

Locus of Causality for Dissatisfaction or Satisfaction of Internal Auditors

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ABSTRACT

The purpose of this study was to determine the locus of causality for dissatisfaction or satisfaction of internal auditors within the last five years. The research used knowledge from attribution theory and audit literature to create a conceptual framework. The framework served as basis for hypotheses formulation and field-testing. Prior research in attribution theory indicated that attributional dimension serves as a basis for behavior explanation, which guides the expectation about future outcome. Similarly, existing literature indicated that job satisfaction is related to organizational commitment. Members of the Institute of Internal Auditors in USA were surveyed in March 2009. The findings indicated that job satisfaction or dissatisfaction of the internal auditors is directly related to the work environment, including actions of coworkers and supervisors. The results could serve as useful tool for management to promote the retention of internal auditors or to facilitate a functional turnover of internal auditors.

Chapter 1

INTRODUCTION

Phenomenon of Interest

McDonald (2006) stated that, “Corporate governance reforms such as the U. S. Sarbanes-Oxley Act of 2002 and talent shortages in the audit profession have combined to push demand for internal auditors to unprecedented levels. Although this is a boon for auditors’ career prospects, it has made it more difficult than ever for organizations to recruit and retain experienced practitioners” (p. 73). Therefore, the purpose of this research is to identify some of the reasons for the dissatisfaction or satisfaction of internal auditors in recent times.

According to the Institute of Internal Auditors (IIA), “Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” (Protiviti Independent Risk Consulting, 2004b, p. 11). The definition of internal audit indicates that it involves a consulting activity, which requires extensive knowledge of finance, management, and the system of operation of the company concerned. Oxner and Oxner (2006), stated that, “Renewed corporate emphasis on accountability due to Sarbanes-Oxley has resulted in greater visibility for the internal audit function and a growing demand for internal audit services” (p. 57). A survey by Robert Half Management Resources stated that, “private company CFOs are understandably concerned about their ability to recruit, train and retain staff, with almost one quarter of the survey respondents (23 percent) ranking this as one of their top concerns” (2007b, p6.). The SOX legislation is one of the most significant changes to the securities laws since 1930s. The purpose of the legislation is to improve corporate governance activities by board of directors, discourage corporate fraud, and enhance the reliability of published corporate financial information. Therefore, SOX affects Internal Audit in at least two ways:

- 1) It promotes satisfactory performance of the audit function as a governance tool; and
- 2) Internal auditors are also expected to assist in the execution of SOX tests, which could be relied upon by the external auditors.

Similarly, the recent economic meltdown indicates that internal auditors may need to do more with fewer resources. King (2010), states that, “the demand for quality auditors was not affected by economic downturn.” Therefore, it is now very crucial and appropriate to conduct research relating to reasons for dissatisfaction or satisfaction of internal auditors.

Attribution Theory

Based on evidence from the field of organization behavior, an applicable theory that can elucidate the process of dissatisfaction or satisfaction of internal auditors is the “Attribution Theory.” “Attribution theory concerns people’s causal explanations for events. The major function of attributions is generally considered to be causal analysis. Attributions are specific causal explanations for events” (Martinko, 1995, pp. 7-8). Causal analysis refers to the

process of identifying the causes of an event or behavior. “Heider was the first to propose a psychological theory of attribution but Weiner and his colleagues developed a theoretical framework that has become a major research paradigm of social psychology” (TCW, 2004). According to Weiner (2000), attribution theory focuses upon the universal concern with explanation – why a particular event, or state, or outcome has come about and consequences of the causality. The theory emphasizes that human beings are very rational and base their judgments mainly on logic. Therefore, the theory provides reasons behind a perceived behavior and guides future expectation of behavior from the actor. It is a form of sense making for a perceived human behavior.

Attribution theory consists of three main principles, namely: attribution process, attribution factors, and causal dimensions of behavior. The attribution process involves behavior observation to determine whether behavior is deliberate or unintentional, and the attribution of the behavior to internal causes or external causes. The attribution factors are the causal factors that bring about a behavior. According to Weiner (1979), the primary attribution dimensions are locus of causality, stability, and controllability.

The goal of this study is to use attribution theory to identify causal dimension of job satisfaction or dissatisfaction, of internal auditors. Many turnover models indicate that dissatisfaction is a primary cause of turnover intentions, which leads to turnover (Vandenberg & Nelson, 1999; Bannister & Griffeth, 1986; Mobley, Horner, & Hollingsworth, 1978). Adler (1980) states that, “Employees saw themselves as being primarily responsible for their satisfaction, but they viewed external agents, such as supervisors, the organization’s management, and co-workers as being primarily responsible for dissatisfaction” (p. 327). By surveying auditors we can obtain the causal explanations for their dissatisfaction, or satisfaction; as a guide for the use of audit executives.

Theory-Phenomenon Linkages

Attribution theory has been applied in research to a variety of organizational phenomena, including leadership, motivation, goal setting, turnover, organizational conflict, etc. (Kent and Martinko, 1995a). Thus, attribution theory could be applied to explain the voluntary turnover decision process of internal auditors. People process information concerning causes of behavior in terms of causal dimensions, which underlay their perceptions (Russell, 1982). Attributions for an outcome vary along the dimensions of stability, locus of causality (internal/external), and controllability (Weiner, 1985). Therefore, it will be helpful to understand the three main components of the causal dimensions of behavior. *Locus of causality* means that an event could be internally caused or externally caused. That is, the behavior may be due to personal disposition or due to situational factors. *Stability* refers to whether or not the cause of the event will change with time. For example, did you complete a task due to your expertise or due to luck? *Controllability* refers to whether the cause/event can be controlled by the actor. That means that some situations may be controllable by the actor while others may be controllable by external factors. *Internal attribution* is a belief that the action observed occurred primarily due to the personal character of the actor or dispositional factor, whereas *external attribution* is a belief that the action observed occurred primarily due to external circumstances or situational factor.

Attribution theory focuses upon the universal concern with explanation for causes of a particular event, outcome and the consequences of the phenomenal causality (Weiner, 2000). The main construct of this research is that internal audit staff job dissatisfaction could be due to either company controllable reasons or employee personal reasons.

When using attributions as a basis for research, we have to be alert to two types of errors that can distort our interpretations of observed behavior. These common errors in attribution process are *fundamental attribution error* and *self-serving bias*. Fundamental attribution error is a tendency for observers to attribute the abnormal behavior of an actor to personal characteristics or dispositional causes rather than situational causes (Ross, 1977). Self-serving bias is the tendency of individuals to attribute their success to personal qualities such as ability, and attribute failure to situational characteristics, such as luck (Witt, et al. 1995). Attribution errors can be represented diagrammatically as shown in Figure 1 below:

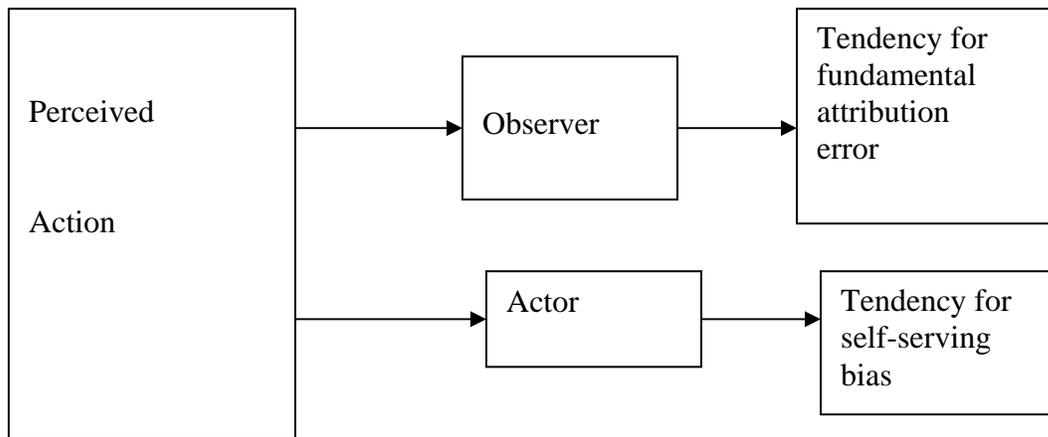


Figure 1
Common Errors in Attribution Process

Focus of the Research

The main focus of this study was to use attribution theory to identify the internal auditors' thinking pattern that relates to job satisfaction or dissatisfaction. A good internal audit department serves as the eyes and ears of the board of directors, and also serves as internal consultants for management.

The following are some of the questions that management would be asking if there is a dysfunctional external voluntary turnover of internal auditors: Why is the company unable to retain its internal auditors? Is the problem due to controllable factors within the organization or is it due to uncontrollable external factors? Is the high rate of turnover due to stable causes or due to temporary causes? Are internal auditors leaving because they are dissatisfied or because another company was targeting the company and luring away its star performers? If quitters are dissatisfied, what is causing their dissatisfaction? Are the internal auditors committed to the

organization? These are some of the questions that management will be asking in an attempt to control the voluntary turnover, and promote internal audit staff retention.

