Journal of Contemporary Business Issues

Vol. 25, No. 1 (2022)

Published by Western Illinois University
College of Business and Technology
Macomb, IL, USA

William J. Polley, Editor
J.Jobu Babin, Special Editor

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Published by Western Illinois University
College of Business and Technology
1 University Circle,
Macomb, IL, 61455-1390, USA

www.wiu.edu/cbt/jcbi

Established 1988
ISSN 1553-5347

Western Illinois University

Journal of Contemporary Business Issues
Vol. 25, No. 1 (2022)

IMMINENT CHANGES IN CORPORATE STRATEGIC FINANCIAL STRATEGIES: MILLENNIAL WOMEN AND THEIR STAKEHOLDER VALUE APPROACH

Tammy Rogers, University of Central Arkansas

Jack E. Tucci, Arkansas Tech University (retired)

Mark Ray Reavis, University of Central Arkansas*

Abstract: Corporate Social Responsibility has recently emerged as a bona fide strategic option globally. The growth of Corporate Social Responsibility was predicted in a seminal work, Millennials Rising, by Howe and Strauss in 2000. This paper builds on their earlier work through the discovery of emerging causal factors and changes in society. The combined changes in leadership and value anchoring by gender illuminates millennials' philosophy and attitudes as more strongly aligned with stakeholder theory than stockholder theory. The predicted millennial upheaval, as posited by Howe and Strauss, is evidenced by "strong belief statements" as interpreted by the raters in this study.

INTRODUCTION

Recent international research in corporate social responsibility (CSR) is expanding at a rapid rate (Ferrell, Thorne, & Ferrell, 2016) (Prutina, 2016) (Serban, 2015). It has focused on the dichotomy of the stakeholder approach versus the stockholder approach to responsibility to society (Reavis, Tucci, & St. Pierre 2017). Howe & Strauss' predictions regarding millennials, along with research since that time, show that what drives millennials is an ethical duty to re-engineer society and become change agents for society. A closer look at the data of a previous study reveals the views of millennials on this topic. Initially, data was analyzed to discover that millennials clearly have a strong leaning towards a stakeholder approach. A more fine-grained approach was performed in an effort to discover what factors play a larger part in the emergence of this phenomenon. It is commonly accepted in the literature that the drivers for CSR decisions stem from a value proposition (Ferrell et al., 2016) (Serban 2015). If this is generally accepted, then it stands that if there is an ascending generation whose values are significantly different than the current baby-boomers' values, it should be expected that a change in strategic direction would occur in the not too distant future.

*Corresponding Author: Mark Ray Reavis, Ph.D., University of Central Oklahoma, email: mreavis1@uco.edu.

LITERATURE REVIEW

Stockholder and Stakeholder Theory

In 1776, Adam Smith in *Wealth of Nations*, clearly illustrated that the stockholder of a business has the highest consideration in all business decisions made for that business because the stockholder is the owner of the business; risked the use of their property (money) for a period of time in consideration for the profit generated by the business (Smith & Rönnegard, 2016). Therefore, the stockholder, as owner, must receive the highest consideration when managers make business decisions because they are acting as agents of the owners. This theory further contends that the individual stockholder has the right to engage in social responsibility actions/behaviors. A business, on the other hand, does not have the right to engage in social responsibility actions/behaviors because to do so would divert the profits from the rightful owner to a "cause" the owner may or may not support (Smith & Rönnegard, 2016). This stockholder approach philosophy was strongly supported by Friedman (1970) when he stated, "there is one and only one social responsibility of business – to increase its profits so long as it stays within the rules of the game." Smith and Friedman acknowledge that a business cannot pursue profits at any cost but must deal with "externalities" or rules, and quantifiable analysis supports their position (Lopez, Garcia, and Rodriquez 2007). The rules Friedman refers to are the laws and ethical customs within which a firm operates.

The Stanford Research Institute defines "stakeholder" as "groups without whose support the organization would cease to exist" (Freeman, 1983). Stakeholder theory, as championed by Freeman came to be defined as "an identifiable group or person who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives" (Freeman, 1983). Documented evidence in the literature shows an increase in employee affective commitment when companies are engaged in CSR (Prutina, 2016). Stakeholder includes employees, suppliers, vendors, customers, creditors, government entities, resource communities, etc. (Post, Preston, Sachs, 2002). While these stakeholders are equal, they all are or may be affected by the business' operations, and the business is obligated to provide value to these various stakeholders to some degree at the expense of stockholder value (Rausch, 2011).

A firm's approach may change over time from a stockholder-centered approach to a more stakeholder-centered approach as the ethics within society change. This shift might also be described as movement from individualism to collectivism, with individualism being associated with a firm's ownership and collectivism being associated more generally with society. There are differences in ethics between societies and within society, ethics can change (Hofstede, 1980). Addressing the issue of why ethics change is beyond the scope of this research. Nevertheless, while the United States has historically viewed individualism as good and collectivism as bad, millennials, with their collectivist values and their stakeholder-oriented approach to CSR, appear to be changing ethical customs in the United States. From a millennial perspective, this means updating Friedman's famous quote from 'there is one and only one social responsibility of business – to increase its profit' to 'there is one and only one social responsibility of business – to increase benefit to society'. This millennial view update to Friedman's ideas provides some perspective for those in favor of CSR. There are benefits to the stakeholder approach that warrant attention (Aquilera, et.al. 2007).

Tools for Measuring the Stakeholder Approach

The balanced scorecard approach is a method of quantifying the results of business decisions in various identified areas in a semi-holistic approach. The scorecard can be used by a wide range of entities, from business to government to military to nonprofits and is said to be a planning and management tool to align activities with organizational goals and missions (Cokins, 2013). The Balanced Scorecard Institute (BSI) helps organizations with developing the scorecard for their organization; it developed a framework of nine steps organized around four core components: Customers/Stakeholders, Financial/Stewardship, Internal Processes, and Organizational Capacity (9 Steps to Success, 2017).

The Triple Bottom Line (TBL), another approach to measuring CSR, was mainstreamed by John Elkington's book (1997) *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. The concept is simple; along with the <u>Profit</u>-making operational decisions of a company, there are two other operational areas to address: <u>People</u> and <u>Planet</u>, also known as 3P. The key aspect is the sustainability of the business through performance in financial, social, and environmental areas (Slaper & Hall, 2011).

While there is still not a universal TBL, companies are finding that it is useful in showcasing their Corporate Social Responsibility initiatives; Proctor and Gamble, General Electric, Unilever, 3M, McDonalds, and others have provided TBL reports to the public (Slaper & Hall, 2011). Wilburn & Wilburn (2015) advise that a 2010 study showed that companies that have proof positive CSR programs enjoyed higher sales among global customers that were willing to pay more for their products.

A Certified B Corp is a company that has been certified by the independent, non-profit organization B Lab that co-founded in 2006 by three entrepreneurs (Honeyman, 2015). Their mission was to create a corporate entity that was both about maximizing wealth and positively impacting society and the environment. B Lab established a set of guidelines for businesses to be certified through a 4-step process. The first-step is to describe their public benefit they are pursuing. (B Lab, 2017). It could also be a specific public benefit that addresses such topics as unemployment, nutrition, education, etc. The second step is to assess their overall social and environmental impact using an accepted third-party standard for their industry that meets the criteria listed below (B Lab, 2017). The third step is to identify the company officer(s) who will ensure the company follows its stated goals for the company. B Lab specifically directs that the company's Benefit Director has a duty to consider the impact of business decisions on a variety of interests. B Lab's (2017) list of interests includes:

> *(i) the stockholders; (ii) the employees; (iii) customers; (iv) communities; (v) the local and global environment; (vi) the short-term and long-term interests of the benefit corporation, and (vii) the ability of the benefit corporation to accomplish its general public benefit purpose and any specific public benefit purpose.*

Finally, in the fourth step the company must name every person who owns more than five percent of the company. The benefits of B Lab certification include greater stockholder rights, reduction in director liability, access to increased private capital investment opportunities, greater and faster investor access while preserving the company's mission, attracting talent, a reputation for leadership, and a promise of what future Fortune 500 companies look like (B Lab, 2017). A study in 2015 of the forty-five original Certified B-Corps companies found that all made progress toward their stated goals, were profitable, and had published annual reports for greater transparency (Wilburn & Wilburn, 2015).

Legal challenges to Certified B-Corps emerged in September 2009 when eBay won a lawsuit against Craigslist that legally restated that the sole function of a business is to maximize stockholder wealth and that other considerations were always secondary to that maxim (Gilbert, 2010). Thus, one of B-Lab's first projects was to develop a legislative model for states that decide to add the Benefit Corporation as a business entity to their state's laws regarding the formation of business. As of 2019, thirty-four states and the District of Columbia have enacted Benefit Corporation legislation (Benefit Corporation, 2019). This legally allows the designated company to operate in a manner that does not require the company to pursue maximization of stockholder wealth at the expense of public benefit (El Khatib, 2015).

A primary issue is the lack of compliance provisions regulating Benefit Corporations. Most states with Benefit Corporation laws have no defined consequence for the corporation if it fails to meet its stated purpose benefits. Additionally, the company cannot be sued for failure to pursue or archive the intended benefit except by a stockholder, a director, or a person who owns more than five percent of the company – and then only under very specific circumstances (ABC Act, 2013). Unlike traditional for-profit corporations, Benefit Corporations (which are still in the business to make a profit) cannot be held accountable for business practices by stockholders unless there is a question of the company pursuing its stated benefit goals (Hacker, 2016). To address this issue, Hacker (2016) recommends supplementing the laws detailing that the states' Attorney General Offices be tasked with ensuring the compliance of Benefit Corporations with striving to meet their public benefit goals.

Lastly, the existence of B-Corps certification begins to create an illusion for consumers that they are automatically more socially responsible than traditional for-profit corporations. This perspective bias could theoretically create an unfair advantage much to the detriment of a traditional company. 'Greenwashing' is defined as "use of a public-relations-enhancing social purpose to fritter away money without oversight" (Solomon, 2015). Hacker (2016) and El Khatib (2015) both refer to greenwashing as using the labels that convey to the consumer the company is engaged in a public benefit when in actuality, it is just a complex marketing ploy and there is no substantive effort by the company or results from efforts to actually pursue the stated public benefit.

International CSR Issues

The CSR movement is growing internationally (Ferrell et al., 2016). In 2007, 45 companies became founding B Corps. These companies were all from Canada and the United States (Wilburn & Wilburn, 2015). As of March 2019, there were over 2,500 Certified B-Corps in 50 countries (B Lab, 2019).

One of the challenges to B-Corp Certification may be illustrated by Australian law. In Australia, directors are bound by a strict duty to do what is best for the company. As a result, considering the impact of business decisions on other stakeholders can be considered as a breach of fiduciary duty. Directors considering stakeholder concerns may find themselves subject to personal liability. Although Australian law does not prohibit corporations from considering social benefits, there is little emphasis on this and directors are generally not focused on stakeholder issues. Australia continues to struggle with an appropriate method for addressing the CSR issue (Achermann, Forde, & Ouzas, 2014).

India is completely on the opposite side of the CSR issue. In 2013, India passed the Indian Companies Act 2013, an amendment to India's laws governing corporations. This Act included a specific requirement for Indian companies to spend at least 2% of their average earnings on CSR activities. To be required to comply with this new law, a company in India must meet certain revenue and/or asset thresholds. To comply, a company may spend its earnings on such issues as hunger, poverty, education, child mortality, or maternal health (Hiralal, 2015).

In 2015, Italy became the first foreign nation to make Benefit Corporations legal entities; similar legislation is also being advocated in Australia, Argentina, Chile, Colombia and Canada (Benefit Corporation, 2019).

Corporate Social Responsibility and Millennials

This literature review has described relevant theory and practice with regard to CSR. This research seeks to add to the existing body of knowledge by providing evidence of millennials' philosophy and attitudes on CSR with a focus on gender differences. Millennials are the generation born approximately from 1982–2000. The exact dates are unclear, but the approximate range of early 1980's to about 2000 fits with most published estimates (McGlone, Spain, & McGlone, 2011). This generation will play an important role in CSR because they are very likely to significantly influence society toward a more stakeholder centered approach. Millennials are optimists, cooperative, and civic minded. They "will demand that employers adjust to the needs of workers who wish to build careers and families at the same time….Fair Play on pay and benefits will be at issue" (Howe & Strauss, 2000). Millennials will not only demand changes in the workplace that focus more on their needs instead of their employer's needs, they will also tend to seek out and buy "products that combine their focus on family….and community approval" (Howe & Strauss, 2000). Millennials are activists. They will seek to influence community, political, economic, and environmental issues (Howe & Strauss, 2000).

Millennials are largely misunderstood in the workplace today. They are often viewed as lazy, entitled, and never satisfied (Roker, 2017). Millennials have a different self-perception. They view themselves as ambitious, innovative, connected, and expressive. Millennials are “looking for things to support because we want to feel like we’re making a change in the world” (Roker, 2017). For millennials, actions are important. They seek to reward or punish corporations based on CSR involvement (McGlone et al., 2011).
Millennials also perceive that doing good is not enough, that authentic leadership is critical (Kim, et al., 2018). Authenticity is manifested by the internal controls to define the internal structure defining the roles and interactions within the firm. It is not doing good for external measures, it is doing good because it is what the organization is at its core. This is an effort to prevent the greenwashing evidenced by firms who in times past “marketed their deeds rather than their employees’ commitment to the ethos of adoption, hence authenticity”.

Millennials are likely to change the corporate culture as they move into positions of senior management and run their own companies. They seek more than profit. They want corporations to have a social conscience (Sharp, 2014). In 2017, millennials became the largest generation in the U.S. labor force constituting 35% of the total U.S. labor force (Arkansas Business, 2018). By 2025, they will make up well over half of the workforce. They will seek changes in society and they will have to power to effect change. They seek to advance societal welfare over individual success (Winograd & Hais, 2014). However, these demanded changes are not balanced. Prutina (2016) clearly illustrated that as individuals rise in position and authority and are engaged in CSR, organizational commitment increases. What remains to be seen, is why is this phenomenon is increasing? This paper supports that the rise of a “new” managerial class and the make-up of that class illuminates the force behind the change.

Millennial Women’s Path to Affecting Change

Millennial women are preparing themselves for leadership roles in business. They are committed to the organizations they work for, have been increasingly occupying c-suite offices and influencing corporate America by sitting on the boards of many larger companies. These facts demonstrate that women are poised to influence corporate strategies.

Enrollment of women in AACSB accredited business colleges has been on the rise. From 2010 to 2015, enrollment of women in these schools increased by 17% (Sholderer, 2017). Also, as of 2015, women constitute approximately 36.3% of AACSB MBA programs (McLeod, 2017). These facts demonstrate the increasing desire of women to prepare themselves not only for careers in business, but also for leadership positions during their careers.

Once millennial women obtain a position within a corporation, they see both a higher level of organizational commitment and commitment to their personal values than men do as they rise within the organization (Aggarwal, Dhaliwal, and Nobi, 2018). In addition, 47% of millennial women say they would like to pursue leadership within their organization and have a desire to occupy the ‘top job’ (Deloitte, 2015).

Workplace demographics are also supporting the transformation of American corporations as the baby-boomers age and as turnover increases. As women ascend the corporate ladder into executive leadership, the expected change will be in CSR commitment and strategy. The corresponding lower likelihood of being replaced as a corporate leader in uncertain times will entrench these new leaders into the social fabric of these corporations (Cooper, 2017).

The financial industry provides an interesting example of women increasing in leadership roles. In 2010, women occupied 18.6% of traditional c-suite positions in the financial industry. This increased by to 27.9% in 2019 (Rogish, Sandler, & Shemiuck, 2020). This is a 50% increase in just 10 years. Finally, considering that occupying a position as a Director is the ultimate example of shattering the glass ceiling, in 2011 women represented 16% of Fortune 500 board of directors positions according to Stefanco, 2017, and the Forte Foundation 2019 Impact Report states that 21.9% of the S&P 500 board members are women. Evolutionary factors such as increases in board diversity and changes in strategy are becoming the norm (Rao and Tilt, 2016; Marques-Mendes and Santos, 2016).

