining knowledge development of women-friendly policies is firm history, and the fact that some resources derive their value over time (Oliver, 1997). The findings suggest that the internalization of women-friendly human resource management practices is a history- or path-dependent process interrelated to both the normative rationale of institutional pressures and the economic rationale of resource optimization. This internalization process begins with firms adopting women-friendly policies in response to institutional pressures, such as staying out of trouble (e.g., avoiding discrimination or sexual harassment lawsuits) and reacting and surviving environment changes (e.g., workforce demographics). The second phase of the internalization process encompasses a change of mindset, so that women-friendly policies become “The right thing to do.” This may be because of client demands, competition, or paternalistic values. The final phase entails ingraining it in the firm’s culture and developing a unique set of firm resources.

In summary, the public accounting industry provides an excellent setting to study the intersection of gender issues and human resource management strategies because of the number of women in the profession and the strategic behavior of firms to retain women in this industry. However, future research should explore if there is a difference between formal women-friendly policies and actual practices in public accounting firms. This may require field studies to deconstruct the differences between “real world practices” and formal written policies. It would also be interesting to compare the women-friendly policies in the public accounting industry with other professional service industries, such as law, medicine, and advertising.

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