This research cannot answer all conceivable questions; instead it focused on one main question. *Is the dissatisfaction of internal auditors mainly attributed to organizational issues or personal factors?*

Significance of the Research

The research sought to answer the question above. The study is valuable because it will help management to identify some factors that cause dissatisfaction or satisfaction of internal auditors. The results of the study may influence the policies and practices of Human Resources Executives and Chief Audit Executives relating to hiring and retention of internal audit staff.

This research applied attribution theory to internal auditors' satisfaction or dissatisfaction. This is the first time this specific application research is being conducted. The research also contributed to the extension of the academic life of the attribution theory by applying it to internal auditors. The value of the research to the internal audit profession at this present time could be sizable, due to SOX legislation and the global economic meltdown which may necessitates internal auditors to do more with fewer resources. It will also contribute to the advancement of the research interest of internal auditors in organizational behavior, which will be beneficial to this profession that requires judgment, tact and other elements of good human relations.

By identifying the type of attribution that causes internal auditors' dissatisfaction, management will acquire information about what actions to take to improve internal audit retention within their organization. This will result in substantial savings for the organization in at least two ways:

1. Efficient focusing of retention efforts and resources on factors that caused satisfaction of internal auditors based on this study; and
2. Reduction of dysfunctional external turnover of internal auditors by mitigating significant causes of job dissatisfaction.

The next chapter is the literature review, which sheds more light on our phenomenon of interest, and identifies the relevant variables for our study.

Chapter 2

LITERATURE REVIEW

This research benefited from earlier researches relating to attribution theory, audit personnel issues, and professional publications relating to internal audit staffing. Relevant research papers and articles are reviewed in this chapter to provide a background for the research project and serve as basis for the formulation of a conceptual framework, which will be subsequently tested in the field by a survey. The literature review is divided into two sections as follows:

1. Relevant literature relating to attribution theory, and
2. Relevant researches relating to auditors.

Relevant Literature Relating to Attribution Theory

Attribution theory is a fundamental element of social-psychological thinking and numerous articles have been published relating to this subject over 40 years of research (Malle, 2003). The theory attempts to provide an analytical explanation for human behavior. “By explaining behavior, people make sense of the social world, adapt to it, and shape it” (Malle, 1999, p. 23). Two main categories of attribution theory exist, namely: *observer – perception*, and *self – perception*.

Attribution theory evolved from the work of Heider (1958), with a primary focus on the observer’s perception of the causes of the behavior of other people. However, Nisbett and Valins (1972) focused on self-perception of own behavior.

Observer-perception, relates to how observers try to understand and explain the behavior of other people. For example, when someone (actor) takes an action that is significantly noticeable, an observer may start thinking about possible causes for the behavior. This form of attribution involves two parties, the actor and the observer, and it may be subject to fundamental attribution error. According to Jones and Nisbett (1972, p.79), “In their autobiographies, former political leaders often report a different perspective on their past acts from that commonly held by the public. Acts perceived by the public to have been wise, planful, courageous, and imaginative on the one hand, or unwise, haphazard, cowardly, or pedestrian on the other, are often seen in quite a different light by the autobiographer.” This is an illustration of fundamental attribution error.

“Just as we learn about the likely attitudes and dispositions of others from watching what they do, we learn about our own attitudes and dispositions from self-observation” (Nisbett and Valins, 1972, p.63). We readily observe the behavior of other people, and usually assign causes to the behavior, whereas we infrequently perceive our own behavior through self-awareness or post-action reflection, and sometimes we assign causes for our behavior. The self-perception approach to causal attribution involves a single person serving as both the actor and the observer; but it may be subject to self-serving bias including impression management. When individuals explain success and failure outcomes, they tend to attribute success to personal qualities such as ability or effort whereas they tend to attribute failure to situational characteristics, such as luck or

difficulty of the task (e.g., Weiner Kukla, 1970; Weary-Bradley, 1978; Zaccaro et al., 1987; Witt, et al 1995).”

Bem (1965) conducted some human experiments relating to dissonance theory where an individual attempts to justify his behavior to himself. One of the findings of these experiments was that, when extrinsic justification for behavior is very high, the behavior should be perceived as less desirable by the actor than when the extrinsic justifications are low. This is called Bem’s proposition. The proposition helps to distinguish between causal factors that are intrinsic or personal and those extrinsic or situational. An application of this proposition may be that when an employee voluntarily leaves a job due to various environmental causes then the turnover is less desirable to the employee, compared to when he or she leaves due to personal reasons. Based on this premise we can expect that an employee turnover will be less desirable to him when caused mainly by external factors rather than when the turnover is caused by internal or personal factors.

Martinko (1995) explained that attribution theory involves people’s explanation of causes for events. He also stated that, “these beliefs about causation influence expectations, which in turn, influence subsequent behavior.” (p.8). This could be represented diagrammatically as shown in Figure 2:

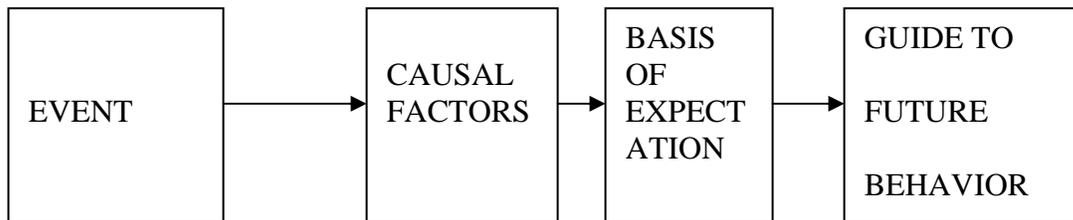


Figure 2
Relationship Between Event and Future Behavior

The relationship between past event and future behavior can be exemplified with a situation of an employee who changes jobs voluntarily and frequently. His resume may indicate that he works an average of six months at each job before leaving. This could discourage some companies from hiring this person, based on the expectation that the person may not stay long in the organization before leaving. Attribution theory and research inform us that an individual’s attribution for a negative event forms the basis for decisions about how to act in order to bring about the discontinuance of it (Moore, 2000). A manager needs to identify how an individual makes attributions, in order to determine which motivational style will be suitable for the person (Witt, et al., 1995). Martinko (1995a) stated that attributional dimensions or individual cognitive structure serves as basis for specific attributions of causes to an event. Weiner (1979) classified attributions within three dimensions: locus of causality, stability, and controllability. Martinko (1995a) also stated that attributional dimension shapes expectancies.

According to Kent and Martinko (1995a), the attributional style of an individual plays a key role in his or her analysis of causal attributions. Kent and Martinko (1995b) also mentioned that attributional style, which refers to the systematic ways in which someone explains his success and failures, appears to be related to a number of variables such as turnovers and stress, which are of interest to organizational research. Sweeny et al (1986) conducted a meta-analysis, which showed that literature supports predictions that depression is positively related to internal, stable, and global attributions for failure and external unstable and specific attributions for success.

So far we have mentioned three important concepts relating to attributions theory. They are: causal attribution, attribution dimension, and attribution style. *Causal attribution* relates to the perceived causes of an event. *Attribution dimension* refers to the perceived locus of causality (whether external or personal causes), the stability, controllability, universality, and intentionality of the factors. A person may have an optimistic or pessimistic attribution style. *Attribution style* (AS) is a gauge of an individual's predisposition to experience *Negative Affectivity* (NA) and *Positive Affectivity* (PA). A person's AS influences the causal attributions he or she makes relating to an event or important work outcome. Recognition of AS differences among individuals is vital, because people act on the basis of their attributions relating to an event (Witt, Broach, Hilton & Hellman, 1995).

Heider (1958) stated that individuals place high importance on protecting their own self-esteem in explaining the causality of events. However, the cost of self-enhancing distortions is high, because misperception can render us less able to remedy a situation that causes us problem, than does accurate perception (Nisbett and Ross, 1980). If we gauge individual attribution style we can identify incidence of self-serving bias.

Witt, Broach, Hilton, and Hellman (1995), conducted a study of 114 federal employees who attended a two-month, full-time, government job-training program. Those who completed the training successfully received a salary increase whereas those who failed were terminated. At the beginning of the training program participants were asked to complete personality measures. They formulated two relevant hypotheses and a hierarchical moderated multiple regression analysis (Cohen & Cohen, 1983) was conducted. Out of the 114 employees, 73 succeeded and 41 failed. After the employees were informed about their pass/fail status, those that passed were asked, "Why did you pass?" And those that failed were asked, "Why did you not pass?" The study found that among employees who failed the program, those high in NA reported more internal attributions than those low NA. Similarly, among employees who passed, the ones with high NA reported more external attributions. Based on the results, 4 groups of attributions patterns were predicted as shown below in Figure 3.