METHODOLOGY

In this Methodology section, the comments of millennial students from Business Finance classes during 2014-2018 were analyzed. The majority of the students' comments strongly identify with stakeholder theory versus stockholder theory. In their own words, shown below, students state how they feel about CSR:

> ** If the company is able, they should do what they can for their society.*
> ** I want to live in a world where we feel responsible for the bettering of other people.*
> ** The idea that a corporation does not owe anything to the community that it serves is unethical.*
> ** Social Responsibility is here to stay and for good reason.*
> ** The Social Responsibility that a company shows to their customers far outweighs any amount of profit.*
> ** America without social responsibility would not be America.*
> ** I believe it is in the best interest of the corporation to involve themselves in social responsibilities.*
> ** A company that values customers and the communities in which they serve is way more successful than the company with the largest profits.*
> ** Social responsibility should be embedded within every individual, member, group, organization, corporation, and governmental entity in our society to effectively make a change.*

After the initial analysis and following the publication of previous research on this topic, it was evident that at least one other factor in the data might provide better insight as to why/how the earlier results were significant. The data was broken down into component factors and analyzed for significance to either Stockholder or Stakeholder preference. Then, it became clear to the researchers, upon visual observation of the data, that a gender difference existed in the data.

Millennial students were selected for this study as appropriate to test the prediction that they would have a greater propensity to seek the common good, be more socially conscious, and take a more active role in society and politics which clearly follows the concepts of Corporate Social Responsibility than previous generations. To determine if Millennials' do have a heightened sense of CSR as reflected in a philosophy of "better for the common good" students attending a business class 2014 through 2018 were sampled. From 2014-2018, a total of ten semester's data was collected and analyzed from multiple universities, using the same discussion assignment to generate student comments. The sampling came in the form of a Blackboard discussion assignment to supplement both in-class and on-line education. The assignment was set so that the students' first comment was their philosophy and beliefs about the difference between the public Starbuck's corporate video which has high levels of stakeholder approach to corporate governance and compare that to a required reading from Milton Friedman where he presents the stockholder approach and focuses on the theory that the sole purpose of business is to increase its profits (Friedman, 1970). The Starbucks stakeholder philosophy can be summed up in a quote from Joseph Michelli (2007) from his book, *The Starbucks Experience*, in which he states, "The biggest story at Starbucks is that it's as much about people as it is about coffee" p. 11. Figure 1 shown below is an excerpt from the instructions for the class discussion assignment.

Figure 1: Discussion Board Instructions

To complete this assignment, you must:

- Read the Milton Friedman article, 'The Social Responsibility of Business is to Increase its Profits' – the article is posted below these Discussion Instructions.
- Watch the Video of the 2012 Starbucks Annual Stockholders Meeting – a link to the video is posted below the Friedman article.
- Enter the Discussion 'Corporate Social Responsibility' and post your discussion information based on the following:
    - Your First Post – should describe how you feel about the issue. Should corporations adhere to Friedman's philosophy or follow Starbucks' example regarding corporate social responsibility? Why?
    - Your Subsequent Posts – should respond to other posts from the class.

Blackboard was set-up so that the students were not allowed to read other students' posts without first stating their opinion/philosophy about their thoughts and values. Once the initial post was recorded and students were allowed to continue with the discussion, the discussion boards were archived for later evaluation. A review of the literature shows there is still widespread disagreement about what truly constitutes a Millennial. Students that met all the published standards and whose birth year fell within the commonly accepted timeframe of mid-1980's - 2000 were used. Students who were older or younger than that millennial age were eliminated. For this study, n=197. All of the initial comments were aggregated, and three copies were made and given to three raters. As always inter-rater reliability is an issue. The ICC3 test (also known as Cronbach's Alpha) was used to test the reliability of raters not only individually, but collectively as a group. The ICC3 score for the three raters used in this study was .9742 which is considered very high in reliability. On the cross-sectional scale comparing each of the overall averages of the raters, the averages were -.79, -.86, and -.83 respectively. Table 1 contains the results of both the Cronbach's Alpha test and the Pearson's r calculations for each pair comparison as well as the mean of the Pearson's r as is a commonly accepted measure of reliability between rater pairs.

Table 1: Inter-Rater Reliability Statistics

ICC3 and Pearson's r	Calculation Results
ICC3 (Cronbach's Alpha)	.9742
Pearson's 1&2	.89445
Pearson's 1&3	.94433
Pearson's 2&3	.94010
Mean Pearson's *r*	.926595

The researchers found no gender inter-rater bias in the analysis as this might have been a concern using multiple genders in the analysis. After individual ratings had been accumulated and input into a spreadsheet, a scatterplot of the data was evaluated to determine if there were any anomalies and/or associations that could be immediately identified. The following scatterplot Figure 2 is provided below. The amount of data (591 data points across 5 rating lines) highlights the propensity for the students to more closely associate with the stakeholder approach.

The researchers found a high level of reliability in the predictive power of the results. The P value of P=2.08E-08 gives strong evidence that the difference in female and male stakeholder versus stockholder preference is significant. Although the number of respondents (male) were limited in two of the ten observation series, the overall variance for females was 1.21 whereas the variance for males was 2.55 giving the researchers great confidence in the results of their analysis and conclusions.

Table 2: Data Reliability Statistics

Anova: Single Factor						
SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
Female	107	-147	-1.37383	1.217422		
Male	90	-22	-0.24444	2.546317		
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	62.35135	1	62.35135	34.18492	2.08E-08	3.889589
Within Groups	355.669	195	1.823943			
Total	418.0203	196				

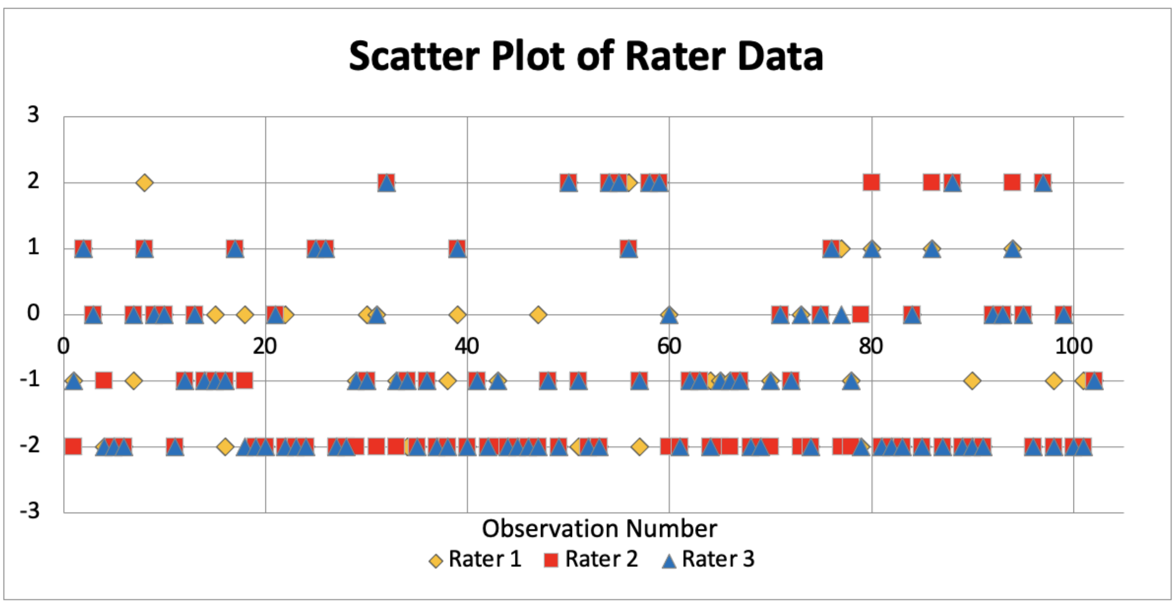

Figure 2: Intraclass Correlation Dot Plot

A more poignant way of looking at the data is to look at the five categories graphed by percentages by alignment. The scale used by the raters varied from -2 to +2. The -2 end of the scale represents an alignment of values as espoused during the Starbucks annual meeting of stockholders. On the other end of the scale is the +2 which represents an alignment of values with what Milton Freidman (1970) espoused in his treatise. The -1 and +1 represent points along that continuum representing the support of one or the other approaches to corporate governance. Table 3 was used by the raters to categorize the Millennials' responses in their initial Blackboard post.

Table 3: CSR Discussion Post Ratings

Starbucks	**Starbucks**	**Neutral/Balanced**	**Friedman**	**Friedman**
-2	-1	0	+1	+2
Strongly supports Starbucks' philosophy with no reservations.	Lean toward Starbucks' philosophy, but with some reservations.	Neutral or balanced. No strong preference for one philosophy over the other.	Lean toward Friedman's philosophy, but with some reservations.	Strongly supports Friedman's philosophy with no reservations.

After categorizing the data into each category, Chart 1 illustrates by percentage the strength of the stakeholder philosophy shared by Millennials. A full 52.5% of all millennial students "Strongly Support" the Starbucks stakeholder approach to corporate governance. When added to the moderate support or leans towards Starbucks stakeholder approach, more than 71.25% of Millennials' identify as Stakeholder oriented. In comparison, only 17.68% (total of both strongly support and lean towards) of Millennials' share Friedman's stockholder approach to corporate governance. Those that were neutral, not preferring either the stakeholder or stockholder approach, or preferring both, represented only 11.0% of the sample.

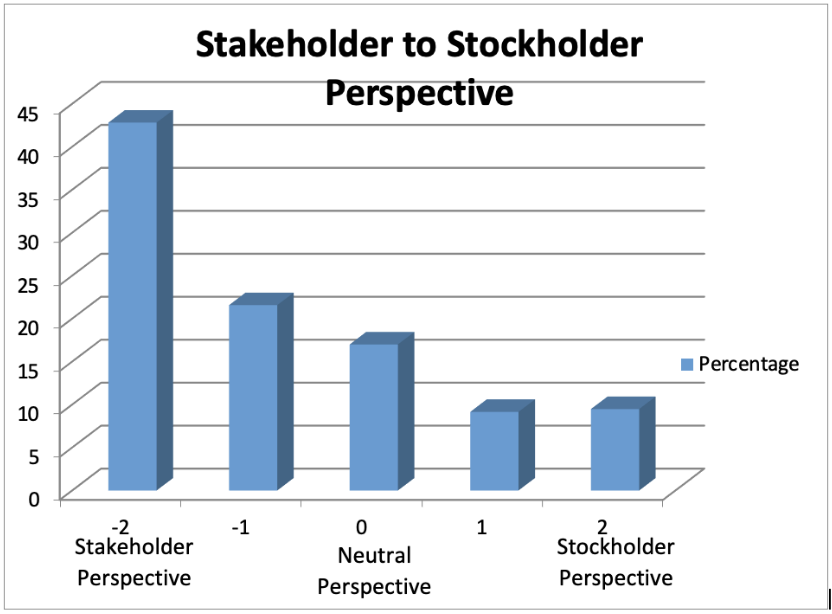

Chart 1: Student Philosophy By Rating

Millennials by Gender

The data was further broken down by its essential components of gender, major, and semester as self-identified by the student, recorded in the data collection process, or in the university's data system. A graph was initially used in an initial effort to see which variables might best explain the strong bias towards a stakeholder approach. It was immediately evident, that the gender observations indicated a potential reason for the bias. The difference between genders was significant. Although both genders were weighted toward a stakeholder approach, the consistency towards the stakeholder approach was much stronger for women in comparison to men.

Census data shows that millennials constitute the largest percentage of the workforce by generation (Arkansas Business, 2018). It is only a matter of time before millennials will obtain "c-suite" level positions in corporations. This groundswell of change in leadership will lead to increased commitment to CSR as predicted by Howe & Strauss (2000) and supported by recent literature. In addition, the fact that gender diversity is increasing in management and boardrooms and millennial women are more strongly supportive of CSR than millennial men, their value-anchored approach to CSR will likely lead to greater adoption of CSR-focused strategic management. As Marc Benioff (2016), CEO of Salesforce.com has stated, "It's the right thing to do. We are currently moving from a world where it's all about being shareholder based to a world where it's about stakeholders."

Once the data was evaluated visually, an ANOVA test was performed to see if there was significance in the two variables. Interestingly, even with two of the ten semesters having statistical issues with small sample sizes for males those semesters (semesters 2, and 9), the overall average for males was -.3 which is very close to being neutral over this 5-year period.

However, women during this same time period averaged -1.3 which indicated a stronger proclivity towards a stakeholder approach.

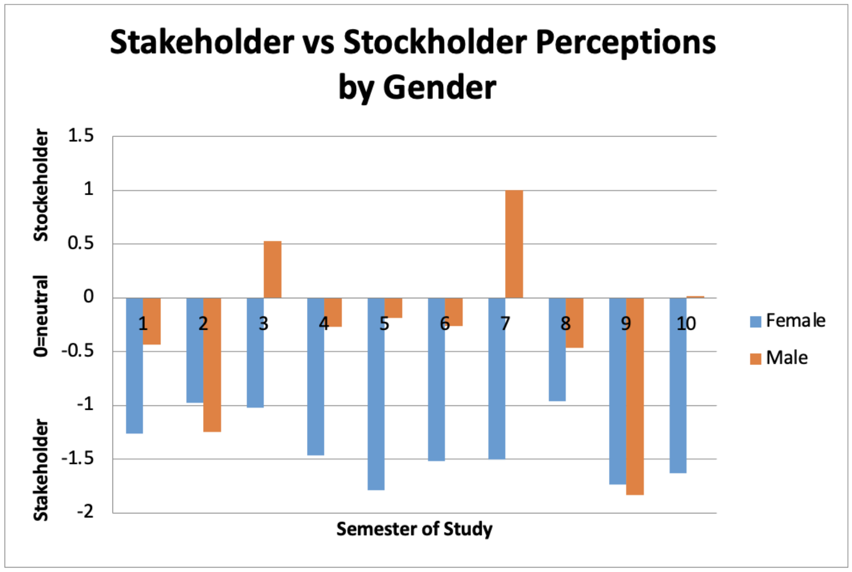

Chart 2: Stakeholder Vs Stockholder Perceptions by Gender

Limitations

The use of the terms such as CSR, Stakeholder Theory, and Stockholder Theory, as used in this study become commonplace and issues of construct validity may have given rise to error in differences in either interpretation or definition by either researchers or respondents. Another confounding variable may be that the class in Business Ethics required of the students before or during taking the Business Finance class in which the data was collected for this study may influence their view of CSR. Lastly, the limited geographic region from which a majority of the respondents live typically is limited. This study focused on the relatively homogenous make-up of multiple state school student bodies. Potentially confounding, other non-represented groups who would self-select a different type of institution whether that would be a gender-specific school, a historically black college or school, an economically advantaged private university, or focused school such as a private liberal arts institution might have significant differences to our findings. In addition, an institution with a high percentage of international students might also have dramatically differing results based on differing cultural values (Hofstede, 1980). Nevertheless, the authors believe that many of the aforementioned institutions would probably see even stronger CSR values for their students and potentially less between gender because of the institution's culture. Further studies of Millennials' in other geographic regions could be tested to minimize this potential limitation. Further study of Millennials as they age, marry, work, and support themselves financially could result in changes to the conclusions of their generational philosophy as a whole. This data has now been taken at multiple universities, but there is ample opportunity to test this on a larger data set, preferably multi-nationally.

CONCLUSIONS

Howe & Strauss (2000) postulated that the millennial generation would have higher levels of social consciousness. Our research confirms Howe and Strauss, but extends that research by illustrating that women, in general, have a higher propensity towards a stakeholder approach to management. The CSR ratings of millennials' comments used in this study clearly support the assertion that this generation has a predominant stakeholder philosophy. The stakeholder approach preference by women gives evidence to the power of women's empowerment and the associated increase in commitment to organizational change as women advance in both scope and role within organizations as postulated by Aggarwal, Dhaliwal, & Nobi (2018) and Prutina (2016). This data is an indicator that as more women ascend to leadership positions in authority, there should be a corresponding change from a stockholder to stakeholder approach in corporate governance. Millennial generation women strongly support social accountability by those who interact with them in any environment; whether it be in family, politics, or business. As higher-ed has experienced the dramatic rise in immigrants and minorities as a larger subset of the student population, the shift from a stockholder to a stakeholder perspective should not be underestimated nor its future influence on our financial institutions. The desire of the millennial generation to support the common good and to effect changes necessary to satisfy their social conscience also lends support to the further predictions by Howe & Strauss (2000) that as they continue to age and rise in organizations; social, political, and business institutions will be changed.

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ETHICS AND LEGALITY OF ONLINE STREAMING IN A COVID-19 ENVIRONMENT

Richard G. Brody, Anderson School of Management, University of New Mexico*

Kayla Fiedor, Anderson School of Management, University of New Mexico

Grace Fierro, Anderson School of Management, University of New Mexico

Abstract: COVID-19 has forever changed the landscape in which media is consumed on a global scale. Due to massive closures of theaters worldwide, many entertainment companies have now chosen to release movies on streaming sites such as HBO Max and Netflix. Though illegal media piracy is not a new topic, the introduction of the Consolidated Appropriations Act passed within the 2020 stimulus bill has reignited the conversation surrounding illegal consumption of entertainment. This paper will evaluate the legal and ethical grey areas of copyright infringement as legislation has mostly remained the same, but the medium with which entertainment is being consumed has changed drastically with the introduction of online streaming. Additionally, this paper will discuss essential technologies with which entertainment companies can use to help limit unauthorized sharing. The future is unclear when it comes to entertainment consumption post-pandemic, but the Consolidated Appropriations Act will help control the increase of illegal streaming by imposing more severe consequences on those hosting for-profit illegal streaming sites.