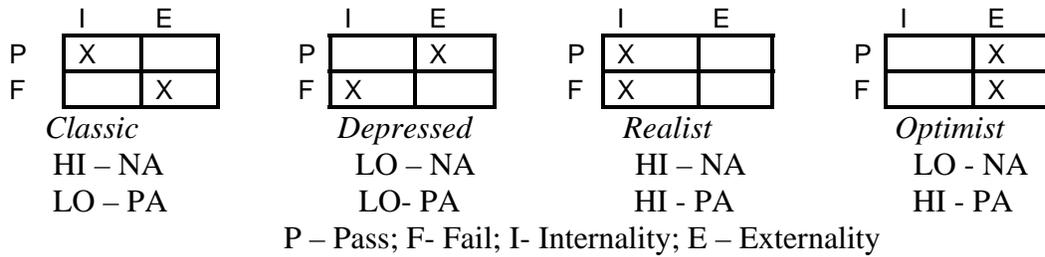


Figure 3
Four Models of Attribution Patterns (Witt et al., 1995)

High levels of anger and anxiety characterize high NA and low NA is characterized by calmness and shows no self-serving bias.

Many models have been suggested to represent the attribution process. Typical theories present attributions as arising from largely rational explicit processes that constitute a “naïve psychology” (Kelley, 1973, p.109). Kelley suggested that perceivers use co-variation information in a manner analogous to analysis of variance in order to assign causality co-vary with outcomes.

Lord (1995) argued that attribution process involve both the primitive implicit information processes and the more contemporary explicit processes, working concurrently in all situations. He stated that research indicates that strongly held explicit beliefs could override implicit processes. “Consistent with this perspective, it is generally found that in hiring decisions, information on job qualifications overrides age-or-gender-related stereotypes which may involve more implicit learning”(Lord, 1995, p. 341).

Overwalle (1997) conducted two empirical studies to demonstrate that the joint model (involving method of agreement and method of difference) fitted adequately with all attribution responses. The first study involved 78 male and female students of Brussels Free University, Belgium. The second study involved 103 male and female students of the same University. Both experiments provided a clear support for the assumption that both methods of Difference and Agreement are applied in causal thinking, and that both contrast factors and context factors are used for causal explanations. Contrast factors are used when the factors contrast with the background whereas context attributions are used in parsimonious causal background. His study also noted that context attributions were made less frequently than contrast attributions, thus suggesting that the method of difference is superior to the method of agreement in causal explanation. He further stated that a person’s attribution could be due to a variety of factors, such as traits, genetic make-up, semantic elements, psychological capabilities, personal histories, memories, and so on. The Overwalle study concluded that unresolved questions remain about when and under what conditions to use the joint model of attribution.

Causal dimensions

Understanding of the causal dimensions helps to make reasonable predictions for future events (Kent and Martinko, 1995a). “Weiner (1985) suggests that attributions for success and failure vary along the dimensions of stability, locus of causality (internal/external), and controllability” (p.21). The *locus of causality dimension* relates to the distinction between factors inside the person and factors in the environment. The *dimension of stability* addresses the variability of the cause overtime. *Controllability* represents the extent to which a cause is under the control of the individual (Kent and Martinko, 1995a).

“According to models suggested by Weiner (1986), Abramson et al. (1978), Martinko and Gardner (1982), it is the causal dimensions rather than the specific attributional explanations that are believed to influence expectancies” (p.26).

Kent and Martinko (1995a), concluded that the general consensus is that “causal dimensions yielded more information about causal reasoning than the assessment of causal explanations” (p.30). See illustration of the concept by Weiner in Figure 4.

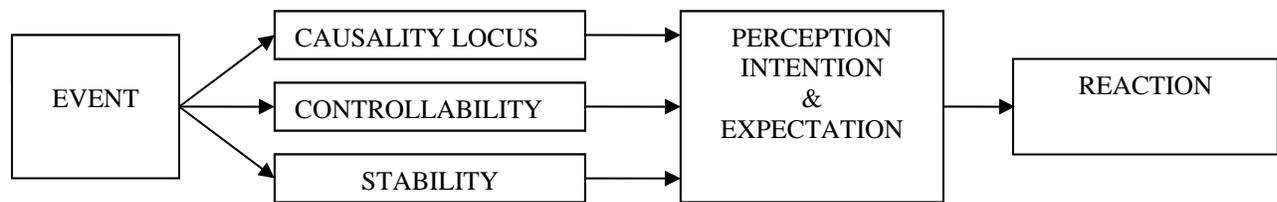


Figure 4
Use of Causal Dimensions in Attributional Analysis
(Weiner, 1985 &1986)

Alder (1980) administered questionnaires to 110 male graduate students who also work full-time or part-time, to find out about their experiences of satisfaction and dissatisfaction relating to their job. The result of the study indicated that respondents believed that external agents (e.g. coworkers, supervisors, the general organization, customers) are more responsible for their incidents of job dissatisfaction than for incidents of satisfaction. This was true for both people with high self-esteem and those with low self-esteem. He stated that, “It is the consistency of an incident with one’s self-esteem rather than self-esteem per se that appears to determine attributional behavior” (p.330). However, the shortcomings of this study include that the subjects are not representative of the general population and the study was a laboratory test which may be different than a real world experience.

Russell (1982), noted that grouping of causal explanations in terms of causal dimensions may vary greatly from person to person, as well as from situation to situation. He conducted a research to generate a set of items for the Causal Dimension Scale. The study focused on the three causal dimensions described by Weiner (1979): locus of causality, stability, and

controllability. His working definitions were as follows: “*locus of causality* was defined as referring to whether the cause was something about the attributor (internal) or outside the attributor (external) whereas *stability* was defined as referring to whether the cause was constant over time (stable) or variable over time (unstable)” (Russell, 1982, p.1138). He defined a *controllable cause* as one that could be changed or affected by someone, either the actor or other people. The research includes two studies. The first study involved 189 undergraduate students (117 females, 72 males) using eight different causal attributions to manipulate the causal dimensions. “While imagining themselves in each situation, the students evaluated the cause of the success or failure outcome on 12 semantic differential scales” (Russell, 1982, p. 1139). Validity tests conducted on the results indicate that the locus of causality and stability dimensions are assessed reasonably well. The second study was conducted with 99 undergraduate subjects (38 females, 61 males) and the experimental design was identical to that employed in his first study, with the same classifications used to manipulate causal dimensions. The results for locus of causality and stability scales were very similar to the findings from the first study, and the controllability rating scales also appeared valid. “All three causal dimensions therefore appeared to be adequately assessed by the final nine-item measure” (Russell, 1982, p.1141). “A variety of other factors may influence responses to the Causal Dimension Scale in actual achievement settings, which could adversely affect the validity of the measure” (Russell, 1982, p.1143). “The Causal Dimension Scale assesses the respondent’s perceptions of causes in a particular situation. Causal perceptions are also greatly influenced by situational factors (See Weiner, 1979)” (Russell, 1982, p.1144).

Frank and Gilovich (1989) conducted research which focused on the question: “Can the mere passing of time, without the addition of new information or a change of values, affect one’s assessment of events?”(p.399). They cited (Peterson, 1980) that more dispositional attributions were made for events that occurred in the more distant past than for more recent events. Moore et al (1979) stated that, “Recalling one’s past behavior may be analogous to watching oneself from an observer’s perspective” (p.555). The first study by Frank and Gilovich (1989), involved undergraduate volunteers of 26 males and 54 females. They were paid for interactions and discussions for about four minutes after which each person rated his or her partner on attributional questionnaire. And after three weeks the partners were required to rate each other again. “The attributions of those subjects who remembered a get-acquainted conversation from an observer’s perspective tended to become more dispositional and less situational with the passage of time as compared with those subjects who recalled the conversation from the field perspective” (Frank & Gilovich, 1989, p. 401).

His second study was conducted using a total of 108 undergraduate volunteers using the same procedure for the first part of the experiment as in the first study. However, the second part of this second study was done differently. After three weeks, 50 of the participants were encouraged to adopt observer perspective in rating the earlier interaction with their partner in the experiment, while the rest of the 53 participants were encouraged to adopt the original perspective. It was noted that the attributions of subjects in the observer condition became more dispositional from session 1 to session 2. “It is clear from our research that the perspective a person adopts in remembering an event is a significant determinant of the attributions he or she makes for that event” (Frank and Gilovich, 1989, p.402).

Brown, D. C. (1996), conducted a study to explore causal attribution in the ways managers and training professionals decide what causes events to occur in the workplace. He interviewed selected employees from two primary healthcare organizations. The employees identified recent outcomes that had several possible causes including training, and identified the managers and training professionals familiar with each outcome and its potential causes. “Analyses of the interview data identified differences in the causal attributions of managers and training professionals but not in the processes they used to make those attributions. Several common sources of information that appear key to causal attribution emerged from this analysis: conversation, personal experience, observations of personnel and results, and quantitative data.” (pp. 10-11) Citing several authors (Hilton & Slugoski, 1986, Kelley, 1967, Orvis, Cunnigham, & Kelley, 1975), Brown (1996) stated that when the causes of events are important, individuals use consistency, distinctiveness, and consensus data as a basis for systematic analysis that allows individuals to attribute causality. “The findings of this study indicated that when multiple causal hypotheses were being considered, making causal judgment could be a group process” (Brown, 1996, p.15). According to the study, conversation was the most frequently reported source of data for causal judgments, and it stated that, “causality for events within complex contexts is extremely difficult to measure” (Brown, 1996, p.17). The findings of Brown’s study indicate that causal judgment may often be a group process, contrary to the individual process suggested by some causal attribution literatures. However, because the sampling for this study was not random and the sample size was very small, one should be careful and not over generalize its findings.