> Would you be willing to pay $35,000 to watch your favorite movie from the comfort of your own home? Naturally, your answer would be “Absolutely not,” and we agree! Unfortunately, Ms. Parks was not so lucky. In November 2020, Ms. Parks downloaded the films *Lost Child* and *Saving Christmas* to watch with her family. After illegally downloading the films, she ended up having to pay a total of $35,000 in legal fees and copyright infringement damages. Ms. Parks is not alone in having to pay huge fines for illegal downloads. Multiple customers of illegal hosting site, YTS, were fined after the illegal streaming site agreed to work with movie companies sharing thousands of user IP addresses and emails (Van der Sar, 2020).

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*Corresponding author, email: brody@unm.edu

INTRODUCTION

Though it is not a commonly held belief, illegal streaming is not a victimless crime. Piracy data company MUSO found that there were over 174 billion visits made to illegal piracy websites in 2019 (Chatterley, 2020b). According to the research group CordCutting (Lovely, 2020), the current impact of commercial illegal streaming on the U.S. economy is a significant loss of $30 billion yearly. Aside from the devastating cost, the illegal streaming industry threatens 2.6 million jobs within the entertainment industry. If these jobs were lost, the U.S. would lose almost $230 billion in economic benefits each year. Looking deeper into the effects of illegal streaming, the subscription-based service Netflix, could be losing up to $192 million each month due to more than 40 million accounts participating in abusive password sharing (Research & Editorial Team, 2019). In addition, illegal streaming discourages the creation of creative content such as films and television shows that people love to watch (Ha, 2020).

The COVID-19 pandemic has established a new normal with no end in sight. The 2020 stimulus relief bill included a bill that changes illegal streaming from a misdemeanor to a felony. A similar bill was introduced in 2011 called the Stop Online Piracy Act (SOPA), but it was shut down at its advent due to backlash from large tech companies claiming that it was unconstitutional. Flash forward to 2021, and the $600 stimulus checks many Americans received as pandemic relief may also carry up to 10 years in prison for illegal streaming. Deep within the 2020 stimulus legislation, the Consolidated Appropriations Act was passed to change the landscape of illegal streaming prosecutions. This act included several other acts: the Copyright Alternative in Small-Claims Enforcement (CASE) Act, which created a small claims court system within the U.S. Copyright Office where businesses can file for and seek damages for under $30,000 (Lori, 2020); the Trademark Modernization Act (TMA), which allowed the U.S. Trademark Office discretion in setting deadlines and provides processes to eliminate trademarks that are not in use (Lori, 2020); and the Protecting Lawful Streaming Act (PLSA), which changed for-profit hosting crimes from a misdemeanor to a felony which can result in up to ten years in prison and fines of up to $30,000 (Lori, 2020).

Within this paper, we will provide a brief history of the evolution of media piracy, how lacking laws create a grey area when it comes to illegal streaming, and the most recent updates of said laws. We will discuss how the COVID-19 pandemic has affected the entertainment industry and different ways illegal consumption of media can be limited with the help of technology. Last but not least, along with the assistance of technology, we provide recommendations on how the entertainment industry can benefit from the help of private organizations in a post-pandemic landscape while this legal “grey area” remains.

THE EVOLUTION OF MEDIA PIRACY

The history of piracy in the entertainment business is almost as old as the first computer. When computers were first released into the civilian world in the 1970’s, there were no guidelines to prohibit software replication for profit. The only type of piracy going on in the entertainment business was bootlegging records, which “was commonplace but not to the same extent as [2004] with CD-burners and peer-to-peer networks” (Guldberg & Sunden, p. 12). As technology advanced, so did the medium with which pirated entertainment exchanged hands. From cassettes and floppy discs mailed via snail mail, to the creation of VHS tapes and then CD-ROM, the ways people exchange pirated media have continued to evolve.

The camcorder was introduced in 1983, allowing people to film movies or TV shows from the palm of their hands. Pirating movies via the camcorder became so popular that it was even referenced in the acclaimed pop culture sitcom, *Seinfeld* (Larry, Seinfeld, Feresten, Crittenden, Koren & Ackerman, 1996). By 1983, the popularity of this illegal activity caused the FBI to release a copyright warning in at the beginning of every lawfully distributed and viewed movie. The anti-piracy warning states, “The unauthorized reproduction or distribution of a copyrighted work is illegal (1). Criminal copyright infringement, including infringement without monetary gain (2), is investigated by the FBI (3) and is punishable by fines and federal imprisonment. (4)” (Intellectual Property HQ, 2017, para.1).

The Internet was also evolving, leading to the creation of file-sharing websites used for pirated media. Napster, a late 90’s file-sharing site, enabled millions of people to illegally download songs. It was soon taken over by LimeWire, but their reign was short and ended with a court ruling of copyright infringement. The service was officially terminated in October 2010. YouTube was also on the rise during this period as a popular site to watch videos and listen to music in a legal manner. This brief history of illegal streaming shows that piracy has evolved as quickly as technology, creating a grey area for prosecutors.

THE GREY AREA OF ILLEGAL STREAMING

Though the laws concerning illegal streaming may seem black and white, there remains a grey area where prosecution is concerned. In the U.S., the extent of a crime depends on whether media is streamed or downloaded. The new laws within the stimulus legislation clarify that even without downloading the material, a user that is streaming content for financial gain is illegal. This updated language was put in place to attempt to close the “streaming loophole” which allowed streaming copyrighted materials as long as they were not downloaded in any form. However, this legislation only attempts to target those hosting streaming sites for profit, not the individual user streaming from said site. Users who host a streaming service may face much more serious consequences in light of this new legislation, including up to 10 years in prison, a felony charge, and up to a $150,000 fine. Along with the charges for copyright infringement, charges of wire fraud and money laundering are often included. In 2019, eight defendants were charged with hosting two of the largest illegal streaming services in U.S. history: Jetflix and iStreamItAll. They reproduced tens of thousands of copyrighted television shows and movies and distributed them to paid subscribers (Office of Public Affairs, 2019). Though the streaming loophole is smaller, it remains an issue since an individual user who is not hosting or downloading the material is unlikely to be prosecuted.

Aside from the confusion about who will be prosecuted, the confusion about what is legal remains. By charging users for the streaming services, these companies make the regulation of illegal streaming even more cumbersome for both authorities and users. When paying a fee, many users tend to believe that the service is legal, making it easy for users to become unsure if their actions are on the right side of the law. However, once the user downloads the media, they have crossed the threshold into illegal territory. If users stream content online but do not download it, then they are less likely to be prosecuted but are still funding the illegal service host. The puzzle only becomes more complex when a website acts as a search engine, pointing users to other sites where they can watch illegal videos. Through assisting the illegal process, these sites also skirt the legal boundaries and prosecution.

Torrenting is often used to download illegal content, allowing for quick peer-to-peer large file sharing by dividing the files into smaller pieces, thus lessening the load for the network. It has become a popular means of downloading illegal content because each part of the file is slightly different, allowing multiple users to download different pieces at once. This makes it difficult to link the whole copyrighted work to one specific IP address since users are not in possession of the entire download. The depth of uncertainty is clearly explained by technology research company Comparitech:

> "*Torrenting itself isn't illegal, but downloading unsanctioned copyrighted material is. It's not always immediately apparent which content is legal to torrent and which isn't. Some fall in a gray area, so you may find yourself unwittingly on the wrong side of the law.*" (Bischoff, 2020, para. 6)

The laws within the U.S. have been set up to prosecute hosts of illegal sites, focusing on those who make a profit from subscribers. However, there is not a push to prosecute individual users who are streaming illegal music, TV shows, or movies. Some users seek out these sites and know they are committing a crime with a blatant disregard for the law. Others may unknowingly pay for illegal streaming sites believing it is a legitimate service. There are also those who may not know they are in a moral grey area even without a fee due to lack of experience differentiating between legitimate and illegal sites. Each of these scenarios falls within a grey area. Ethically, it seems the lack of prosecution allows many users to convince themselves and others that this is a victimless crime. Psychologists have found that the certainty of being caught deters people from committing crimes, more so than the fear of punishment (National Institute of Justice*,* 2016). If users can continue to get their media for free with only a small chance of getting caught, they are less likely to use a legal alternative.

Regardless of the legality or ethics of illegal streaming, the risks of using one of these sites remain potent. Often the sites hosting "free" content leave users with malicious malware such as ransomware or other viruses on their computers. Users without antivirus or proper firewall settings run the risk of losing all the data on the machine which was used to access the illegal content. The risks only become more severe if the computer used is on a public network or a work computer, since often proprietary information can be easily accessed without proper security in place. Though the grey area involved in this topic is vast, the risks are very black and white when it comes to illegal streaming.

IMPACT OF COVID-19 ON THE CONSUMPTION OF ENTERTAINMENT

The COVID-19 pandemic has changed the way media is consumed for the foreseeable future, especially impacting the movie going landscape. Many people have “cut the cord,” moving away from cable to streaming services such as Netflix and Hulu. Cable networks have also made the jump to streaming sites. During the pandemic, movies have been released to watch from home. This change may be here to stay, as evident by Warner Brothers releasing all of their movies for the 2021 year simultaneously in theatres and on HBO Max (Alexander, 2020). However, monthly subscription fees add up when subscribed to many different streaming sites. As people suffering the effects of the pandemic look for ways to cut costs, they may subscribe to lower priced, fraudulent sites or find illegal streaming sites that provide movies or TV shows for free. The possibility of increasing lost revenue may push production companies to prosecute viewers in the near future.

The pandemic has not only changed the way users consume entertainment, but it has also caused a huge increase in piracy across the globe. With lost jobs and no social venues, the world has turned to streaming services to fill the void left by social distancing. However, the rate of subscriptions cannot continue to grow. As the world gets back to a new normal, Americans will have to tighten their belts while they resume job hunts without additional government assistance. Unfortunately, as household budgets are cut, entertainment and subscription services are likely the first to go. This will leave many people looking for a free way to get the same product they can no longer afford. The sentiment is summarized nicely by the data company MUSO: “Make no mistake — the need for entertainment will never go away – but the ability to pay for it on a regular basis is already being severely curtailed” (Chatterley, 2020a, para. 10). As streaming services and entertainment companies lose revenue and customers from the inability to release movies in theaters, the likelihood to prosecute both hosts and individual users will increase substantially.

However, a push to limit these individual user accounts could backfire on these large companies, as each lawsuit would be potentially costlier than just allowing the misconduct to continue. Economically speaking, "the economic model of criminal behavior assumes that the decision to commit a crime is the result of a cost-benefit analysis that individuals undertake either consciously or subconsciously” (Butler, Drahozal, & Shepherd, 2011, p. 384). Thus, the more rules private companies implement on screen and password sharing, the more users will do their own cost-benefit analysis and choose to move on to illegal streaming sites. The user may then see it as more beneficial to use an illegal service since these are currently less punishable on an individual basis, thus better for their pockets.

The world of streaming is not slowing down anytime soon. People are forgoing music downloads for streaming services, such as Spotify and Apple Music. Big blockbusters are also being released on streaming services such as HBO Max. As they are all readily available online, it makes it that much easier for people to listen and view illegally. While there may be no way to completely eliminate this practice, there are ways in which it can be prevented.

PREVENTION METHODS AND RECOMMENDATIONS

The good news is that technology advances just as fast as criminals find new ways to evade the law while hosting illegal streaming sites. Internet Service Providers (ISPs) have the ability to limit file sharing protocols if their terms of service are being abused. This means that if customers illegally download media, the ISPs have the power to limit this activity. The entertainment company can see which IP address illegally downloaded the content, and the ISPs can then identify the individual customer by said IP address. The ISPs can send out copyright infringement notices to the consumer. In conjunction with rights holders, ISPs have been successful in blocking access to many large-scale illegal streaming websites (Varsani, n.d.).

Another promising defense against pirating is Digital Rights Management (DRM). According to Cartesian, a business consulting firm, "This technology restricts unauthorized duplication of content and enables content owners to enforce licensing requirements. This protection is implemented by embedding code which prevents content from being distributed without permission. It also restricts the ways users can obtain content" (Varsani, n.d., para. 20). By implementing this technology, the ability to prevent illegal sharing is maximized and gives content creators more control.

Forensic watermarking is another way that content owners can fight digital piracy. A watermark can be embedded as a way for owners to trace the origin of a breach. Though helpful, watermarks can be tampered with by those pirating the content. Despite the possibility of tampering, watermarks are still an effective means to curtail illegal streaming (Varsani, n.d.).

Another way to help combat piracy is digital fingerprinting. Similar to the database of fingerprints used by the FBI in crime investigations, digital fingerprinting is attached to copyright content. Each digital fingerprint is unique and is associated with one copyrighted file. If someone attempts to upload this content to places such as YouTube, the file is scanned for digital fingerprint matches from a database. If there is a match with the file being uploaded, it signals to the site that the content is not legally being shared (Varsani, n.d.).

Even with these various prevention methods, there remains a global grey area caused by citizens who feel as though what they are doing is not illegal. Unlike the U.S, the U.K. has been successful in the fight to prevent unintentional illegal streaming through a group called the Federation Against Copyright Theft (FACT). According to Emily Brett, the Public Relations & Communications Officer for FACT, this non-profit has worked with the film and television industry since 1983 to protect their interests against piracy in many forms including VHS, DVD, torrenting, and now streaming. FACT is notified about illegal streaming via the rights-holders or citizens who anonymously report illegal activity through a charity called CrimeStoppers, who FACT works with proactively in creating campaigns for high demand events. If investigating a large hosting site, FACT may work with local law enforcement to locate and prosecute violators. However, they attempt to educate rather than prosecute individual users, a solution they find effective much of the time. Additionally, FACT will send a 'cease and desist' order to offenders educating them that what they are doing is illegal and will be punishable by law if the activity continues (E. Brett, personal communication, March 1, 2021).

Unfortunately for entertainment industries based in the U.S., individual companies do not have the support of an organization such as FACT and suffer from the lack of government intervention. This has caused many to take matters into their own hands. As made apparent by Netflix cracking down on password sharing in 2021 (Rizzo & Flint, 2021), new methods for preventing individuals from illegally streaming content are being implemented. We recommend that the U.S. create an organization similar to FACT and begin proactive education campaigns. If not a new organization, other U.S.-based organizations such as the Software and Information Industry Association (SIIA), which act in the same capacity as FACT for their members' data privacy, should expand their reach to include prevention of illegal streaming and education. We further recommend that content owners use the available resources and technology to mitigate the loss of revenue from illegal streaming and downloads. By using forensic watermarking, DRM, and digital fingerprinting, the copyright owners will have a much easier time stopping illegally shared content before it becomes a larger issue. In conjunction with the entertainment industry, ISPs could assist in limiting illegal downloads by tracking suspicious activity and sending an alert to authorities.

The solution does not have to be complicated; it can be as simple as having a way for individuals to anonymously report piracy. Education is a huge component the U.S. lacks, but this can be remedied easily. There are several useful resources that individuals and large corporations alike can use to educate themselves and others. Finally, there needs to be a clear definition of illegal streaming. We recommend the following definition: *It is illegal to view, download, or share any source of media that has not been explicitly paid for by the user, and doing so will result in legal action.*

CONCLUSION

When a simple online search puts thousands of songs, movies, and TV shows at an individual's fingertips, it can be tempting to enjoy free media, especially if there are no perceived consequences. However, the fact remains that those who do not buy the media they consume are committing a crime. Though there may be some legal loopholes, it often comes down to the technicality of knowing what is unethical but choosing to do it anyway. The Consolidated Appropriations Act closed the streaming loophole some by going after the hosts, but not enough as there is still a “loophole” where individual streamers are concerned. Since relying on the collective ethical standards of the general public is not a realistic way to protect against illegal streaming, the legislation involved will have to be updated to clearly state that illegal streaming, downloads, and any other form of unauthorized consumption of copyrighted media is not legal and is punishable by law. It can be safely said that technology moves at a pace much faster than the legal system. A worldwide, consolidated legal stance against illegal streaming will be difficult to define since laws differ from region to region, but it is worth a conversation as the internet spans the globe and technology continues to advance.

Harsher punishments for piracy will likely continue. As entertainment companies struggle to increase revenue, their first move will be to prevent users from getting their media from alternative sources. As seen recently with Netflix cracking down on password sharing, illegal consumption of media is not going unnoticed by the entertainment industry. These private companies will continue to make major changes that will affect online streaming. As they lose consumers by cracking down on password sharing, these users may go to the illegal streaming sites. If that were the case, based on the current laws, the content owners would need to be the ones to go after the illegal sites in order to shut them down. Unless legislation is updated, these private companies may be alone in fighting individual users who illegally stream their content. While we do not know how soon individual users will begin being prosecuted, they may see a 'cease and desist' order in their mail sooner than they realize.

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RECRUITING, HIRING, AND RETAINING MEMBERS OF GENERATION Z

Rebekah J. Weber, Western Illinois University

Susan M. Stewart, Western Illinois University

Abstract: Human resource professionals and managers are now interfacing with four generations in the workplace, Baby Boomers, Generation X, Generation Y, and Generation Z, and each group bring unique values and approaches to work. While much has been written on the most recent cohort, Generation Y, research is more limited on what to expect with the youngest, up-and-coming group, Generation Z. Members of Generation Z include those individuals born from the mid-1990s to approximately 2012, although there is no general consensus on the exact years. By 2021, it is estimated they will account for a fifth of our workforce (Boitnott, 2016). They are enrolling in college at a significantly higher rate than those in Generation Y were at a comparable age (Fry & Parker, 2018), and because of this, some believe they are better educated and more hardworking and career-minded (Leonard, 2014). This paper reviews characteristics as well as the expectations and potential contributions of Generation Z and discusses how technology influences its members. It also provides suggestions for how Human Resource professionals and managers may best recruit, hire, and retain them. Overall, the future of workplaces looks bright with the addition of members of Generation Z. Not only will they bring new outlooks and skills, but they value opportunities for growth and collaboration (Maurer, 2017).

INTRODUCTION

Members of Generation Z include those individuals born from the mid-1990s to approximately 2012, although there is no general consensus on the exact years. This is a relatively large group which amounts to "nearly 7.5 million people, over a fifth of this country's population; By 2021, it is estimated they will account for a fifth of our workforce (Boitnott, 2016). Unlike its predecessors, this generation grew up in cyberspace and in the Smartphone era, and most do not remember a time when Facebook and other social media outlets did not exist (Williams, 2015). They are often referred to as the "Facebook Generation" or "iGeneration" (Bencsik, Horvath-Csikos, & Juhasz, 2016) because they live through social media and have had a presence online since they were small children. Most know how to find information in a matter of seconds through their Smartphones and will spread their knowledge through it as well.

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*Corresponding author: Susan M. Stewart, Ph.D., Professor of Human Resource Management, Western Illinois University, College of Business and Technology, School of Management and Marketing, 3300 River Drive, Office 211A, Moline, Illinois, 61265 U.S.A. Phone: 309-762-3999, extension 62258; Email: sm-stewart2@wiu.edu

While members of Generation Y lived through the attacks on New York's World Trade Towers and the two economic crashes of 2000 and 2008, members of Generation Z were the first to be raised in the aftermath of the war on terror and the Great Recession (Williams, 2015). This means that they are aware of the hardships of finding a job and are mindful of the future. This can cause them to be somewhat anxious, but this also means that they are motivated as well (Williams, 2015). Dan Schawbel, the founder of Millennial Branding, notes how Generation Z has learned from Generation Y:

> *"Gen Z has a clear advantage over Gen Y because they appear to be more realistic instead of optimistic, are likely to be more career-minded, and can quickly adapt to new technology to work more effectively. Additionally, since Gen Z has seen how much Gen Y has struggled in the recession, they will come to the workplace well prepared, less entitled, and more equipped to succeed."* (Schawbel, 2014)

According to Alton (2017), members of Generation Z appear to be seeking job security, independence, entrepreneurship, and real digital immersion. The need for job security comes from watching their parents deal with the recession and learning they need a steadier paycheck, so they will not endure the same hardships as their parents. Independence and entrepreneurship are closely connected; they tend to rely on themselves to make decisions and advance in life. Finally, real digital immersion is a priority for Generation Z as they understand how to best use technology.

As expected, Generation Z's expectations about work are different from the previous generations. It is interesting to note that they are entering adulthood with less experience in the labor market than prior generations (Fry & Parker, 2018). However, they are interested in working for companies with a mission that is similar to their own. "High-tech is in their blood, they have grown up in uncertain and complex environments which determine their viewpoint about work, studying and the world" (Bencsik, et al., 2016). They are looking for an attractive workplace culture and environment where they see themselves thriving. They are more socially conscious than previous generations.

Theirs is an era defined by protests and broadened equal rights (Swartz, 2017). Embracing diversity is a normal concept to them. "They place considerable emphasis on finding their own identities and respecting the identities of others. They defend diversity and equality and want to correct injustices based on identity. They zero in on what is "relevant" in order to sort through vast quantities of information or multiple options" (Katz, 2019). Given this increased awareness, many members of Generation Z are looking for work that involves helping others or doing little to no harm. They are seeking eco-friendlier and sustainably-focused companies. It is expected that members of Generation Z will not stay at a company for long if they find that it does not share their same values in these areas. When companies begin to look at adopting sustainability values and addressing diversity and equality issues, members of Generation Z will become interested.

Given all the above, workplaces are going to need to adapt in a number of ways, beginning with the staffing process and proceeding throughout the corporate culture. This paper will review the expectations and potential contributions of Generation Z and discuss how technology influences its members. It also provides suggestions for how Human Resource professionals and managers may best recruit, hire, and retain them.

CHARACTERISTICS OF GENERATION Z

"College-age members of Generation Z know they are confronting a future of big challenges—not just whether they can find jobs or own homes, but how they will handle climate change, artificial intelligence, genetic engineering, 3-D-printed guns, and pandemic illnesses" (Katz, 2019). Due to this mindset, this generation should help companies grow in the 21st century.

Members of Generation Z have grown up with access to technology their whole lives, so they have a more global reach than previous generations. Bringing this global outlook to the workplace can help companies to grow internationally. "As more of the world goes online, Generation Z will become more global in their thinking, interactions, and relatability. In fact, 58% of adults worldwide aged 35 and over agree that Generation Z has more in common with their global peers than they do with adults in their own country" (Beall, 2016).

Some have referred to members of Generation Z as "screenagers" given the large amounts of time they spend on social media, texting, and instant messaging (Swartz, 2017). Fortunately, their keen ability to get information instantly and their digital knowledge will be some of the strengths that they will bring into the workplace. According to Beall (2016), 92% of Generation Z has a digital footprint and seeks uniqueness in all walks of life. Furthermore, growing up with smart devices has made them excellent multi-taskers (Alton 2017). They are pragmatic problem solvers, relying on a range of digital devices, apps, and networks for speed and efficiency (Katz, 2019).

Members of Generation Z appear to be better prepared for jobs than previous generations. Some report that they need to figure out what careers they want before going to college and not attend just for fun. They also understand the pressure of student loans. Besides these concerns, members of Generation Z are enrolling in college at a significantly higher rate than those in Generation Y were at a comparable age (Fry & Parker, 2018). Some believe that because of this, they are better educated and more hardworking, and career-minded (Leonard, 2014). They have seen how hard it was for the previous generations to find jobs and understand that performing one's own job well will help them to keep a job.

RECRUITING AND HIRING GENERATION Z

The methods used for recruiting members of Generation Z will differ from those used in previous generations. Because Generation Z has grown up with technology, the way to connect with them will be through technology (Gurchiek, 2017). While using Facebook, LinkedIn, Indeed, and other such websites are currently used for recruiting, new options are already being utilized thanks to Generation Z.

"Ofcom's Digital Day55 shows how on average, 16-24-year olds are spending nearly nine hours per day consuming media or communicating digitally. This includes more than four hours of multitasking: time spent doing two or more of these activities simultaneously, for example, listening to music and texting at the same time. In total, this amounts to an average of over 13 hours of exposure to media or communications per day" (IPSOS MORI, 2018, p.78). Recruiting them via social media sites such as Twitter, Instagram, and Snap Chat is becoming the new norm. Even these social media sites could soon become out-of-date with this generation. They are constantly looking for the next new thing, so employers will have to adjust to what those are in order to stay relevant.

Recruiters also need to be ready to discuss compensation with members of Generation Z. Some have noted that they can have unrealistic expectations when it comes to what they hope to achieve and receive in their first few years of employment. Gen Z employees often have an idealistic picture that the work will be interesting and meaningful, that their managers will want to hear and implement their ideas, that they will have flexibility in the schedule, and that they will enjoy everyone they work with. Generation Z also has unrealistic expectations of salary (Schroth, 2019). According to an iCIMS study, "On average, 2017 college seniors expect to earn approximately $53,483 at their first job after graduation; more than half of those surveyed (54 percent) said they expect $50,000 or more, a 12 percent increase from 2016." However, according to recruiters, on average, entry-level employees can expect to earn approximately $45,361, with only 24 percent of companies paying $50,000 or more (Maurer, 2017). This is because younger generations feel more pressure to be successful and make money. But this is not a symptom of selfishness or even materialism (as we shall see) but a reaction to an unforgiving economic climate (IPSOS MORI, 2018).

The hiring process will also become different to accommodate Generation Z. While most companies already use online applications, it is important to note that most in Generation Z will not apply to a company that does not offer an online application. Having to go to a physical building to get the application, complete it, and return it is not something that potential applicants from this generation are willing to do. They would rather take 5-10 minutes to complete an application online or on their smartphones and then proceed to fill out several more as well. An increasing number of companies are also switching to Skype or webcam interviews as ways in which to connect with candidates who are either in or out of the country. Other companies are offering online interview questions where the applicant has 20 seconds to record their responses before moving on to the next question. These types of interviews are being used for screening purposes prior to being invited to an onsite interview. These are just some examples of how technology is changing the recruiting and hiring processes for Generation Z.

RETAINING GENERATION Z

There are a few considerations that HR professionals and managers should take note of in order to retain Generation Z (see Table 1). First, its members will be seeking performance feedback sooner rather than later. They want highly engaging managers and to receive regular feedback (Brin 2017). Since they are used to the instant feedback systems provided to them via technology, they will be expecting a quick turnaround time in the workplace as well. Surprisingly, they differ from members of Generation Y in that they prefer face-to-face conversations for feedback the most (Stillman & Stillman, 2017). They are also wanting employers to listen to their opinions and value their ideas so they can grow. They prefer a physical workplace but are open to working remotely (Vetter, 2017).

Second, members of Generation Z want collaboration in terms of openly sharing knowledge (Gurchiek, 2017). Smartphones have allowed them to network and gain knowledge on topics from experts from around the world. Having this ability means they want to learn and help each other grow. Managers will need to adjust their expectations of what the organization needs to do to facilitate collaboration. This included rethinking workplace design with a more open concept featuring shared workspaces and alternative seating arrangements. Another recommendation is to move company files to share drives. This allows members of Generation Z and others to readily share knowledge.

Third, having proper technology in the workplace will help to keep members of Generation Z in an organization. Using outdated technology and systems may not allow them to perform well and can harm one's organization as well. Any organization seeking to recruit, engage, and retain Generation Z will struggle if they have not already started to incorporate emerging social and digital technologies into the workplace. However, employers also should be aware that technology might provide distractions to them as they are used to regularly being on their phones and other devices. This can cause a problem when they do not know when to be off these devices to focus on work. HR professionals and managers will likely have to determine if policies need to be created and communicated to control distractions.

Fourth, members of Generation Z are seeking opportunities to advance and show something for their hard work (Mauer, 2017). They seek to use their higher education that they received and use it to solve problems or innovation opportunities. Whatever the path – additional projects, wider scope of responsibility, or managing a team – make sure you do speak about it in interviews. Share stories of promotions from within and highlight employees that have been at the company for a long period of time. You can even share team goals and how they will be able to contribute (Maurer, 2017). If an organization does not continue to offer them new opportunities, they will likely seek employment elsewhere. Like others, they are attracted to pay, healthcare benefits, and flexible hours. Offering work from home opportunities and pet-friendly workplace options also can be more appealing to this generation (Lienke, 2018).

Fifth and finally, Generation Z will likely remain in jobs in which they can make a positive impact. "Gen Zers, characterized as very achievement-oriented, desire ongoing professional development and opportunities for promotion in their company (77% in the United States, 63% worldwide). Younger Millennials and Gen Zers say a top benefit they want from their employer (#1 and #2, respectively) is to have their ideas valued, while older Millennials ranked this as #4 behind health insurance (also important to Gen Z), work-life balance, and vacation" (Schroth, 2019). While they want a good paycheck, they are willing to take a lower-paying job if they can make a difference or if there is a better working environment (Schawbel, 2014). One of the characteristics of Generation Z is that they are more caring towards others or empathetic. “Today’s college students are highly empathetic; 94% indicated that they genuinely care about the well-being of others” (Echovate, 2017).

CONCLUSION

The future of workplaces looks bright with the addition of members of Generation Z. The newest generation, from the mid-1990s to around 2012, is already making an impact in the workplace. With the oldest members of Gen Z graduating and working, it is even more important to start looking at how to hire and retain this generation. They will be bringing in their knowledge and use of technology while also seeking regular communication for feedback and collaborating with coworkers. Not only will they bring new outlooks and skills, but they value opportunities for growth (Maurer, 2017).

There are many strategies for recruiting and retaining members of Generation Z along with the other generations of employees, as well as inspiring motivation and understanding differences in work styles. We have summarized recommendations regarding these areas in the table below.
Hiring will also change with this generation. Employers will have to develop different ways to reach out through social media like Facebook and Instagram while still being relevant. Gen Z will also do their own research on potential employers, including aspects of culture and fit. Employers will need to be looking at how they will address equality and antidiscrimination, along with political and environmental issues. Employers will need to have a firm stand when it comes to these issues as Gen Z will want to know about them.

Perhaps most importantly, members of Gen Z want to make contributions and fix problems. They want to further develop communication, problem-solving, and management skills. Managers can best prepare Gen Z employees for the workplace by taking time to help manage their expectations. This can be done by providing them with a realistic job preview during the job interview process, so they understand both the positive aspects and challenges of the job (Schroth, 2019). In closing, employers who are ready will be the ones who attract, hire, and retain Generation Z.

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Table 1: Strategies for Recruiting and Retaining the Four Generations of Employees

	Baby Boomers	Generation X	Generation Y	Generation Z
Recruitment	· Provide part-time work opportunities · Discuss ways to use their experience and knowledge	· Offer rotational assignments and job sharing · Allow casual dress and discuss fun activities	· Offer ways for work-life balance · Provide mentoring with senior executives	· Present various forms of compensation · Offer remote work and flexible schedules
Retention	· Give public recognition to reward work ethic · Provide perks with status · Ask for their input	· Promote based on performance · Offer flexible benefits · Implement team-based work environment	· Give rapid rewards and employee discounts · Give immediate feedback	· Provide opportunities for innovation · Allow them to openly share knowledge · Keep them up to date with technology
Motivations	· Utilize group discussions and teamwork · Increase responsibilities	· Capitalize on professional interests · Give signs of employer commitment to develop loyalty	· Allow creative input · Provide unique work experience and rapid results	· Provide advancement opportunities · Give them chances to make a positive impact
Work Styles	· Value personal growth · Want to be involved in decisions · Believe in sacrifice for success	· Inspire entrepreneurial activity · Cope with impatience · Want high levels of responsibility/ independence	· Want to multi-task · Inspire competition · Enjoy global connections and socially responsible practices	· Value making a difference with their work · Want to make contributions and fix problems · Enjoy speed and efficiency

Adapted from: Reilly, S. J., Stevens, N. M., Dorman, M. E., & Stewart, S. M. (2010). Strategies for recruiting and retaining four generations of employees. *International Journal of Arts and Sciences*, *3*(19), 203-213.

SEXUAL HARASSMENT IN THE PUBLIC ACCOUNTING PROFESSION: A TWENTY-YEAR REVIEW

Brian Stanko, Loyola University of Chicago, bstanko@luc.edu*
KC Rakow, Loyola University Chicago, krakow@luc.edu
Gerald J. Miller, The College of New Jersey, millerge@tcnj.edu

Abstract: The Civil Rights Act of 1991 and more recent Supreme Court rulings make it easier for workers to win lawsuits claiming they were sexually harassed in the work environment. While the public accounting profession continues to address gender-related problems, it remains vulnerable to claims of sexual harassment because of the increasing numbers of female Bachelor and Master of Accounting graduates over the past decade, with females surpassing males once again. This study builds on a 1999 study and a 2009 study on sexual harassment in the public accounting profession and focuses on identifying the extent of sexual harassment in the accounting profession, the type of harassing behavior, and where harassment occurs.