Gosling, et al. (1998) compared individuals’ reports of their behavior with observer coding of the same behavior from videotapes. Their research focused on the following questions: “To what extent do people agree about how often an act occurred? What makes an act easy to judge? Do people accurately report what they did in a particular situation? Are self-reports of specific acts biased by a motive to self-enhance, and are some individuals more likely to self-enhance than others?” (Gosling, et al., 1998, p.1338). The research used 90 Masters of Business Administration (MBA) students who volunteered to participate in a personality and managerial assessment program. Only 88 of the 90 videotapes recorded for the participants were useable. Each participant was designated as a supervisor of one candidate at meeting involving another five volunteers, with a goal of using a fixed amount of money to provide merit bonus to six candidates. Each participant self-reported the kind of behavior they exhibited during the group discussion and the frequency of the behaviors. Then four observers viewed the videotaped behavior of each participant and coded the frequencies of each behavior. The discrepancy between a participant’s self-report and the observer’s report indicated either an attribution error or self-serving bias. The study indicated that two observers agreed more about an act’s frequency than the self-report agreed with an observer’s product. The study showed that desirability and observer ability effects indicate that both motivational and informational factors bias what individuals report they did in a situation. The study found that individuals tended to agree about acts that are observable, desirable, and frequently occurring.

Malle (1999) presented a refined theoretical framework of how people explain behavior. The author made a distinction between the cause and the reason behind behavioral events. It defined reason as people’s explanations of an intentional behavior, and that cause explanations are people’s explanations of an unintentional behavior. It advances a framework referred to as folk

explanations of behavior indicating, “Different types of behavior (intentional vs. unintentional) have different modes of explanations. This is indicated below in Figure 5.

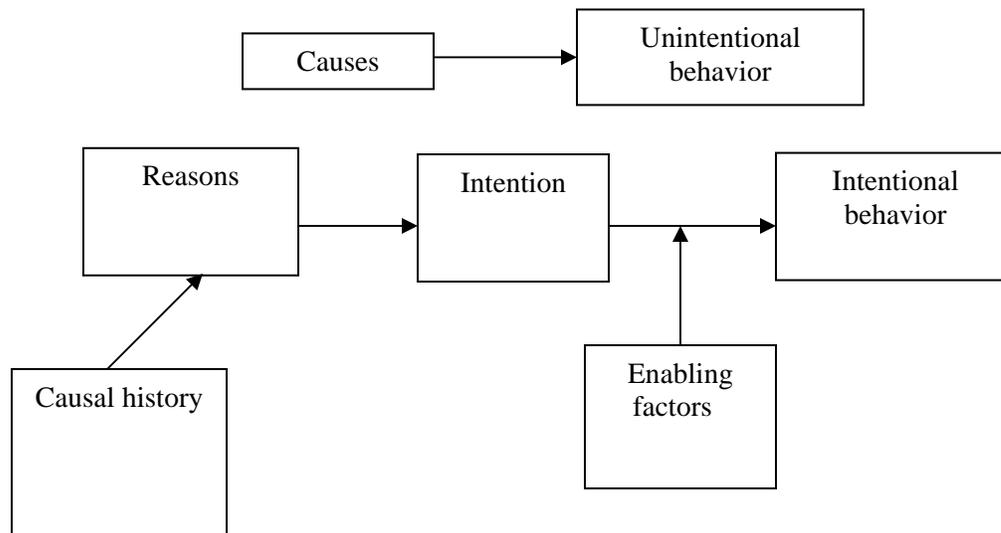


Figure 5
Explanation for Unintentional and Intentional Behaviors
(Malle, 1999)

A limitation for this folk explanation of behavior is that it has few empirical support and numerous predictions relating to the framework have not been tested yet. However, the folk framework takes issue with attribution theory’s assumption that all behaviors are subject to the same framework for causal explanations. “It is in terms of folk psychological categories that we experience ourselves and others. It is through folk psychology that people anticipate and judge one another.” (Bruner, 1990, p.15)

Similar to the folk framework for explanation of intentional behavior, the notion of enabling factor as a facilitator of intention to become actual behavior is very crucial in the process of turnover of employees. According to Malle, et al. (2000, p.315), “enabling factors explain what allowed an action to be performed, they are rarely mentioned when that performance faced no obstacles (easy action) but are frequently mentioned when the performance did face obstacles (difficult action), as suggested by McClure and Hilton (1997).” Applying this concept to employee turnover, an enabling factor could be a moderator between intention to quit and actual turnover of the employee. An example of enabling factor in this instance may be an alternative job offer or a very low unemployment economy. “The intention does not guarantee, of course, that the intended action will be successfully performed; the agent’s skill and facilitating circumstances are required for a successful outcome” (Malle, 2003,p.7). For example, a single breadwinner for a family may be dissatisfied with his/her job, not committed to the organization, and have the intention to quit the job, but he may not be able to actually quit the job unless he has an alternative job offer from another company.

Enabling factors are recognized after the action is completed (Malle, 2003). Other studies conducted by Malle et al (2000) indicate that when people give explanations of intentional behavior, their choice of explanatory tools reflects particular impression-management goals, and that when people encounter explanations expressed by others, they rely on specific explanatory features to draw conclusions about the explainer's attitudes. "We have argued that people's folk explanations of behavior are grounded in a more sophisticated conceptual framework than traditional attribution theories suggest." (Malle et al, 2000, p.323)

White (2003) stated that, "causes and effects tend to covary, so it is not unlikely that covariation is an important cue to identifying covert casual mechanisms. In order to obtain a valid measure of causality, it is necessary to at least take into account the attribution made by other possible causes" (pp. 491-492). People do not perform conscious, laborious processing of information like covariation model. It represents a normative model of what should be done in ideal, controlled situations, instead of a descriptive model of attribution processing. (Ployhart & Harold, 2004) People perform attributional processing as a means to predict and control their goals, behavior, and emotions (Fiske & Taylor, 1991). This completes the review of attributions literature, the next literature review relates to auditors.

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Relevant Researches Relating to Auditors

Some work-related factors (e.g. pay, role clarity) and personal demographics (e.g. age, tenure, education, and marital status) have been associated with individuals' levels of job satisfaction. (Cotton and Turtle, 1986) Job satisfaction has been indicated to be an important predictor of voluntary personnel turnover (Arnold and Feldman, 1982).

Snead and Harrell (1991), conducted a study of 81 senior auditors employed by large public accounting firms, only 38 individuals or 47 percent provided usable responses. The research examined the relationships between several psychological factors and the job satisfaction of senior auditors. They stated that, "senior auditors with high achievement motivation, experience reduced levels of undesirable work stress and consequently experience higher levels of job satisfaction" (p.93). However, this study has its limitations, including very small sample size, use of convenience sampling rather than random sampling, and the subjects are senior auditors in public accounting instead of internal auditors.

Wolk (1992) conducted a research about external audit staff attributions for performance and the implications for turnover. She mailed 345 questionnaires to audit staff in public accounting firms and received back 167 questionnaires, out of which five were unusable. Regression analysis and structural equation modeling were used for data analysis. The research concluded among other things that staff auditors who attribute their success to stable internal causes tend to have higher levels of job satisfaction and they are less likely to intend to leave the firm. The study also concluded that auditors seem more motivated by their attributions for success than their attributions for failure. Therefore, she suggested that positive feedback is better than negative feedback for staff retention purposes. The sample used for this study was a convenient sample of three out of the (then) Big 6 accounting firms and one regional audit firm. The result therefore, may not be applicable to all external audit staffs. The study did not cover all the

factors relevant to turnover decision, and we are not sure whether or not each subject understood proper classification of attributions before doing it in the questionnaire.

Quarles (1994) conducted a study of the effect of promotion opportunities and the evaluation criteria used, on internal auditor turnover, job satisfaction, and organizational commitment. “In the case of internal auditors Harrell, Chewing and Taylor (1986) report that organizational commitment has a direct positive affect on job satisfaction but no direct effect on turnover intentions” (p.178). Gregson, 1990; Harrell and Stahl, 1984; Snead and Harrell, 1991; conducted studies of accountants in both public accounting and in industry and consistently reported the presence of an inverse relationship between job satisfaction and turnover intent. Harrell et al (1986) reported a significant direct inverse relationship between job satisfaction and turnover intent of internal auditors. “Some of the attributes and factors which affect commitment, job satisfaction and turnover intentions are personal in nature (e.g. age, tenure, education level) and can be altered and affected only slightly if at all by any organizational actions. Other attributes and factors affecting these outcomes, however, may be related to policies, procedures, and structures which are under direct organizational control” (Quarles, 1994, p.179). Career development and satisfaction with career paths also have significant effect on organization commitment and job satisfaction of employees (Super and Minor, 1987).

According to Quarles (1994), an individual who is dissatisfied with the promotion opportunities afforded him or her in the internal audit function could exhibit behaviors and outcomes such as decreased commitment, reduced satisfaction with the job, and intention to leave internal audit. Unfairness in evaluation criteria used for promotion may also contribute to reduced commitment, job dissatisfaction and intention to leave the organization. Gregson (1992) in his study of accountants preferred a causal ordering where job satisfaction is an antecedent variable to organizational commitment; whereas Harrell et al (1986), preferred that organizational commitment be viewed as an antecedent of job satisfaction. Treating the relationship between job satisfaction and organizational commitment as bi-directional will recognize both of these views. Quarles (1994) mailed out 359 questionnaires to members of three chapters of Institute of Internal Auditors (IIA); 223 were returned, and only 126 of the returned are internal auditors that could be used for the study. Based on data analysis using regression and path analysis he noted a direct inverse relationship between job satisfaction and turnover intentions, and that job satisfaction is directly affected by organizational commitment. He also observed that organizational commitment has an indirect effect on turnover intentions of internal auditors. A limitation of the study was that random sampling was not used. He stated in his conclusion and implication section that improved job satisfaction and reduced turnover intentions would result in more effective internal audit function, which could be more reliable for external auditors and result in reduced audit fees paid to public accountants by the organization. The study was conducted prior to enactment of SOX 2002.

Larson (1997) conducted research relating to internal auditors job-related stress, job burnout, job dissatisfaction, and turnover intentions. She mailed questionnaires to a national sample of 1500 internal auditors who were members of the American Institute of Certified Public Accountants (AICPA). The study examined the relationship among job stress, burnout, job dissatisfaction, job-related self-esteem and intention to quit. It also identified differences in these relationships due to auditors' position, gender, number of years in the profession, and size of the internal audit

department. Correlations analysis of variances, and structural equation modeling were used for data analysis. The study concluded that: job stressors were positively related to job burnout, job dissatisfaction, and turnover intentions; job burnout and job dissatisfaction were positively related to each other; and job-related self-esteem was negatively related to job stressors, job burnout, job dissatisfaction, and turnover intentions. Managers were less stressed than other groups of internal auditors and had significantly higher self-esteem scores. Women's burnout and intent to leave internal audit scores were higher significantly than men's scores. Auditors working in internal audit department with 15 or more internal audit staff had significantly higher reported stress levels and significantly higher job dissatisfaction, job burnout and intention to quit. The use of self-report instrument presents participants with tendency for self-serving bias. The sample may be biased because only internal auditors who are members of AICPA were sampled. The study did not use actual turnover information.

Colbert and Kwon (2000) conducted research on internal auditors of colleges and universities. The purpose of the study was to develop a list of variables related to the organizational commitment of college and university internal auditors, using variables identified by past researches conducted on other professionals. They noted that internal auditors are unique type of employees because they do not have authority over company operations. Therefore, auditors rely on management support to effectively discharge their duties within the organization. Survey instruments were mailed to 497 college and university internal auditors who were members of the Association of College and University Auditors (ACUA). Four follow-up e-mail reminders were sent to each recipient to maximize the return rate. Only 248 completed usable questionnaires were returned, giving a response rate of about 50 percent. Multiple Linear Regression Model analysis was used for data analysis. Organizational commitment was the dependent variable, and three sets of variables were used as the independent variables: job characteristics, organizational characteristics, and demographic information. "The standardized regression coefficients indicate that among several independent variables, organizational dependability and instrumental communication seem to have the largest impact on the dependent variable" (Colbert & Kwon, 2000, p.491).

The study disclosed a negative relationship between job feedback and organizational commitment, which may be due to use of mostly negative feedback style. Good perception of the organization by employees and positive attitude of other employees towards the organization enhance organizational commitment.

"While some of the findings in this study confirm the relationships found in other studies, other findings show that the variables that impact the organizational commitment of internal auditors in colleges and universities differ from the findings for other professions. Gender and organizational tenure were the only demographic variables that were significantly related to organizational commitment in this study. Relationships found in past studies between organizational commitment and age (Sommer et al., 1996; Mathieu and Zajac, 1990), level of education (Steers, 1977; Mathieu and Zajac, 1990), organizational type (Zeffane, 1994; Bourantas and Papalexandris, 1992) was not found to be significant for internal auditors. The insignificant relationship between organization size and organizational commitment did, however, confirm the finding from Mathieu and Zajac's (1990) meta-analysis. The organizational commitment of females was higher

than that of males. This may be explained by differences in perceived alternate employment opportunities.” (Colbert & Kwon, 2000, p.497)

This study indicated that when employees perceive that they are valued by the organization and that the organization is dependable, they show increased commitment levels. Also, improved communication and adequate promotion opportunities may also increase employees’ commitments to the organization. The limitation of the study was that it was conducted using only internal auditors in not-for-profit organizations.

Williams (2003) conducted a study of how outsourcing, which usually results in layoffs, impacts the turnover intentions of the remaining internal auditors. The study proposed that outsourcing creates some job insecurity, which could result in undesirable changes in commitment and higher turnover intentions. She noted that compared to other accounting professionals, research examining internal auditors’ behavior is relatively scarce. The research question for the study was: “How does outsourcing impact the turnover intentions of internal auditors?”(p.4). The study stated that, “Mone (1994) discusses negative attitudes of survivors: increased job insecurity, fear, stress, burnout, lower self-confidence and self-esteem, reduced job satisfaction, and lower commitment to the organization” (p.22). The survey instrument used for this study contained measurements used and validated in prior research. Six hundred companies were randomly selected for survey from a database of the largest 1000 U. S. companies and only 109 companies responded. The instrument consisted of 21 items that assessed the respondent’s attitudes about job insecurity, professional commitment, and turnover intentions. Structural equation modeling was used for the research analysis to determine how well the data fit the theoretical model. The study concluded that internal auditors did not show elevated levels of job insecurity and stated that the newly promulgated SOX 2002 may have given them a greater sense of security; because the act prohibits the company’s external auditors from rendering internal audit services to the company if it is a registered company with the New York Stock Exchange. The study also concluded that, “job insecurity is significantly associated with professional commitment, organizational commitment, and turnover intentions. The accounting and organizational behavior literatures consistently find significant, negative relationships between job insecurity and organizational commitment (Ashford, Lee, & Bobko; 1989, Bryington and Johnston; 1991, Ameen et al; 1995, and Rosenblatt and Ruvio; 1996). The results of this study were consistent with the prior research” (Williams, 2003, p.62).

The total surveys received from the 109 companies for this study was 206, this sample size is very close to the minimum required sample size for use of structural equation modeling.

Kwon and Banks (2004), conducted research to uncover factors that lead to professional and organizational commitment of internal auditors. They stated that prior research indicated that organizational commitment of professionals leads to key outcomes such as decreased turnover (Porter et al, 1974), higher motivation (Farrell and Rushbult, 1981) higher organization citizenship behavior (Anderson and Balzer, 1991), and organizational support (Eisenberger et al, 1990). Kwon and Banks, used survey instruments to measure organizational commitment, professional commitment, and three control factors (job characteristics, organizational characteristics, and professional characteristics); also the survey instrument captured several demographic variables. Five hundred survey instruments were sent to internal auditors who were

members of the St. Louis Chapter of IIA, with three subsequent reminder e-mails. Only 145 usable surveys or 29 percent were returned. Twelve additional surveys were sent to known non-responders to test non-response bias and all 12 useable surveys were returned, and content analysis showed no bias between the two groups.

Organizational commitment was used as a dependent variable and four sets of variables were used as the independent variables: job characteristics, organizational characteristics, professional characteristics, and demographic information. Multiple linear regression models were used for data analysis. They noted that respondents in the services sector seems to have lower level of commitment than those in manufacturing sectors, and that certified internal auditors appear to have less commitment. Organizational dependability, promotional opportunity and instrumental communication all appear to be significantly related positively to organizational commitment. The research also concluded that skill variety had a significant positive relationship with organizational commitment, which is in line with conclusion in other studies (Dunham et al., 1994; Bhuian et al., 1996). However, feedback, and other job characteristics, had a significant negative relationship with organizational commitment, which is contrary to the result found by Dunham et al (1994). This may be due to negative feedback usually received by internal auditors. Total surveys used for the study is 157, therefore, care must be exercised before generalizing its findings to real-life situations.

Summary of Literature Review

The research literature reviewed in this chapter advanced several conclusions, including:

- Heider (1958) stated that individuals place great importance on protecting their own self-esteem, in explaining the causality of events.
- Kent and Martinko (1995a) and Weiner (1985&1986) stated that causal dimension (locus of causality, controllability, and stability) is the key to expectancies of future occurrences and is therefore, the most important element in the use of attribution process to predict behaviors. *This was an important concept to the framework formulation for this research.*
- Frank and Gilovich (1989) stated that the perspective that a person adopts in remembering an event is a determinant of the attributions the he makes for that event.
- Malle et al. (2000) stated that enabling factors facilitates an intention to become an actual behavior. *This was important to the research framework formulation.*
- Snead and Harrell (1991) stated that senior auditors with high achievement motivation experience, has reduced level of undesirable work stress, and consequently has higher levels of job satisfaction.
- Quarles (1994) stated that unfairness in evaluation criteria or dissatisfaction with promotion opportunities by an internal auditor could lead to decreased organizational commitment, reduced job satisfaction, and intention to quit. *This was very relevant to this research.*
- Larson (1997) stated that job stressors were positively related to burnout, job dissatisfaction, and turnover intentions.
- Williams (2003) concluded that job insecurity is significantly associated with professional commitment, organizational commitment, and turnover intentions.