Research questions are addressed through a Qualtrics survey of female public accounting professionals that are members of the American Institute of Certified Public Accountants (AICPA). Their responses provide evidence that public accounting firms continue to be exposed to significant internal and external risk. Sexual harassment and a sense of frustration in coping with this issue continue to be evident in the data. Results show most women CPAs employed in the practice of public accounting believe they and/or their female colleagues have been the victims of sexual harassment and gender-based discrimination in their workplaces. Considering these outcomes, we provide insight as to how the accounting profession should proceed to minimize the occurrence of illegal and immoral conduct by its members, as well as by its clients.

Keywords: Public accounting, sexual harassment, #MeToo movement, Title VII

INTRODUCTION

With the social media movement raising awareness for sexual misconduct in the workplace, research published by the Equal Employment Opportunity Commission (EEOC) shows that from 2010 to 2019, charges alleging sexual harassment from females have not decreased. The 10-year average of claims filed by females is 83.19% (with a range from 84.1% to 82.2%). This indicates that sexual harassment in the professional business environment is still prevalent, with a large and unbalanced percentage of female victims.

Since a 1975 survey study, “The Sexual Harassment of Women on the Job,” at Cornell University by activist Lin Farley, there has been an abundance of research addressing

*Corresponding author: Brian Stanko, PhD, CPA, Loyola University Chicago, 16 E. Pearson, #506, Chicago, Illinois 60611; phone: 312.915.7106; email: bstanko@luc.edu

the frequent offensive misconduct toward females and broadening the scope of the understanding of the issues (Farley, 1975). Even with progress being made over the years in defining sexual harassment and with companies implementing preventive measures, sexual harassment remains a continuing, chronic occupational health problem in many organizations and work environments (Quick and McFadyen, 2017). In addition, technological advancements have changed employees' connectivity to their workplace and coworkers and, as a result, modern day sexual harassment experiences may now extend beyond the workplace (Ritter, 2014).

This study replicates a 1999 and 2009 study of sexual harassment in the public accounting profession because of the increasing number of female Bachelor and Master of Accounting graduates over the past decade (AICPA, 2019). The goal of this research is to find out what changes, if any, have occurred during the past two decades and if attitudes toward sexual harassment in public accounting have improved during this time. Results of the research show that little has changed regarding sexual harassment in public accounting; in fact, some of the findings indicate that the situation has deteriorated. For example, when asked if women must tolerate harassment because little can be done about it, 77.5% of respondents agreed with this statement. This percentage represents an increase from the 2009 study, which showed 67% of respondents agreeing with this statement. This is troubling, considering the amount of time and effort that has been devoted to sexual harassment training and awareness by public accounting firms during the last decade. Like the results from the 2009 study, more than half of the respondents felt that the issue of sexual harassment needs to be better addressed by the public accounting profession. The remainder of this paper discusses the results of the research in greater detail, followed by the conclusion.

SEXUAL HARASSMENT AND THE PROFESSIONAL BUSINESS ENVIRONMENT

Despite media and social media coverage of the #metoo and #timesup movement, past research and surveys have indicated that workplace sexual harassment remains in the public accounting sector and beyond. According to the EEOC:

- In 2018, more than 7,500 sexual harassment claims were filed, which was a 14% increase from the previous year (EEOC, 2018).
- In a 2019 survey, 19% of female respondents on Wall Street dealt with unwanted physical contact monthly, 32% with inappropriate questions, remarks, or jokes; 15% with obscene gestures, sounds, or stares; and 14% with a persistent, unwelcome request (Greg Iacurci, 2019).
- A 2019 survey focusing on the Maine workplace highlighted that half of the 518 respondents and 76.2% percent of female respondents had experienced sexual harassment (Jennifer Hutchins, 2019).
- A 2015 article published by *Berkeley Journal and Employment Labor Law* stated that nearly 80% of low-income women had experienced some forms of sexual harassment from management. Of these workers, 66% of women report that they experience harassment monthly (Elizabeth Kristen, Blanca Banelos, and Daniela Urban, 2015).

In summary, sexual harassment remains prevalent in the workplace in 2021 and may even extend beyond the physical workplace due to the changing modes of connectivity between coworkers.

SEXUAL HARASSMENT DEFINED

The courts have defined two distinct types of activity that can constitute sexual harassment:

1. Situations where the unwelcome sexual conduct of coworkers or supervisors interferes with an individual's ability to work or creates an intimidating or offensive atmosphere (Hostile Environment), and

2. Situations where a workplace superior or coworker demands some degree of sexual favor and threatens to or actually does retaliate in a way that has a tangible effect on the working conditions of the harassment victim if he or she refuses to acquiesce (Quid pro quo) (Smith and Howell, 1991; EEOC, 1991). The EEOC issued guidelines attempting to define the types of behavior that might fall into these classes: unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (1) submission to such conduct is either made explicitly or implicitly a term or condition of an individual's employment (Quid Pro Quo), (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual (Quid Pro Quo), or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment (Hostile Environment) (Miller et al., 2010).

THE PUBLIC ACCOUNTING PROFESSION

The evidence suggests potential concerns regarding women in the accounting profession. According to a 2005 study conducted by the American Institute of Certified Public Accountants (AICPA), "A Decade of Changes in the Accounting Profession: Workforce Trends and Human Capital Practices," there were over 106,000 women CPAs compared with 750 women CPAs in 1952 (AICPA, 2005). The increase was driven by the fact that women represent more than 50% of new accounting graduates since 1986. However, only 19% of partners in 2005 were women, a small increase from the 12% who held that title in 1993.

In its 2017 Certified Public Accountant (CPA) Firm Gender Survey, the AICPA Women's Initiatives Executive Committee found that, in firms with over 100 CPAs, women represented 21% of partners (AICPA, 2017). This is little changed from the first survey results in 2015 when women represented 20% of partners. Survey results show that, although smaller firms have more female partners, partnership on average remains overwhelmingly male. With an unbalanced percentage of sexual harassment victims being female, it is possible that sexual harassment may contribute toward the low percentage of women represented as partners in CPA firms.

Women of color face even greater hurdles. For example, Venkataraman, Raghunandan, and Rama (2005), in a study of Big-4 firm alumni, found that women are less likely than men to believe that their former accounting firm developed their abilities to think and express themselves; helped them learn to manage others, or trained them for their present job. Women also rated lower than did men in the training, personnel evaluation, and counseling programs at their former accounting firm. Previous studies by Hooks (1992), Loft (1992), and Lehman (1992) also emphasize the gender issues present in the public accounting profession.

PREVIOUS RESEARCH

Stanko and Schneider (1999) conducted the first national survey on sexual harassment in the public accounting profession. Their survey results provided evidence that public accounting firms are exposed to significant internal risk, and that sexual harassment and a sense of frustration in coping with this issue were evident in the data collected. Ilies et al. (2003) provide additional evidence that women certified public accountants (CPAs) employed in the practice of public accounting continue to report that they and/or their female colleagues are victims of sexual harassment and gender-based discrimination. Stanko, Werner, and Zeller (2009) revisited sexual harassment in public accounting. Like the Stanko and Schneider study, this follow-up study was designed to 1) determine the extent of sexual harassment in the public accounting profession, 2) identify the types of sexually harassing behavior that was most common, 3) uncover where incidents of sexual harassment generally occurred, and 4) establish whether respondents differed on the definition and characteristics of sexual harassment. Both research studies surveyed American Institute of Certified Public Accountants (AICPA) female accounting professionals. The findings showed that sexual harassment remained a serious concern. Perhaps sexual harassment training programs that had been developed are not working as well as intended, suggesting that public accounting firms need to revisit the issue.
Miller, Stanko & Landgraf (2010) reported anecdotal evidence gathered from the Stanko, Werner, and Zeller survey. The findings of this study reinforced the data results from the Stanko et al. study with specific examples of sexual harassment in the public accounting profession. Although preventive measures may have been put in place, these measures may not be working as well as intended, suggesting that public accounting firms needed to revisit this issue to manage risk.

SURVEY RESULTS

Five thousand five hundred and ninety-six female AICPA members received an emailed Qualtrics survey. The survey was approved by the IRB and took approximately 10-15 minutes for a recipient to complete. Two hundred and two responses were received for a 3.61% (202/5,596) response rate. Although the percentage appears low, it is considered adequate given the sensitivity of the subject matter and survey method. Additionally, email addresses used in the study were not personal email addresses, so there may have been a hesitancy to respond in writing by survey recipients.

Table I provides a demographic summary of the respondents' characteristics. The total response for respective demographic questions does not total 202 because not all questions were answered in all survey responses. Fifty-six percent of the respondents were aged 50 and over, while 21% were between 30-39 years old. This was markedly different from the 2009 survey (Stanko, Werner & Zeller) when only seventeen percent of respondents were aged 50 over. Seventy-two percent of the respondents reported a bachelor's degree, and seventy-six percent have more than 10 years of professional accounting experience. These numbers are comparable to the Stanko et al. survey. In this survey, only 10% of the respondents were employed by national accounting firms, while 61% were employed at the local level. In the Stanko et al. survey, approximately 31% of the respondents were employed by national accounting firms, with 50% employed at the local level. In this survey, there was a significant decrease in the percentage of respondents employed by national (Big Four) firms, 2% versus 23% from the Stanko et al. survey. In both surveys, the disparity between national and local firms was expected because local accounting firms employ most AICPA members. In addition, the current survey showed 89% of respondents had at least six years of professional accounting experience, while the Stanko et al. survey showed 88% of respondents having at least six years of professional accounting experience. In our opinion, a greater percentage of more experienced professionals participating in the survey strengthens the findings. Experienced professionals are less likely to be concerned about their career options and advancement by responding to a survey on sexual harassment and more likely to offer objective statements about their experiences.

Most of the respondents (65% = 16% + 49%) indicated they specialized in auditing or tax services. However, the percentage of respondents specializing in auditing was significantly lower (16% versus 39%) than the percentage of respondents from the Stanko et al. survey. The decrease in the percentage of respondents specializing in auditing was offset by an increase in the percentage of respondents specializing in consulting (9%) and "other" (26%). Only 2% specialized in consulting in the 2009 survey, and 17% in "other." Thirty-eight percent of the respondents were at the manager level, followed by 22% at the principal/partner level and 16% each at the staff and senior/in-charge level. Compared to the 2009 survey, the percentage of respondents increased at the staff and senior/in-charge levels from 29% (combined) to 32%. The percentage of respondents from the manager and principal/partner levels combined decreased from 71% in the 2009 survey to 60% in the current survey. In summary, there were more respondents from the lower levels of firms than there were in the 2009 survey. This could be an indication that younger professionals are taking the issue of sexual harassment more seriously than they were a decade ago. Sixty percent of the respondents were married compared to 77% from the 2009 survey, and almost double the percentage (40% versus 23%) were single when comparing the current survey to 2009.

Table II shows the results of the question regarding respondent knowledge of sexually harassing behavior involving a female accountant other than herself. Fifty percent of the respondents know women CPAs who have experienced sexual harassment while employed in public accounting. This is a decrease of five percent from that reported by Stanko et al. in 2009. There was an increase of five percent from the 2009 survey by those respondents who reported not knowing women who had been sexually harassed in the accounting workplace (50% versus 45% in 2009). This could be an indication that sexually harassing behavior has declined somewhat in the past decade, perhaps a result of training programs that have been implemented during that time. Respondents were asked to identify known incidences or types of sexual harassment that they were aware of in their workplace. This question in the current survey shows 272 known incidences/types of sexual harassment of someone other than by the respondent. Remarks about physical anatomy, an example of “hostile environment” discrimination, were most frequently reported by 65 respondents (24%). This was followed by sexually vulgar language reported by 62 respondents (23%), derogatory gender comments by 39 respondents (14%), and unwanted touching by 35 respondents (13%), which was the most frequently identified form of physical, sexual harassment. These results were like the 2009 survey results, except that derogatory gender comments declined by 5% (from 19% in 2009), and unwanted touching increased by 5% (from 8% in 2009). In total, it appears that the types of sexual harassment have not changed greatly in the past decade.

Table III shows where sexual harassment occurs. Most sexual harassment took place either at or after firm social gatherings (88 respondents or 22%) or in the firm’s office (85 respondents or 21%). There was a slight decrease in the amount of sexual harassment that took place in the firm’s office compared to 2009 (25%), while the amount of harassment at or after firm social gatherings (21%) remained about the same. An almost equal number of respondents (60 and 59) reported sexually harassing behavior taking place when female accountants are out of town on client business (15%) or at or after social situations with clients, including business lunches or dinners (14%). Although sexually harassing behavior decreased slightly from 2009 when female accountants are out of town on client business (15% versus 18%), it increased slightly at or after national or regional training meetings (9% in 2009 versus 12%). As a result, it appears from the results that the places where sexual harassment occurs have remained consistent over the past decade.

Table IV identifies the incidence or type of harassment. The question asked is, “have you personally experienced any form of sexual harassment in the accounting workplace?” Sixty respondents or 38% stated “yes,” while 99 respondents or 62% stated “no.” The results are almost identical to the 2009 survey, when 39% responded “yes” and 61% “no.” An almost equal number of respondents reported being harassed by either a boss (31) or coworker (30), while twenty reported being harassed by a client. Of those that reported being harassed by a boss, seventeen reported both the use of sexually vulgar language and remarks about physical anatomy as the type of harassment. An additional thirteen respondents harassed by a boss reported unwanted touching as the type of harassment experienced. Of those harassed by a coworker, twenty-one incidences of sexually vulgar language were reported as the type of harassment, while seventeen incidences of remarks about physical anatomy were reported. Of the respondents who reported being harassed by the client, there was an almost equal number of incidences reported of sexual vulgar language (14) and remarks about physical anatomy (13).

These results suggest that the percentage of women experiencing some form of sexual harassment has remained constant over the past decade.

Harassed respondents were provided with a checklist to indicate whether they reported the harassment and, if so, to whom. The response represented a continuum of informal to formal reporting efforts. Table V presents a summary of these results, which were similar to the Stanko et al. survey of 2009. Forty-eight percent (29/60) of the victims reported the incident, but only 28% of these victims contacted the firm administrator/boss about the incident. Twenty-eight percent of the victims also reported the incident to friends. Although the percentage of cases reported to coworkers declined by more than half (14% from 30% in 2009), the percentage of cases reported to a supervisor increased dramatically from zero in 2009 to 20%. This seems to be an indication that sexual harassment training is working, where victims are encouraged to report incidents to their supervisors. No cases were brought before a private attorney and/or involved law enforcement services, which substantiates prior findings that sexually harassed individuals are hesitant to communicate such claims with authoritative personnel. Stanko et al. (2009) report similar findings, although, in that survey, there was a small percentage of cases reported to authoritative personnel.

Table V indicates that thirty-seven percent of the victims were satisfied with the resolution of their complaint, a higher percentage than that reported by Stanko et al. (32%) in 2009. It is significant that in this survey, 48% of incidents were reported to either a firm administrator/boss or supervisor, versus only 24% in the 2009 survey. Instead of mainly telling their coworkers as was done in 2009, victims in this survey reported incidents to firm administrators or supervisors much more often, an indication that staff training is working. Finally, Table V shows that 41% of harassed respondents contemplated leaving the organization, a slight decrease from 43% in the 2009 survey. Although the decrease is a positive trend, the fact that 41% of harassed respondents contemplated leaving the organization is still troublesome, considering the cost involved in hiring and training accounting professionals.

Respondents' perception of their company's response has slightly decreased since the 2009 survey. Approximately 62% answered that their firm is concerned or very concerned about sexual harassment problems as compared to 65% in the 2009 study (question 20). The overall mean response was 2.29 (1 = very concerned and 5 = unconcerned) as compared to 1.53 in the 2009 study. Almost 71% of the respondents believed management had made adequate provisions for dealing with sexual harassment problems within the firm (question 21). The mean response was 2.01, which was slightly better than the 2.33 mean response in the 2009 study. Lastly, approximately 56% of respondents were familiar with the Civil Rights Act of 1991 that allows for compensatory and punitive damages for intentional discrimination (question 22). This was slightly lower than the 61% documented in the 2009 study. Like the 2009 study, approximately 52% felt the issue of sexual harassment needs to be better addressed by the accounting profession (question 23).

While some progress can be seen in the fact that sexually harassing behavior has declined somewhat in the past decade and a higher percentage of cases are now being reported to supervisors, much of the survey results suggest that there is still a vast opportunity for improvement in this area and that much work is yet to be done.

“GENERAL ATTITUDES” ANALYSIS

Table 6 highlights the responses to the 10 “General Attitudes Section” of the survey (questions 1-10). In response to question 1, 85.2% of respondents agreed that when one person sexually harasses another, exerting power over the other is more important than gratification. This is consistent with the 2009 study (84%). Only 8.4% of respondents felt that sexism and sexual harassment are the same, which is a similar finding to the 2009 survey (9%). These similar results suggest that respondents continue to understand the difference between sexism (discrimination based on gender) and sexual harassment (unwanted and offensive sexual advances or sexually derogatory remarks). Prior research shows that approximately 83% of respondents agree with the third statement that using power and authority to promote unwanted sexual relations is a form of rape (Stanko et al., 2009; Stanko and Schneider, 1999, Maypole, 1986; Maypole and Skaine, 1983; Maypole and Skaine, 1982). Our study supports these prior findings as we find that 87.9% of respondents agree with this statement.