- Porter et al. (1974) concluded that organizational commitment was the key variable differentiating stayers from leavers, and that the next important variable in this regard is job satisfaction.

The next chapter presents the conceptual framework based on the literature review. The chapter also includes the formulation of the hypotheses to be tested; and discusses the methodology for the research, including the research instrument.

Chapter 3

RESEARCH FRAMEWORK, HYPOTHESES, AND METHODOLOGY

This chapter includes: development of conceptual framework, formulation of hypothesis to be tested, and explanation of the research methodology.

Conceptual Framework Development

The literature review in chapter 2 indicated relevant concepts and elements to unravel the phenomenon of dissatisfaction or satisfaction of internal auditors. The review also indicated that the traditional model of turnover did not provide all the reasons behind voluntary turnover; therefore, other models such as embeddedness model, and unfolding model were advanced to augment the traditional model. A general illustration of the voluntary turnover phenomenon based on aggregation of popular models could be as shown in Figure 6 below:

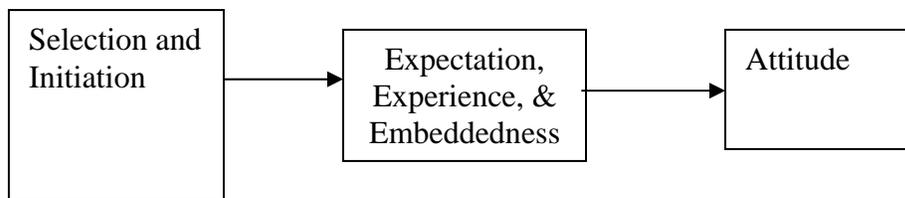


Figure 6
A Model of Possible Sources of Employees' Attitude

The diagram shows the path to changes in attitude. In this illustration, the *selection and initiation* refer to the search, selection, employment, induction, and orientation of suitable employees by an organization. The *expectation, experience, and embeddedness* refer to the worker's expectations, perceptions, attributions or cognitive structure, his or her experience at work, and the embeddedness of the employee inside and outside of the organization. The *attitude* refers to the levels of job satisfaction and organizational commitment experienced by the employee while employed.

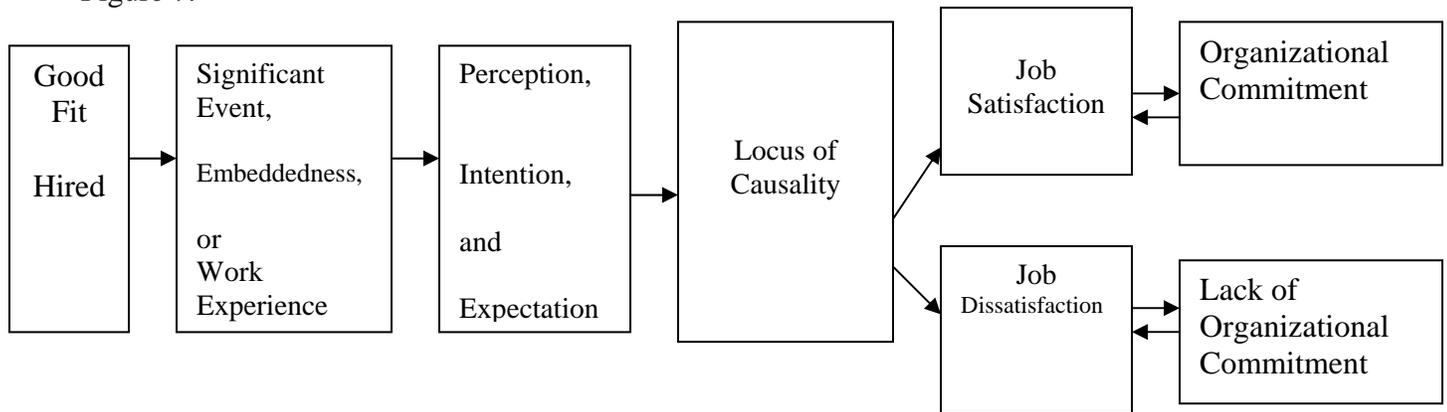
The conceptual framework for this study was a detailed-magnification of the hybrid model illustrated in Figure 8 above. Based on the goal initially set out in this research - to use attribution theory to shed more light on the locus of causality of internal auditor's dissatisfaction or satisfaction post-SOX 2002 - there was a need to combine the Weiner's attributional dimension model, and Malle's models of enabling factor, with three popular models of voluntary turnover to create the conceptual framework.

People use the attribution process to determine the specific causes of an event or feeling. Underlying the specific reasons given by an individual for an event or feeling is the

attributional dimension, which represents the person’s cognitive structure, shapes his or her expectancies and influences his or her behavior (Martinko, 1995a).

The thrust of the traditional model of job turnover is that job dissatisfaction and lack of organizational commitments (both generally referred to as attitude) causes voluntary turnover (Porter et. al., 1974, Harrell et al., 1986; Quarles, 1994; Ameen et al., 1995). Although, both job satisfaction and organizational commitment represent employee’s feelings towards the employer, each has different characteristics. Job satisfaction is short-term and specific whereas organizational commitment is long-term and general. “As an attitude, commitment is distinguished from job satisfaction in that the former is an affective response to the whole organization, whereas the latter represents an affective response to specific aspects of the job” (Williams and Hazer, 1986, p.219). Both job satisfaction and organizational commitment are included in the conceptual framework.

Based on the foregoing discussion, the conceptual framework for this study is illustrated in Figure 7.



Legend:

————> Expected Activity

Figure 7
Locus of Causality for Internal Auditors Dissatisfaction or Satisfaction:
A Conceptual Framework

The research focused on the relationship between Locus of Causality (as a form of attributional dimension) and job satisfaction of internal auditors. It also studied the relationship between job satisfaction and organizational commitment. The selected variables studied can be represented diagrammatically as below:

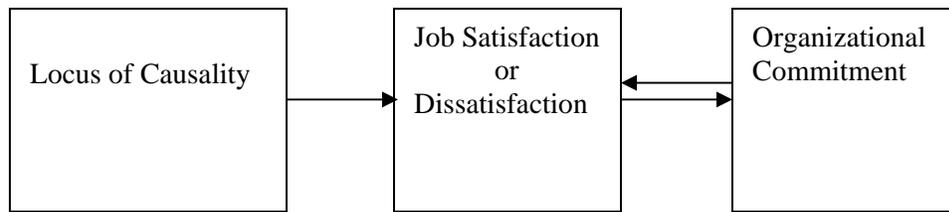


Figure 8
The Variables Studied in the Research

The Research Questions

The goal of this research is mainly to answer the question “What is the locus of causality of internal auditors’ satisfaction?” The goal of this study was to make contributions towards the answering of that question. Relevant variables from the conceptual framework were selected based on the literature review, and they were tested for relevance to the process of voluntary external turnover of internal auditors (see Figure 10 above). Similarly, the hypotheses formulation addressed key relationships involving these selected variables. This study attempted to answer the following specific questions:

- Is the job satisfaction of internal auditors related to the work environment?
- Is the job dissatisfaction of internal auditors related to the work environment?
- Is there a relationship between job satisfaction and organizational commitment?

These questions served as basis for the formulation of hypotheses for the research.

The hypotheses for the study were classified into three groups:

1. Attributional dimension and employee attitude hypotheses.
2. Employee attitude and voluntary turnover hypotheses.
3. External alternatives and voluntary turnover hypothesis.

The first group of hypotheses explores relationship between attributional dimension and job satisfaction. Attributional processing is a fundamental and pervasive component of everyday social cognition, which determines consequent human behavior (Friske & Taylor, 1991; Forstelling, 2001; Ployhart & Harold, 2004). Causal dimensions more than the specific attributional explanations influence expectations and attitude (Martinko and Gardner, 1982; Weiner, 1986). The control dimension is correlated with job satisfaction (Kent and Martinko, 1995a). An individuals’ attribution for the cause of an effect serves as basis for reaction to bring about a desired result (Kelly, 1973; Moore, 2000). Consistent with these prior studies, the following hypotheses were developed:

H1 – Positive experience at work, attributed to a stable work environment, will be positively related to job satisfaction.

H2 – Negative experience at work, attributed to stable work environment, will be inversely related to job satisfaction.

H3 - There is a positive relationship between job satisfaction and organizational commitment.

Research Methodology

The research was a quantitative study using an opinion survey instrument. A pilot testing was conducted in February 2009 using 50 members of Institute of Internal Auditors (IIA), Saint Louis Chapter. Out of the 50 surveys 28 were returned, which is equivalent to a response rate of 56 percent. The response rate was high because it was placed on the letter-headed paper of Saint Louis Chapter of IIA, and the Chairperson of the Chapter's Research Committee was the person that sent the survey out electronically and received them back. The review of the pre-test survey confirmed that the respondents understood the questions and the internal consistency of the instrument was acceptable.

In March 2009, e-mail solicitations were sent by Global Audit Information Network (GAIN), the premier benchmarking program of IIA. Two weeks was allowed for response to the survey. Four thousand internal auditors, who are members of the Institute of Internal Auditors (IIA) in USA, were solicited. Their responses were analyzed to test the research hypotheses. The instrument contained many questions used and validated in prior studies. The sample population consisted of all currently registered members of IIA in USA. The sample for the study is 4,000 of IIA members world-wide selected at random from the membership list using random numbers. Confidentiality of the responses were promised and assured. Responses to the questionnaires were e-mailed directly to the researcher.

The self-reporter has greater access to information about less observable types of acts including internal processes, than do observers (Funder, 1980). Therefore, the information collection for the study was based on self-reporting because attribution for job satisfaction is internal processing. The research minimized errors of self-serving bias by perusing each returned questionnaire and discarding unreasonable ones. Although, the survey instrument used for pilot testing was based on 5 point Likert scale of agreement, the instrument used for the real survey was based on 7 point Likert scale of agreement, due to GAIN's preference.

The Measures

The GAIN survey instrument was an eleven-page, letter-size document divided into 15 questions. The cover letter for the survey is provided in Appendix 1a whereas the instrument is provided in Appendix 1b. Question 1 of the instrument asked, "Have you changed jobs within the last five years?" Question 2 requested the respondent to indicate level of agreement with this statement: "The U. S. Sarbanes-Oxley Act of 2002 created more jobs for internal auditors." Questions 3 and 3a, were for internal auditors that changed jobs during the last five years. Question 3 was an open ended question which asked these auditors to state the three main reasons they left voluntarily. Question 3a, was made up of 19 items as detailed below.

Items number one to four related to Attributional Dimension (locus of causality) and job satisfaction. They were adapted and modified from Kent and Martinko, 1995b. Item 1 stated that, "Most of the positive experiences, which led to my satisfaction in the last internal audit job I left, was due to my personal effort and ability." Item 2 stated that, "Most of the positive experiences, which led to my satisfaction in the last internal audit job I left, was due to stable work environment including coworkers and supervisor." Item 3 stated that, "Most of the negative experiences, which led to my dissatisfaction in the last internal audit job that I left, was due to my personal characteristics, which I could not change." Item 4 stated that, "Most of the negative experiences, which led to my dissatisfaction in the last internal audit job that I quit was due to the stable work environment beyond my control."

Items 5 to 10 related to Job Satisfaction, and they were adapted from Job Satisfaction Index developed by Schriesheim and Tsui. They were reliable with coefficient alpha of 0.78 (Tsui et al., 1992). Item 5 stated that, "I was satisfied with the nature of the last job that I quit." Item 6 stated that, "I was satisfied with my supervisor in the last job that I quit." Item 7 stated that, "I was satisfied with my relations with co-workers and peers before I quit." Item 8 stated that, "I was satisfied with pay that I received at the last job that I quit." Item 9 stated that, "I was satisfied with the performance evaluation process and promotion opportunities." Item 10 stated that, "Overall, I was satisfied with the last job that I voluntarily quit."

Items 11 to 16 related to Organizational Commitment and are adapted from Marsden et al., (1993). They were reliable with coefficient alpha of 0.78. Item 11 stated that, "I was willing to work harder than usual to help the organization." Item 12 stated that, "I felt very strong loyalty to the organization before I quit." Item 13 stated that, "I would have taken almost any job to keep working for the organization." Item 14 stated that, "I found that my values were very similar to the organization's values." Item 15 stated that, "I was proud to be working for the organization." Item 16 stated that, "I would have turned down another job for more pay in order to stay with the organization."

Items 17 to 19 related to the Availability of External Alternative Opportunities. They were adapted and modified from Gerhart (1990) and Lee et al. (1999). Item 17 stated that, "I voluntarily quit my last internal audit job because I had another alternative outside." Item 18 stated that, "I had another job offer in hand before voluntarily leaving my last internal audit job." Item 19 stated that, "I would not have left the last internal audit job voluntarily, without another job offer." Twelve out of 19 questions in this section have already been rated acceptable in reliability with coefficient alpha of 0.78. The responses to questions 3 and 3a, were analyzed to test the hypotheses formulated for the research.

Questions 4 and 4a, applies to the internal auditors that have not changed jobs in the last five years. Question 4 was an open-ended statement; it states that, "The three main reasons why I stayed in my job for the last five years are-." Question 4a, comprised of two statements that were modified from Lance (1991). Item 1 stated that, "Even with the recession in the economy now, I can still find an acceptable job alternative within the next twelve months." Item 2 stated that, "No matter my level of dissatisfaction with my job, I would not quit voluntarily until I get another job." Questions 5 to 15 were demographic questions (see details on Appendix 1b). Responses to questions one to four were analyzed to provide insight into why some internal

auditors changed jobs and why some remained with their company. The survey instrument was intended to support multiple research efforts.

The constructs of interest on the survey instrument relating to the hypotheses were: locus of causality and job satisfaction; job satisfaction and turnover; organizational commitment and turnover; availability of external alternative opportunities and turnover. The analyses relevant to this research can be classified into two; *(I)*. Relationship between job satisfaction and locus of causality; *(II)*. Association between job satisfaction and organizational commitment. Descriptive statistics, parametric test of difference of means, correlation, and analysis of variances (ANOVA), were used for data analysis of the survey responses.

Validity and Reliability

Validity relates to whether the survey instrument measured what we think we are measuring (Kerlinger and Lee, 2000). Content validity refers to the representativeness of the content of the measuring instrument (Kerlinger and Lee, 2000). The literature review for this study identified several variables relevant to voluntary turnover of Internal Auditors some of which we have now tested with the survey instrument.

Reliability refers to the accuracy or consistency of the survey instrument. It is a measure of the ability of a particular technique to consistently yield the same result when applied repeatedly to the same object (Babbie, 2001; and Pollard, 2004). To ensure reliability of the survey instrument, a pretest of the instrument was conducted using 50 members of the IIA Saint Louis Chapter and the result showed that the instrument has an acceptable level of reliability. The Statistical Package for Social Sciences (SPSS) software was used for analysis and presentation of the results, which is included in Chapter 4.

Chapter 4

RESULTS, DATA ANALYSIS, AND DISCUSSION

This chapter presents the survey results, data analysis, and interpretation of the data.

Results

The Global Audit Information Network (GAIN), the IIA's premier benchmarking program, sent out 4,000 e-mail invitations to internal auditors world-wide to participate in the survey for this research. However, 236 of the invitations were returned undelivered due to invalid e-mail addresses. The total response received was 360 (9.6% response rate). This response rate is close to the 10% response rate usually experienced in surveys of professionals when company management is not involved in the administration of the survey. The breakdown of the survey responses can be tabulated as in table 1 below:

<u>Description</u>	<u>Number</u>
Total invitations sent world-wide	4,000
Number of invitations returned undeliverable	236
Total responses world-wide	360 (9.6%)
Number of responses from USA	308
Number of responses from other countries	52

Table 1
Breakdown of Survey Respondents by Location

Only the 308 US respondents as shown in Table 1 above were used for the research. The survey was anonymous; therefore, the ability to follow-up with non-responders was limited.

The USA respondents can also be classified as shown in Table 2 below:

<u>Job Title</u>	<u>Number</u>	<u>Percent</u>
Chief Audit Executive	136	44.2
Audit Director	65	21.1
Audit Manager	58	18.8
Risk Management	1	0.3
Management Consultant	2	0.6
Audit Staff	31	10.1
Others	15	4.9
Total	308	100.0

Table 2
Respondents by Job Title

Table 2 revealed that about 65 percent of the USA respondents are Chief Audit Executives or Audit Directors. The survey summary also indicated that 50 percent of all the respondents from USA work in publicly listed companies. Only the internal auditors that left a job voluntarily within the last five years were required to complete the part of the instrument directly related to the hypotheses; that is, the locus of causality, the job satisfaction, the organization commitment and the availability of alternative jobs.

The psychometric qualities of the survey instrument appear to be acceptable. It has six variables measuring the job satisfaction of internal auditors who left one job voluntarily for another. The reliability (a measure of internal consistency) of these job satisfaction variables reveals a Cronbach's Alpha of .76, which seems acceptable. The instrument also has six variables measuring the organizational commitment of internal auditors who left one job voluntarily for another. The reliability of the internal consistency of these organizational commitment variables shows a Cronbach's Alpha of .78 which also seems acceptable. The instrument contained three variables measuring the influence of the availability of alternative jobs on the internal auditors that left one job voluntarily for another. The reliability of internal consistency of the alternative jobs variables is .75.

Data Analysis

The frequency outcome of the relevant variables based on the response to the survey instrument is as follows:

Eighty-one percent of respondents agree that SOX created more jobs for internal auditors. This is consistent with the general feeling of members of the profession.

Locus of Causality Variables

Eighty-five percent of the respondents agree that most of the positive experiences leading to satisfaction were due to personal effort and ability. However, 65 percent of the respondents also agree that most of the positive experiences leading to satisfaction were due to stable work environment, including coworkers and supervisors. Only 18 percent of respondents agree that most of the negative experiences leading to dissatisfaction were due to personal characteristics. However, 62 percent of respondents agree that most of the negative experiences leading to dissatisfaction were due to the work environment beyond their personal control.