An overwhelming number (94.5%) of respondents feel that unwanted sexual behavior towards women is sexual harassment, which is a similar finding to the 2009 study. Almost as many respondents (93.3%) agreed that women in all classes of society are sexually harassed. Less than half of respondents (41.8%) felt that the man is at fault in most cases of sexual harassment; however, this represents an increase from the 2009 study where only 33.3% agreed that the man is at fault. When asked if women must tolerate harassment because little can be done about it, 77.5% agreed with this statement. This percentage also represents an increase from the 2009 study, which showed 67% of respondents agreeing with this statement. These last two increases conflict with the notion that some progress has been made in this area over the past decade.

Like the 2009 study, the results are mixed when asked whether the major function of sexual harassment is to preserve the dominance of males over females (38.6% agreed or strongly agreed, 33.8% disagreed or strongly disagreed, and 27.6% were neutral). Exactly half of the respondents disagreed that most bosses are not willing to take action to eliminate sexual harassment. This also represents a slight step backward from the 2009 study, where 54.5% disagreed with the statement. The last statement asks respondents if they feel that most cases of sexual harassment are not reported to bosses or other administrators. Like the 2009 study, 80.3% of respondents agreed or strongly agreed with this statement. Taken together, these last two findings suggest that respondents feel there is a lack of support from their superiors when it comes to sexual harassment.

Table 7 presents ANOVA significance levels when comparing the mean responses of the various groups (firm size, specialization, and present position). Three significantly different groups were identified. For the third statement on whether participants agree that using authority and power to force another into unwanted sexual relations constitutes a form of rape, female CPAs at the level of Principal most strongly agree with this with a mean response of 1.57 where 2 is Strongly Agree, 0 is Neutral, and -2 is Strongly Disagree. All other groups had a mean response of above 1 except for the group classified as “Other,” with a mean response of 0.45.

Statement 8 asks participants if they agree that the major function of sexual harassment is to preserve the dominance of males over females. While the means for all groups hovered around neutral, female CPAs in Consulting most strongly agreed with this statement with a mean of 0.5, while those in Audit most strongly disagreed with the statement with a mean of -0.33.
Lastly, statement 9 asks participants if they feel most bosses are not willing to take action to eliminate sexual harassment. Participants at the National level most strongly disagreed with this statement (mean of -1.27), suggesting that those participants do believe that their bosses would take action to eliminate sexual harassment, which is a promising finding.

REVIEW OF "ADDITIONAL COMMENTS"

Approximately 15% of the respondents believed it was necessary to elaborate on the issue of sexual harassment. Though some comments were general in nature, a vast majority could be classified into one of five categories. Comments regarding victim experiences (sexual harassment) were expressed with a general feeling of helplessness in the environment close behind. Other respondents made statements related to gender bias and the benefit or lack thereof of firm training and education. Still, others suggested that they have seen the professional environment improve over the years.

As previously stated, most of the written comments described harassing behavior CPAs encountered during their public accounting career. One woman commented:

“*Once a client made a very inappropriate suggestion to me and at the time, I was young and naive, and it didn't hit me until later that he was serious and how serious the situation was. Two other times clients made very disgusting remarks with me and a male coworker present. One could probably be described as locker room talk but was revolting and inappropriate. In hindsight, both times, I wished I called the guys out on it and left the meeting. But at the time, I did not want to rock the boat or damage client relations. How pathetic is that!*”

Still, another woman wrote, "Big 4 accounting firms created a culture that I did not desire to be a part of. I was continuously placed with a supervisor who would watch porn while I was sitting across from him in the audit room—I reported to his supervisor. I was put on a PIP plan due to my supervisor's poor evaluation. Quit the next day after my evaluation.”

Other remarks included:

> "*Most of my encounters were by coworkers wanting to meet after work for one-on-one lunches, dinners. I was pretty naive as a young worker, and nothing ever happened, but as I look back, I'm sure if I had been willing and had been vulnerable to that it could*

have… I feel that my experience with sexual harassment was minor, as compared to many others' experiences. I did not feel threatened, only uncomfortable. I did not feel that the situations I was in were anything I could not handle. It is no longer a problem at my firm as the clients in question were disengaged."

Additional comments included:

"*The men in our firm have left. We are a women-owned and staffed firm. We are in a much better place. I feel our issue had to do with 'the old boys club's attitude' and "The accounting and finance fields are very much a boy's club. Women are rarely promoted or taken seriously. The ones that go along with the boy's club mentality and tend to not assert power or dominance over male colleagues have a better chance to succeed… In my personal situation, things were eventually handled, but it went on longer than it should have. After being sexually assaulted, I was humiliated and judged.*"

Finally, a respondent wrote, "I had an uncomfortable situation happen several years ago. The firm took appropriate action/ concern, and now, years later, this person and I are great friends. Everything worked out in the end."

A feeling of helplessness was the next most frequently occurring theme from responding CPAs. For example, one woman wrote:

"*In my previous job, I left because another employee was harassing me. I did not let my boss know because I thought I would have to sue him or the company for my action of being involved with someone. At first, we started dating, and when I wanted to stop, all the harassment began. So, I left, and the employee kept on looking for me, so I put a restraining order on him.*"

Another woman responded:

"*Most women are so used to sexual harassment it has become part of everyday life. We feel powerless to make any changes. If I complain, I risk looking sensitive, which will be categorized as a negative attribute. If I laugh it off as harmless, the behavior continues, and I become part of the problem. Complacency is not the answer, but I have no answer*."

Still, another remarked: "Regardless of how well this is policed or how severe the policies are, this problem will never be solved until 1) people in leadership are willing to terminate the offenders without covering it up in some business reason to save their egos, and 2) until the people (mostly the 'bro club') that hang around with the predators are willing to walk away from the benefits they get in the 'bro club' to speak out or expose the behavior."

Comments regarding gender bias were received as well. One woman wrote: "Thankfully, I have never been harassed sexually in the workplace, wherever I have worked. I have been diminished; my opinions discarded as dumb (yet taken up later as a man's idea) and worked as hard as any man but paid much less. Men have acted as if they own women in the workplace, but I truly believe things are getting better all around."

Other respondents stated,

> "*While harassment and sexism are different, that does not mean that sexism is not a huge problem in the profession. There is a huge disparity of male power in my firm, and until women can get more power, we are not going to fix the harassment issue" and "I am an older woman who got into the accounting profession in my 40's. I think that this profession is the first place where I did NOT receive or witness sexual harassment. Was there a gender bias? Yes, at first, and I still do not think that there is pay equity, but most employees are female, and the only outright pig didn't last long here*."

Sexual harassment training was an area addressed by some respondents. One woman commented, "My firm has had mandatory training, which is helpful, but outside of that, not much has been done inside or outside of my firm in the profession, to my knowledge." Another noted, "Most often sexual harassment training is not taken seriously. I do not believe sexual harassment situations are taken seriously until it reaches a rape level. I feel that gender inequality is a much bigger issue."

Additional comments included, "Mandatory harassment prevention training is only required every other year. If studies show that sexual harassment is frequently occurring in the workplace, this should be an annual required training" and "Sexual harassment does not just happen with male/female. Education and safety in the workplace are important. Learning to recognize it and working for an organization that does not tolerate it is beneficial."
Several respondents commented on the overall changing environment. One woman said, "I have not experienced issues of sexual harassment in my professional career, which has been over a span of about 30 years. In trying to address this issue, I hope we do not swing the pendulum too far. Sexual or any other harassment does not belong in any workplace and should not be imposed on women or men." Another commented, "We are basically still women in a man's profession. Things are slowly changing in the right direction. I have not found sexual harassment to be very common at my firm at all, and certainly not from anyone in authority that I worked for."

Additional comments included, "There has been substantial improvement in the 20 years I have been in public accounting." and "I have seen a huge change in the last 30 years in the accounting industry regarding this issue. Thirty years ago, a coworker made inappropriate comments to me, but that was it, and at the time, I was not even really that offended but knew it was inappropriate. Currently, my biggest challenge is a man who just seems to be more critical of the work performed by females than males. Outwardly praises upcoming male staff and how much better they are compared to others who are generally female."

CONCLUSIONS, IMPLICATIONS, AND RECOMMENDATIONS

The study's results are subject to several limitations. First, the male accounting population was excluded from this research. One respondent did mention male harassment was evident in her female-dominated office. Second, the results include what subjects perceive and may not necessarily be what takes place on the job. Next, female Institute members represented the population of interest. Not all female CPAs are members of the Institute. Finally, as mentioned earlier, an improved response rate might have been achieved if personal email addresses were available.

Subject to these limitations, the study provides evidence that suggests public accounting firms continue to be exposed to significant within-firm risk. Findings include:

- Fifty percent of respondents know women CPAs who have experienced sexual harassment while employed in public accounting.
- Two hundred seventy-two known incidences/types of sexual harassment of someone other than by the respondent.
- Remarks about physical anatomy, an example of "hostile environment" discrimination, were most frequently reported by thirty percent of respondents.
- Most sexual harassments took place either at or after firm social gatherings or in the firm's office.
- Thirty-eight percent of the respondents stated "yes" to the question, "have you personally experienced any form of sexual harassment in the accounting workplace?"
- Thirty percent of respondents reported being harassed by either a boss or coworker, while 10 percent reported being harassed by a client.
- Like the 2009 study, approximately fifty-two percent felt the issue of sexual harassment needs to be better addressed by the accounting profession.

To improve the workplace environment, firms must establish an effective, well-communicated policy against sexual harassment. This policy must be sensitive to the evolving understanding of hostile environment sexual harassment and must require "enlightened" compliance. Lines of communication must be open to understanding both male and female interpretations of potentially harassing behaviors. Employees must understand what actions constitute sexual harassment and how to file complaints against alleged offenders. Victims also need assurance that claims will be properly reviewed and confident no repercussions will arise because of the filings.

The law provides remedies that allow relief in many cases of sexual harassment. The Civil Rights Act of 1991 increases the potential liability for employers found guilty of violating Title VII. Firms and clients alike must continually evaluate their working environment. It is the firm's responsibility to design and establish a business atmosphere that is conducive to establishing proper professional relationships. Fifty-two percent of the respondents stated the issue of sexual harassment needs to be better addressed by the accounting profession.

All employees need to be aware of their legal rights. According to 1988 EEOC guidelines, employers are encouraged to take all steps necessary to prevent sexual harassment from occurring, such as affirmatively raising the subject, expressing strong disapproval, developing appropriate sanctions, informing employees of their right to raise and how to raise the issue of sexual harassment under Title VII, and developing methods to sensitize all concerned (EEOC, 1988).

While there is some debate that sexual harassment training will improve the ongoing nature of this problem, the Institute should provide sexual harassment training seminars as part of its Continuing Professional Education (CPE) offerings. At these seminars, employees should continually be assured that firms will not tolerate such conduct. Further, all states must pass legislation requiring sexual harassment training to renew professional licenses, like the State of Illinois. It is difficult to imagine that after three decades, Illinois is the first state to make this a licensing mandate in 2020. According to Noel Allen, NASBA external legal counsel,

> *"While Illinois might be the only state having adopted such an explicit requirement for licensees, several states already require sexual harassment training for state employees or private employees, or both. States that require such training for their employees include Kansas, Kentucky, Louisiana, Mississippi, Nevada, New Jersey, North Carolina, Pennsylvania, Tennessee, Texas, Utah, Virginia (legislative branch), and Washington. Various size private employers are also required by state law to have such training for their employees, including those in Connecticut, Delaware, District of Columbia, Maine, and New York. There were dozens of bills introduced in state legislatures in the past two years regarding 'sexual harassment training,' so the picture is still developing."*

Finally, the AICPA should amend Part 1 - Members in Public Practice, Section 1.400.010, and Part 2 – Members in Business, Section 2.400.010 of its Code of Professional Conduct Acts Discreditable with an expanded discussion and formal denunciation of sexual harassment as an act discreditable to the profession as suggested by prior research (Mintz, 2020). Presently, Parts 1.400 and 2.400 state:

> *A member would be presumed to have committed an act discreditable to the profession, in violation of the "Acts Discreditable Rule" [1.400.001/2.400.001] if a final determination, no longer subject to appeal, is made by a court or an administrative agency of competent jurisdiction that a member has violated any anti-discrimination laws of the United States, state, or municipality, including those related to sexual and other forms of harassment. [Prior reference: paragraph .03 of ET section 501]*

Acts discreditable can occur because of professional actions and personal choices that are inconsistent with the values of the profession. To enhance the fundamental principle of professional behavior in the AICPA code, a definition should be included for moral turpitude. In addition, the acts discreditable rule should be more expressive. The AICPA code now says, "A member shall not commit an act discreditable to the profession" and leaves it to the interpretations to describe such acts. This is a necessary—but insufficient—description, given the new professional behavior principle. Drawing from the global codes, the acts discreditable rule should say, “Any act that would likely lead a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, to conclude that certain acts adversely affect the reputation of the profession.” The professional behavior principle should be described as follows: Professional behavior requires a commitment to moral conduct. Professionalism requires a commitment to making ethical choices in one’s personal life and in professional activities through the exercise of moral courage. Acts of moral turpitude should be avoided because they bring harm to one’s reputation and raise doubts about one’s fitness to practice public accounting (Mintz, 2020).

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Table 1: Demographic Summary

Demographic	**Category**	**Frequency**	**Percent**	**Percent Stanko, Werner & Zeller (2009)**	**Percent Stanko & Schneider (1999)**
Age	20-29	6	4%	10%	32%
	30-39	32	21%	34%	43%
	40-49	29	19%	39%	18%
	50 and over	85	56%	17%	7%
		152			
Highest Degree Held	Bachelors	107	72%	70%	80%
	Masters or above	42	28%	30%	20%
		149			
Years of Professional Accounting Experience	0 to 2 yrs	5	3%	1%	3%
	3 to 5 yrs	13	8%	11%	27%
	6 to 10 yrs	20	13%	20%	30%
	Over 10 yrs	116	76%	68%	40%
		154			
Type of Firm Affiliation	National (Big Four)	3	2%	23%	24%
	National (Other)	12	8%	9%	6%
	Regional	30	20%	18%	11%
	Local	94	61%	50%	59%
	Other	14	9%		
		153			
Area of Specialization	Audit	24	16%	39%	53%
	Tax	75	49%	42%	39%
	Consulting	14	9%	2%	1%
	Other	40	26%	17%	7%

		153			
Present Position	Staff	25	16%	7%	11%
	Senior/In-Charge	25	16%	22%	37%
	Manager	59	38%	44%	29%
	Principal/ Partner	34	22%	27%	23%
	Other	11	8%		
		154			
Current Marital Status	Single	58	40%	23%	34%
	Married	95	60%	77%	66%
		153			

Table 2: Incidence/Type of Harassment (other than respondent)

	Yes	**No**	**Total**
I know women who have been sexually harassed in the accounting work setting.	80* (50%)	81 (50%)	161
Stanko, Werner & Zeller (2009)	339 (55%)	277 (45%)	616
Stanko & Schneider (1999)	264 (55%)	219 (45%)	483

Incidence/Type of Harassment (other than respondent)

Type of Harassment	**Frequency**	**Percent**	**Percent Stanko, Werner & Zeller (2009)**	**Percent Stanko & Schneider (1999)**
Sexually vulgar language	62	23%	21%	23%
Remarks about physical anatomy	65	24%	22%	22%
Derogatory gender comments	39	14%	19%	21%
Display of lewd/nude materials	17	6%	7%	3%
Negative performance assessment	11	4%	7%	7%
Client performance complaint	1	-	2%	3%
Chilling atmosphere	23	8%	7%	6%
Job altered without justification	9	3%	4%	3%
Unwanted touching	35	13%	8%	11%
Unwanted intercourse with consent	1	-	1%	1%
Sexual activity for a favor	2	1%	1%	1%
Rape	2	1%	-	-
Other	5	2%	-	-
	272			

*Respondents could identify multiple types.