Job Satisfaction Variables

Sixty-six percent of respondents agree that they were satisfied with the nature of job. Only 52 percent were satisfied with their supervisor before they resigned. Eighty-eight percent were satisfied with coworkers. Sixty-eight percent were satisfied with their salary before they left the job voluntarily. Merely, 45 percent were satisfied with the performance evaluation and promotion opportunities at the job they left voluntarily. Overall, 60 percent of the internal auditors that left voluntarily indicated that they were satisfied before they left.

Organizational Commitment Variables

Ninety-three percent of the internal auditors that left the job voluntarily agree that they were willing to work harder than usual for the organization. Seventy-four percent of them felt strong

loyalty toward the organization before they left voluntarily. However, only 15 percent of the voluntary leavers agree that they would have taken almost any job to keep working for the organization. Sixty-one percent of them agree that their values were similar to those of the company they left voluntarily. Seventy-six percent of them agree that they were proud to work for the organization they left. Only 20 percent of the respondents agree that they would have turned down another job for more pay to stay with the organization.

Discussion

About 81 percent of the members of IIA who responded to our survey in USA agreed that SOX created more jobs for internal auditors. The mean of their response was 5.6 which approximates 6 on Likert scale of 1 to 7 (1-strongly disagree and 7-strongly agree). This mean score was equivalent to the respondents agreeing to the variable. The z score for this variable was 12.1, which showed that the respondents agreed to the question at over 99 percent confidence level. This analysis implied that the 308 internal auditors who responded to our survey in the USA significantly agreed that the SOX legislation, which was enacted in 2002, contributed to an increase in demand for internal auditors over the past five years. During this period, it was challenging for many companies to retain internal auditors or recruit additional internal audit staff (McDonald, 2006). The purpose of this research was to discover the locus of causality of internal auditors relating to job satisfaction; and to identify the main reason(s) for the turnover of internal auditors within the last five years. The outcome of the research should help management to exert more control over the voluntary turnover of internal auditors.

Inferential Analysis for Locus of Causality

There were four statements on the survey instrument relating to locus of causality. The first statement was about positive experiences due to self effort leading to satisfaction. The mean for this statement was 5.8, and the z score is 8.3. This implied that the respondents agreed to this statement at 99 percent confidence level. The second statement was about positive experiences due to actions of others leading to satisfaction. The mean for this statement was 4.7 and the z score was 3.0. This implied that the respondents agreed to this statement at 99 percent confidence level. The third statement related to negative experiences at work due to self leading to dissatisfaction. The mean for this statement is 2.7 and the z score was -6.4, which implied that the respondents did not agree with this statement. The fourth statement relates to negative experiences due to action of others causing dissatisfaction. The mean for this statement is 4.7 with a z score of 3.0. This implied that the respondents agreed to this statement at 99 percent confidence level. Detail statistical parameters relating to these four questions are provided in Table 3 below:

Statistical Parameters	Positive experience at work due to self	Positive experience at work due to others	Negative experience at work due to self	Negative experience at work due to others
Valid N	125	124	120	120
Mean	5.800	4.653	2.592	4.658
Median	6.000	5.000	2.000	6.000
Mode	6.0	6.0	1.0	7.0
Std. Deviation	1.2115	1.8170	1.7174	2.2247
Z score	8.30	3.01	-6.37	2.98
Std. Error	.217	.217	.221	.221

Table 3
Statistical Parameters for Locus of Causality Variables

Hypothesis Testing

The first hypothesis in the study was that: Work related positive experiences attributed to a stable work environment, will be positively related to job satisfaction. If this hypothesis was acceptable, there should be a significant correlation between the positive experiences of an internal auditor attributed to the acts of other people at work, and the overall satisfaction of the internal auditor. Similarly, the second hypothesis was that: Work related negative experiences, attributed to a stable work environment, will be inversely related to job satisfaction. If this hypothesis was acceptable, there should be a significant inverse correlation between negative experiences of an internal auditor that were attributed to the acts of other people at work, and the overall satisfaction of the internal auditor. To verify these two hypotheses, the responses to the four variables on the survey instrument about the locus of causality were correlated against the responses to the variable on the survey instrument about the overall job satisfaction.

The correlations are shown in the Table 4 below:

Correlation Parameters	Positive experience at work due to self	Positive experience at work due to others	Negative experience at work due to self	Negative experience at work due to others
Pearson Correlation	-.178	.498*	.019	-.327*
Significant (2-tailed)	.048	.000	.840	.000
Number of items	123	122	118	118

*Correlation is significant at the 0.01 level.

Table 4
Correlations of Locus of Causality Variables with Overall Satisfaction

Table 4 above showed that there is a correlation between positive experiences at work due to others and the overall job satisfaction of those internal auditors who left voluntarily, with a correlation coefficient r of 0.498, at a 99 percent confidence level. This result indicated that hypothesis H_1 is accepted. The table also shows that there is a correlation between negative experiences at work due to others and the overall job satisfaction of internal auditors who left voluntarily. The relationship had a correlation coefficient r of -0.327 at a 99 percent confidence level. This result indicated that hypothesis H_2 is accepted.

The research also indicated a correlation between job satisfaction and organizational commitment; this is shown in Table 5 below.

Attitudinal Variables	Correlation Parameters	Overall, I was satisfied with the job I quit voluntarily	I felt strong loyalty for the organization before I quit
Overall, I was satisfied with the job I quit voluntarily	Pearson Correlation	1	.438(**)
	Sig. (2-tailed)		.000
	N	130	129
I felt strong loyalty for the organization before I quit	Pearson Correlation	.438(**)	1
	Sig. (2-tailed)	.000	
	N	129	131

** Correlation is significant at the 0.01 level (2-tailed).

Table 5
Correlation Between Organizational Commitment and Job Satisfaction

Table 5 above measured the strength of the linear relationship between organizational commitment's critical variable and job satisfaction's critical variable. Therefore, Hypothesis H_3 is acceptable. This correlation supported the finding in many research studies that there is a direct relationship between job satisfaction and organizational commitment (Harrell, 1990; Quarles, 1994). The next chapter includes the research conclusion and implications.

Chapter 5 CONCLUSIONS

Conclusions and Implications

The previous chapter contains the data analysis and discussion of the results. This chapter includes conclusions and implications, limitations and directions for future research. The aim of the research was to illuminate the thinking pattern of internal auditors relating to locus of causality for job satisfaction; and to verify any relationship between job satisfaction and organizational commitment. Three hypotheses were formulated for this research as follows:

- H₁ Positive work experience, attributed to a stable work environment, will be positively related to job satisfaction.
- H₂ Negative work experience, attributed to a stable work environment, will be inversely related to job satisfaction.
- H₃ There is a positive relationship between job satisfaction and organizational commitment.

The findings in the data analysis and discussion section relating to H₁ was that the positive experience due to others variable on the survey had a mean value of 5.8, which indicates that the respondents agree with this statement with a z score of 8.3; and the variable correlated to the overall job satisfaction variable at the 99% confidence level. Therefore, hypothesis H₁ was accepted. The mean of the negative experiences due to others variable relating to H₂ was 4.7, with a mode of 7.0, which indicated that the respondent agrees with the statement. The z score was 3.0; and the variable correlated negatively with the overall job satisfaction variable at a 99 percent confidence level. Thus, hypothesis H₂ was accepted.

There was a correlation of .438 between critical variable of job satisfaction and the critical variable of organizational commitment. In summary, hypotheses H₁, H₂, and H₃ were accepted.

Therefore, the research findings lead to the following conclusions:

- a) The job satisfaction or dissatisfaction of the internal auditors is related to the work environment including the actions of coworkers and supervisors.
- b) There is a positive relationship between job satisfaction and organizational commitment.

Therefore, the way an internal auditor is treated by other people within the organization may directly affect his or her job satisfaction or dissatisfaction. This research also found that a correlation exists between job satisfaction and organizational commitment; this is consistent with Harrell (1990), who found support for a reciprocal relationship between organizational commitment and job satisfaction.

Limitations

The sample breakdown and size should be considered before generalizing the result of this study. The survey response rate of about 10% may introduce some bias because it was not possible to follow-up with non-responders to evaluate whether or not there was a difference of opinion between responders as a group and non responders. The sample used for this research comprised of mainly internal auditors located in USA who changed jobs within the past five years and were members of IIA. The results should not be generalized too far beyond the relevant population used for the research. This research did not attempt to measure the periodic changes in attitude of internal auditors.

Direction for Future Research

A possible direction for future research is to evaluate the effect of the rotation of internal auditors into other functional positions within an organization, on job satisfaction and organizational commitment of internal auditors. Even during this period of recession and reduced employment opportunities, the findings of this research could still be used by management to promote functional turnover within the internal audit department. It could also help to reduce personnel cost and enhance productivity of the internal audit department by properly using the critical variables identified in this study. High quality internal auditors are still in demand (King, 2010), because SOX has drawn more attention to the internal audit function as a key element of corporate governance; and the present recession seems to have increased management's interest in the function as a means of increasing efficiency (Keizer, 2009).

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