Table 2a: Variance Analysis

	Significance Level*
Type of Firm Affiliation	0.4327
Specialization	0.3901
Present Position	0.8255

Table 3: Where Harassment Typically Occurs

Location	Frequency	Percent	Percent Stanko, Werner & Zeller (2009)	Percent Stanko & Schneider (1999)
When female accountants are out of town on client business	60	15%	18%	17%
At or after national or regional training meetings	48	12%	9%	7%
At or after local training meetings	19	5%	2%	2%
At or after firm social gatherings	88	22%	21%	18%
At or after social situations with clients, including business lunches or dinners	59	14%	13%	14%
In the firm's office	85	21%	25%	27%
In the client's office	39	9%	11%	15%
Other	10	2%	-	-
	408			

Table 4: Incidence/Type of Harassment (other than respondent)

	Yes	**No**	**Total**
Have you personally experienced any form of sexual harassment in the accounting workplace?	60 (38%)	99 (62%)	159
Stanko, Werner & Zeller (2009)	239 (39%)	377 (61%)	616
Stanko & Schneider (1999)	179 (37%)	304 (63%)	483

Incidence/Type of Harassment (other than respondent)

Type of Harassment	**Boss = 31**	**Coworker = 30**	**Client = 20**
Sexually vulgar language	17	21	14
Remarks about physical anatomy	17	17	13
Derogatory gender comments	8	9	6
Display of lewd/nude materials	3	8	2
Negative performance assessment	8	n/a	n/a
Chilling atmosphere	11	8	1
Job altered without justification	5	n/a	n/a
Unwanted touching	13	11	7
Unwanted intercourse with consent	1	0	0
Sexual activity for a favor	0	0	0
Rape	2	0	0
Other	5	4	2

Table 4a: Variance Analysis

Significance Level	**Total**	**Boss**	**Coworker**	**Client**
Type of Firm Affiliation	0.2042	0.4347	0.6655	0.3056
Specialization	0.9330	0.7480	0.6007	0.0872
Present Position	0.4432	**0.0131**	**0.0034**	**0.0382**

*Bold indicates significance at the .05 level or better.

Table 5: Harassed Respondent's Recourse Taken

Question	Yes	No	Total
Reported the incident?	29 (48%)	31 (52%)	60
Satisfied with action taken?	10 (37%)	17 (63%)	27
Contemplated leaving the organization?	24 (41%)	34 (59%)	58
Stanko, Werner & Zeller (2009)			
Reported the incident?	114 (48%)	125 (52%)	239
Satisfied with action taken?	36 (32%)	78 (68%)	114
Contemplated leaving the organization?	103 (43%)	136 (57%)	239
Stanko & Schneider (1999)			
Reported the incident?	79 (44%)	100 (56%)	179
Satisfied with action taken?	39 (49%)	40 (51%)	79
Contemplated leaving the organization?	53 (67%)	26 (33%)	79

Reporting of Incident

Individual Reported To:	Frequency	Percent	Percent Stanko, Werner & Zeller (2009)	Percent Stanko & Schneider (1999)
Spouse	3	10%	23%	19%
Friend, not at work	8	28%	19%	15%
Coworker	4	14%	30%	29%
Firm administrator/boss	8	28%	24%	24%
Law enforcement officer	-	-	1%	1%
Private attorney	-	-	3%	1%
State human rights commission rep	-	-	2%	-
Supervisor	6	20%	-	-
	29			

Table 6: General Attitudes Statements and Summary Information

Survey Question #	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1-Often, when a person sexually harasses another, exerting power over the person is more important than gratification.	50 (29.6%)	94 (55.6%)	20 (11.8%)	4 (2.4%)	1 (0.6%)
2-Sexual harassment and sexism are the same.	4 (2.4%)	10 (6.0%)	7 (4.2%)	118 (70.2%)	29 (17.2%)
3-When one person uses authority and power to force another into unwarranted sexual relations, she/he uses a form of rape.	74 (44.9%)	71 (43.0%)	8 (4.9%)	9 (5.5%)	3 (1.7%)
4-Unwanted sexual behavior toward women is sexual harassment.	100 (61.0%)	55 (33.5%)	6 (3.7%)	3 (1.8%)	0 (0.0%)
5-Women in all classes of society are sexually harassed.	92 (56.4%)	60 (36.9%)	4 (2.4%)	5 (3.1%)	2 (1.2%)
6-The man is at fault most of the time in sexual harassment cases.	12 (7.4%)	56 (34.4%)	55 (33.7%)	34 (20.9%)	6 (3.6%)
7-Women tolerate sexual harassment because they feel little can be done.	28 (17.1%)	99 (60.4%)	20 (12.2%)	16 (9.7%)	1 (0.6%)
8-The major function of sexual harassment is to preserve the dominance of males over females.	11 (6.7%)	52 (31.9%)	45 (27.6%)	51 (31.3%)	4 (2.5%)
9-Most bosses are not willing to take action to eliminate sexual harassment.	5 (3.1%)	36 (22.2%)	40 (24.7%)	63 (38.9%)	18 (11.1%)
10-Most cases of sexual harassment are not reported to bosses or other administrators.	34 (21.0%)	96 (59.3%)	24 (14.8%)	7 (4.3%)	1 (0.6%)

Table 7: General Attitudes Statements and Statistical Analysis

	Significance of F:		
Survey Question #	Firm Size	Specialization	Present Position
1-Often, when a person sexually harasses another, exerting power over the person is more important than gratification.	0.9727	0.2572	0.8528
2-Sexual harassment and sexism are the same.	0.4139	0.0516	0.0537
3-When one person uses authority and power to force another into unwarranted sexual relations, she/he uses a form of rape.	0.0795	0.0563	0.0406**
4-Unwanted sexual behavior toward women is sexual harassment.	0.0737	0.1258	0.2336
5-Women in all classes of society are sexually harassed.	0.6805	0.8839	0.8512
6-The man is at fault most of the time in sexual harassment cases.	0.8620	0.0583	0.4540
7-Women tolerate sexual harassment because they feel little can be done.	0.4978	0.0520	0.9807
8-The major function of sexual harassment is to preserve the dominance of males over females.	0.7407	0.0468**	0.5378
9-Most bosses are not willing to take action to eliminate sexual harassment.	0.0017***	0.3637	0.0838
10-Most cases of sexual harassment are not reported to bosses or other administrators.	0.1736	0.7588	0.9837

** and * denote significance at the .01 and .05, respectively.

Group Classifications:

Firm Size	**Specialization**	**Present Position**
Big-Four	Audit	Staff
National	Tax	Senior
Regional	Consulting	Manager
Local	Other	Partner/Principal

THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON PUBLIC SECTOR EMPLOYEES' ORGANIZATIONAL COMMITMENT AND TURNOVER INTENTIONS

David J. Emerson, Salisbury University
Michele Campbell Ennis, Salisbury University
Kenneth J. Smith, Salisbury University*

Abstract: Via structural equations modeling, this paper assesses the influence of transformational leadership practices and organizational commitment on public sector employees' intention to voluntarily separate from their employers. It also assesses these relations by generational cohort. The full sample results indicate direct associations between transformational leadership and both affective and normative commitment, affective commitment and both normative commitment and thoughts of quitting, normative commitment and both thoughts of quitting and job search behaviors, and thoughts of quitting and job search behaviors. However, from an inter-generational perspective, the influence of transformational leadership on affective commitment, normative commitment, and thoughts of quitting among Baby Boomers was stronger than it was among Gen XY participants. Also, there was a significant direct negative association between normative commitment and job search behaviors among Baby Boomers, but not among Gen XY participants. These findings are discussed in connection with the extant literature on the differences in work and personal preferences between the generational cohorts studied.

INTRODUCTION

Good leaders motivate employees to perform tasks efficiently and effectively. Great leaders inspire followers to embrace their vision for the organization and to "rise above narrow interests and work together for transcending goals" (Burns, 2003, p. 25). This distinction separates purely outcome-oriented transactional leaders from those who are truly transformational. Transactional managers emphasize task accomplishment and subsequent rewards, or punishment – depending on the results. Whether these tactics are effective for leader/follower interactions is dependent on the leader's capacity to actually bestow the compensation or penalties and whether or not the subordinate actually desires the rewards or fears the consequences (Bass, 1990). If so, then such leadership techniques may prove to be practical, but often such tactics are a "prescription for mediocrity" (Bass, 1990, p. 20).

*Corresponding author, Kenneth J. Smith, Salisbury University, 1101 Camden Avenue, Salisbury, MD 21801. Email: kjsmith@salisbury.edu

In contrast to transactional leaders, transformational leaders address employees' higher order needs such as self-fulfillment and self-actualization. In the process, they fundamentally alter the nature of the organizations they lead (Burns, 2003). Transformational leadership has been found to influence a variety of employee outcomes, including increased performance, satisfaction with supervision, job satisfaction and organizational commitment of employees, while at the same time reducing the propensity of those employees to voluntarily terminate their employment (Rubenstein, Eberly, Lee, and Mitchell, 2018).

Interestingly, as the workforce ages, attitudinal differences between generational cohorts may result in previously effective management styles becoming less so (Arsenault, 2004). This study evaluates how leadership style and subsequent commitment to the organization may influence an individual's intent to voluntarily terminate their employment, and more specifically, how one's generational cohort may influence these associations.

The balance of this paper is organized as follows. The following section elaborates on the constructs under study. The next section presents the theoretical model to be tested and the justification for each tested hypothesis, followed by the methods used to test the hypothesized associations among the constructs. Next, we examine the results, followed by a discussion of the implications of our findings with respect to the study's primary motivation. The final sections outline the study's limitations followed by conclusions focused on the associations between transformational leadership, affective and normative commitment, and turnover proclivities, as well as the challenges that transformational leaders face in light of generational changes in the workforce.

BACKGROUND AND LITERATURE REVIEW

Transformational leadership

Transformational leadership theory (Burns, 1978) holds that transformational leaders can motivate their followers and mobilize them as active participants in the processes of change. They can articulate and instill a sense of shared vision and inculcate feelings of collective identity and efficacy. This sense of collectiveness is presumed to enhance employees' feelings and attitudes of commitment toward the firm, which in turn should reduce their desire to voluntarily leave the firm. Transformational leaders are also purported to facilitate employees' realization of internal (e.g., self-actualization) and external (e.g., compensation, promotion) needs and desires (Maslow, 1943; Burns, 2003). Transformational leaders motivate employees to rise above narrow self-interests to work together to achieve transcending goals (Burns, 2003).

Generational effects

A generation may be defined as "a group of individuals born within the same historical and socio-cultural context, who experience the same formative experiences and develop unifying commonalities as a result" (Lyons and Kuron, 2013, p. S140). Although all people living during a particular era experience the same events contemporaneously, they respond differently based on their relative life stage when those events occur. A generation's collective identity becomes evident as the cohort enters adulthood and the "collective memories of the formative events of their early life become crystalized as attitudes and behaviors… [and] a new generational consciousness emerges when some historical, social, or economic shift occurs that necessitates new skills, new patterns of social organization and alterations in values and lifestyles" (Lyons and Kuron, 2013, p. S140). Although the extent to which one identifies with their generational cohort may vary as a function of various demographic influences, the shared identity of each generation results in common expectations in the workplace which are expressed as psychological contracts. If these contracts are violated, negative consequences such as dissatisfaction, lack of commitment, and intentions to quit may arise (Dencker, Joshi, and Martocchio, 2008; Lyons and Kuron, 2013).

Scholars generally agree about the composition of the generational cohorts currently active in the workplace, beginning with "Baby Boomers" classified as those born between 1945 and the early1960s, followed by "Generation X" born between the early1960s and the late 1970s, while those born between the early 1980s to the late 1990s are referred to as "Generation Y" or "Millennials" (Twenge, 2010; Lyons and Kuron, 2013). Researchers have used time-lag data to evaluate these various cohorts and have developed convincing evidence of generational differences in several personality factors by holding constant the confounding effects of age and stage of life (Twenge, 2010). Specifically, individuals from successive generations appear to be more neurotic, narcissistic, extroverted, and conscientious while the need for achievement and self-assuredness has declined (Lyons and Kuron, 2013; Twenge, 2010; Wray-Lake, Syvertsen, Briddell, Osgood, and Flanagan, 2011). Younger employees appear to value leisure time and work-life balance to a greater extent than their older counterparts, while work centrality and job security have diminished in importance (Twenge, Campbell, Hoffman, and Lance, 2010; Wray-Lake, et al., 2011). In this study, we compare Baby Boomers with a combined cohort of Gen X and Gen Y workers to evaluate how generational differences may result in substantive variations in their response to leadership style.

Turnover intentions

While employee turnover has always been an issue of concern due to its significant implicit and explicit costs (e.g., increased burdens on remaining employees, costs of selecting, hiring and training qualified replacement personnel, reduction in staff morale, loss of institutional memory, and forfeiture of human capital), the issues of voluntary staff turnover and the need to retain valued employees are becoming increasingly important as Baby Boomers leave the workforce, and employers are faced with a concurrent decline in the availability of qualified replacement personnel.

Turnover intentions are defined as a conscious and deliberate willingness to leave an organization (Tett and Meyer, 1993). Employees may be motivated to quit because of the unique or combined influence of a number of factors including low job satisfaction arising from poor relationships with peers or supervisors, and dissatisfaction with the compensation provided. Other antecedents associated with turnover include inadequate employee recognition, insufficient potential for promotions, poor job security, lack of job autonomy, and excessive levels of role stress (Allen, Shore and Griffeth, 2003). Porter and Steers (1973) classified these various influences on turnover as attributable to either the organization, the immediate work environment, or factors specific to the job or the individual. We are interested in how organizational-level leadership style impacts personal-level organizational commitment which, in turn, influences that individual's intentions to quit and their subsequent job search behaviors, for individuals working in the public sector. We are also interested in how one's generational cohort plays a role in these associations.

Because actual turnover is impossible to capture in cross-sectional studies, we use two different metrics of turnover intentions, i.e., thoughts of quitting and job search behaviors, to evaluate the relative likelihood that departure from the organization will occur. Because we posit that leadership style and organizational commitment will differentially affect both thoughts of quitting and job search behaviors, we discuss and hypothesize individual paths for each, but when we discuss turnover intentions in general, we are referring to them collectively.

Organizational commitment

Allen and Meyer (1990) conceptualized organizational commitment as an additive function comprised of three separate measures. The first, affective attachment, refers to the degree to which the "individual identifies with, is involved in, and enjoys membership in the organization." (Allen and Meyer, 1990, p. 2). This metric is a measure of desire. It represents the level to which employees are emotionally attached to the organization and reflects the emotional component of organizational commitment (Porter, 2015). The second component, continuance commitment, is a measure of the perceived costs associated with continued organizational membership. These costs may be those incurred from leaving or benefits foregone by remaining. Normative commitment is the sense of obligation the individual feels toward the organization. This measure captures the extent to which an individual feels obligated to stay with an organization because "they believe it is the 'right' and moral thing to do" (Weiner, 1982, p. 421).

This study incorporates affective and normative commitment as mediators between transformational leadership and the turnover metrics due to their demonstrated efficacy in predicting both turnover and withdrawal cognitions (Somers, 1995).

MODEL DEVELOPMENT AND PRESENTATION OF HYPOTHESES

Leadership style, organizational commitment, and turnover intentions

Leadership style has long been a topic of interest for organizational researchers because of its demonstrable influence on organizational performance, as well as the attitudes and behaviors of employees, including organizational commitment and turnover intentions (e.g., Tett and Meyer, 1993; Bass, Avolio, Jung, and Berson 2003; Allen and Meyer, 1990). Transformational leadership has been the focus of much of this research.

Transformational leaders focus on the needs and personal development of followers and appeal to higher ideals and values that empower them to produce and embrace organizational change, and in turn engenders higher levels of commitment and performance (Bass et al., 2003).

Scholars have consistently found a positive association between organizational commitment and transformational leadership through the enhancement of workers' satisfaction, optimism, and work engagement behaviors (e.g., Dale and Fox, 2008). For example, in a study of public employees, Srithongrung (2011) found that the elements of transformational leadership directly and indirectly through organizational commitment enhanced employees' intentions to stay with an organization. A study of professionals from Singapore found that the quality of leader-member exchange mediated a positive association between transformational leadership and organizational commitment (Lee, 2005). Whittington, Goodwin, and Murray (2004) identified a positive association between transformational leadership and affective organizational commitment. In addition, Peachey, Burton, and Wells (2014) found transformational leadership to have a direct association with affective commitment, and that affective commitment mediated negative associations with job search behaviors and intentions to quit. Based on the foregoing, we hypothesize the following:

H1a: There is a positive association between transformational leadership and affective organizational commitment.

As previously noted, affective commitment captures an employee's desire to remain with the organization. This may be contrasted with normative commitment which is a measure of the extent to which the individual feels obligated to stay (Allen and Meyer, 1990). Normative commitment may be thought of as an internalized norm which develops as part of an individual's familial and social acculturation processes, and which has been established to a significant degree prior to organizational membership (Bergman, 2006). On the other hand, affective commitment is thought to be derived as a function of the relation between an individual's unique characteristics, their fit in the workplace, and the experiences they have had since they were hired. Individuals who are affectively committed identify with the goals of the organization and remain there because they want to (Allen and Meyer, 1990). Thus, while we expect transformational leadership to influence employees' normative commitment, we expect that affective commitment will be directly associated with normative commitment (discussed below) and will significantly mediate the association with transformational leadership. Based on the preceding, we hypothesize the following:

H1b: After controlling for affective commitment, transformational leadership will have a relatively small or insignificant positive association with normative commitment.

Transformational leadership has been found to be negatively associated with actual turnover and turnover intentions (e.g., Bycio, Hackett, and Allen, 1995). Albrecht (2006) found an inverse association between the level of employee trust in management and turnover intentions, and Dupré and Day (2007) found that job satisfaction mediated a negative relation between transformational leadership and turnover intentions. Somers (1995) evaluated the three-component organizational commitment model with relation to turnover intentions and actual turnover and found affective commitment to have the greatest efficacy predicting both the intent to leave and leaving. He also found normative commitment to be influential in predicting intentions to quit but not actual turnover.

Given the extant research linking transformational leadership with organizational commitment which in turn shows a negative association between organizational commitment and turnover elements, we predict the following mediating influences of commitment:

H1c: After controlling for the effects of affective and normative commitment, transformational leadership will have a relatively small or insignificant positive association with thoughts of quitting.

H1d: After controlling for the effects of affective and normative commitment, transformational leadership will have a relatively small or insignificant positive association with job search behaviors.

Organizational commitment and turnover intentions

By definition, organizational commitment is a direct reflection of turnover intentions. Specifically, each of the different components of commitment as conceptualized by Allen and Meyer (1990) capture a different element of the construct, i.e., the desire (affective), need (continuance), or the felt obligation (normative) to stay. Of the three unique facets, affective commitment is the most studied and has demonstrated the greatest efficacy in predicting organizational outcomes, while continuance commitment has the least (e.g., Mathieu and Zajac, 1990). Accordingly, many studies only use the affective component to measure organizational commitment (e.g., Peachey et al., 2014). In this study, we evaluate affective and normative commitment and expect that each will be negatively associated with both thoughts of quitting and job search behaviors. However, because we believe that individuals develop behavioral intent prior to acting on that intent, we expect that thoughts of quitting will mediate the influence of the commitment measures on job search behaviors.

Normative commitment can be augmented by organizational experiences. Moreover, affective commitment itself is a positive experience which could also inculcate a felt obligation to repay the organization. In this way, positive work experiences may promote the development of both affective and normative commitment, and high affective commitment should also synergistically enhance the further development of normative commitment (Bansal, Irving and Taylor, 2004; Hur, Park, and Kim, 2010). Consequently, we expect that affective commitment will be positively associated with normative commitment and that both affective and normative commitment will be negatively associated with thoughts of quitting. We also expect that thoughts of quitting will mediate the associations between the measures of commitment and job search behaviors. Thus, we predict:

H2a: There is a positive association between affective commitment and normative commitment.

H2b: There is a negative association between affective commitment and thoughts of quitting.

H2c: After controlling for the effects of thoughts of quitting, affective commitment will have a relatively small or insignificant negative association with job search behaviors.

H3a: There is a negative association between normative commitment and thoughts of quitting.

H3b: After controlling for the effects of thoughts of quitting, normative commitment will have a relatively small or insignificant negative association with job search behaviors.

H4: There is a positive association between thoughts of quitting and job search behaviors.

Figure 1 graphically presents our theoretical model.

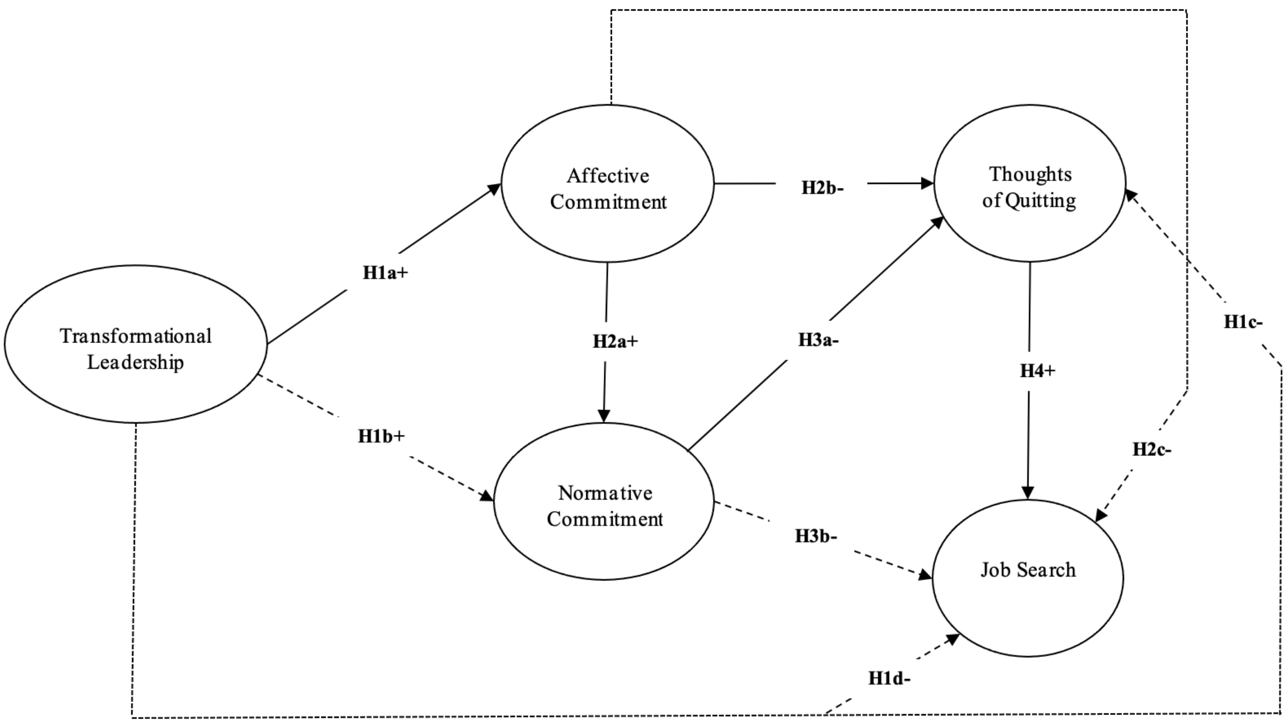


Figure 1: Hypothesized Transformational Leadership Model. **Paths between each latent construct and its manifest indicators are omitted for ease of diagramming and interpretability. See Table 2 for these relations. Dashed paths (e.g., H1b, H2b, etc.) represent those where a small or insignificant association is predicted between the respective antecedent construct and outcome.**

Generational effects

Generational differences in work values and personality are expected to fundamentally change the nature of psychological contracts in the workplace, and consequently employee attitudes. Thus, it is essential that organizations are prepared to deal with these changes (Lyons and Kuron, 2013; Dencker et al., 2008). Each generational cohort is confronted with pre-existing standards for appropriate behavior and must react to them with either compliance or dissent (Joshi, Dencker, and Franz, 2011). Therefore, changes in attitudes across generations have direct implications for the efficacy of transformational leadership.

Time-lag data provide persuasive evidence that significant differences in several personality variables (e.g., individualism, neuroticism, extraversion, conscientiousness, need for achievement, self-esteem, etc.) exist across generations independent of age-related effects (e.g., Twenge, et al., 2010; Wray-Lake et al., 2011). The ability to separate generational effects from age/career stage is important because working conditions change as one advances in their career, and those changes likely alter work attitudes even as their personality variables remain fixed (Lyons and Kuron, 2013). A review of these data provides insights into the mindsets of employees, and more importantly, how those mindsets are changing with successive generations.

The extant research reveals several findings relevant to this study. Specifically, the importance of job security has declined over successive generations, while the importance of extrinsic values such as monetary compensation and working conditions have increased (e.g., Wray-Lake, et al., 2011; Twenge et al., 2010). Moreover, leisure values have increased while work-centrality has declined over successive generations. Younger workers are more likely to adopt a “work to live” orientation compared to the “live to work” mindset of their previous generation counterparts (Twenge, et al., 2010). A recent meta-analysis of cross-sectional data revealed decreases in affective and normative commitment and increases in turnover intentions in successive generations (Costanza, Badger, Fraser, Severt and Gade, 2012). Younger generations are more individualistic and have a greater preference for working alone compared to Baby Boomers who prefer teamwork and are more comfortable working with others (Sirias, Karp, and Brotherton, 2007). Hofstede (2001) noted that generational differences in the workplace could undermine the benefits of transformational leadership in individualistic employees resulting in lower commitment to the organization. In addition, successive generations appear less likely to follow traditional stable and linear career paths in favor of greater mobility and careers characterized by upward, lateral, or occupational changes (Dries, Pepermans, and Kerpel, 2008). Research also suggests an increase in turnover intentions (Costanza et al., 2012), and Lyons and Kuron (2013) note that organizational commitment is likely decreasing with successive generations.

Research suggests that younger employees’ desire personalized attention and feedback, which at first glance would imply that they would be receptive to a transformational leadership style. However, these cohorts are also more individualistic and less enthusiastic about teamwork (Anderson, Baur, Griffith and Buckley, 2016). The increased individualism, narcissism and self-absorption of younger generations may make it more difficult for leaders to inspire them to suppress their self-interest to work for a shared objective. Moreover, a transformational leader’s ability to encourage and motivate younger generations may be less effective given the increased value they place on leisure and their “work to live” mentality (Anderson, et al., 2016). In addition, younger employees are more extrinsically motivated by pay and promotion opportunities than their older counterparts and thus less likely to be influenced by transformational leaders’ appeals (Anderson et al., 2016). Based on the foregoing, we expect:

H5a → d: The relative influence of transformational leadership on affective commitment, normative commitment, and thoughts of quitting, and job search behaviors will be greater for Baby Boomers compared to Gen XY.

METHODS

Participants

Participants for this study came from four levels of government in the eastern region of one mid-Atlantic state. The employees at these agencies were informed of this study through the various agencies' HR departments; multiple strategies were used to collect the data and maximize the response rate. A total of 214 responses were received, but 13 had missing or erroneous data and were excluded from further analysis, resulting in 201 usable responses representing 26 percent of the underlying employee population (n = 763).

Measures

The 30-question Leadership practices inventory (LPI) developed by Kouzes and Posner (1988) was used to measure transformational leadership. Examples of items on the include "Talks about future trends that will influence how our work gets done" and "Praises people for a job well done." The response format was a 10-point Likert scale, ranging from "Rarely or never" to "Very frequently, if not always". Congruent with Carless (2001), the LPI in this study was found to be reliable with a Cronbach alpha coefficient of .987.

Both affective and normative commitment were measured using the five-item and six-item revised scales developed by Meyer, Allen, and Smith (1993), respectively. The response format was a seven-point Likert scale ranging from "Strongly disagree" (1) to "Strongly agree" (7) (Meyer & Allen, 2004). A sample item for the affective commitment subscale is: "This organization has a great deal of personal meaning for me," and a sample item for the normative commitment subscale is: "Even if it were to my advantage, I do not feel it would be right to leave my organization now." Following the results of Allen and Meyer (1990) and Dawley, Andrews, and Bucklew (2008), we find the scales to be reliable with Cronbach's alphas 0.820, and 0.883 for affective and normative commitment, respectively.

Turnover intentions were measured using a five-item scale developed by Hom and Griffeth (1991) that contains two components: a) Thoughts of Quitting; and b) Job Search Behaviors. The response format was a five-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (5). Statements on the thoughts of quitting subscale include: "I am thinking about quitting my job," and "I often think about quitting my present job." Examples of items on the job search subscale include: "I have searched for an alternative job since I joined this organization," and "I am constantly searching for a better alternative." As did Dawley et al. (2008), we found the scales to be reliable with Cronbach alphas for thoughts of quitting of .852, and job search behaviors of .897. Means, standard deviations, and Pearson correlation coefficients were presented in Table 1 below.

Control variables

Prior research suggests that key demographic factors such as age, gender, and education are related to turnover behavior (e.g., Tse, Huang, and Lam, 2013). In addition, tenure is also associated with a number of work outcomes (e.g., Bottomley et al., 2016). While our cross generational analyses address potential age group differences, to examine other potential effects on the observed relationships in this investigation, we created dummy variables to measure gender (0 = male; 1 = female), education (0 = less than a bachelor's degree; 1 = bachelor's degree or higher), tenure at present organization (0 = 10 years or less; 1 = longer than 10 years), organizational level (0 = high level executive; 1 = director level or lower), and retirement plans (0 = five years or sooner; 1 = longer than five years).

Statistical analyses

We first conducted Harman's single factor test (Harman, 1976) to assess whether a single factor accounted for most of the model's covariance in line with admonitions from Podsakoff, MacKensie, Lee, and Podsakoff (2003) and Ali, Kim, and Ryu (2016) to do so when the same respondent provides data for both the independent and dependent variables. Principal components factor analysis of the sample data revealed several explanatory factors, thus permitting us to reject the single factor explanation. We then conducted confirmatory factor analysis on the sample data to independently test construct and discriminant validity among the constructs represented by the measures, prior to evaluating the theoretical model illustrated in Figure 1. This enabled us to assess whether the factors would load on their respective underlying theoretical constructs. Anderson and Gerbing (1988) recommend that the assessment of the measurement model occur before testing structural linkages.

We next conducted structural modeling tests to evaluate the theoretical model using Partial Least Squares Structural Equation Modeling (PLS-SEM) analyses with SmartPLS 3.0 software. Our effort to evaluate a theoretical framework from a prediction perspective is one of the situations that Hair, Risher, Sarstedt, and Ringle (2019) proposed as appropriate for using PLS-SEM. Using a bootstrapping method with 5,000 resamples (Hair, Ringle, and Sarstedt, 2013) for both the measurement and structural model tests, we assessed the significance of the factor loadings and path coefficients.

To assess inter-generational differences in the associations between transformational leadership and the designated organizational outcomes, we tested for invariance between Baby Boomers and the combined group of Gen-X and Gen-Y participants using the SmartPLS product indictor approach. Ali, Kim, and Rhu (2016, p.221), citing Chin, Martcolin, and Newsted (2003) and Henseler and Fassott (2010), stated that "PLS can give more accurate estimates of moderator effects by accounting for the error that attenuates the estimated relationships and improves the validation of theories."

RESULTS

Descriptive Statistics

The full sample consists of 201 government employees. Females comprise 68 percent of the sample. The two most popular age cohorts are 50-59 years (*n*= 73) and 30-39 (*n*= 51). Forty-one percent have at least a bachelor's degree or higher and another 42% have at least some college education. Only 46 percent indicate that they expect to retire within the next 10 years or sooner, not surprising given that two-thirds the respondents report working in non-supervisory level positions.

Table 1 reports the inter-scale correlations for the full sample. As indicated, all the correlations among the primary study constructs are statistically significant and in the expected direction. However, none of the control variables are significantly related to any of the primary study constructs, thus prompting us to exclude them from further analysis.

Measurement Model Assessment

Table 2 below presents a convergent and discriminant validity assessment of the data. As indicated in Panel A, all the item loadings exceeded Chin, Peterson, and Brown's (2008) prescribed minimum value of 0.6. The Average Variance Extracted (AVE), which measures the degree to which the latent construct accounts for the overall amount of variance in the indictors (Ali et al. 2016), exceeded Fornell and Larcker's (1981) minimum 0.50 for each construct, thereby establishing adequate convergent validity. Fornell and Larcker (1981) defined composite reliability is "an indicator of the shared variance among the observed variables used as an indicator of a latent construct" (Fornell and Larcker, 1981), i.e., the extent to which the construct indicators point to the latent construct (Ali et al. 2016). As illustrated, values for this internal consistency measure ranged from 0.878 to 0.980, all but one falling within the 0.70 to 0.95 range that Hair et al. (2019) prescribed as satisfactory to good.[1]

We next conducted a discriminant validity assessment of construct distinctiveness, i.e., the magnitude to which individual constructs were empirically different from each other (Hair et al. 2019). As Table 2 Panel B indicates above, the square root of the AVE (diagonal values) for each construct is larger than its corresponding squared inter-construct correlation coefficients, which suggests adequate discriminant validity according to this criterion proposed by Fornell and Larcker (1981).

[1] The composite reliability value for the indicators comprising the transformational leadership construct (.980) indicated a slight degree of redundancy. However, this was not a concern as supplemental (unreported) structural model analyses of the inter-construct associations using fewer indicators of transformational leadership did not significantly alter the reported results.

Table 1
Inter-Scale Correlations
(*n* = *201*)

Variables	1	2	3	4	5	6	7	8	9	10
1. Gender	-									
2. Educational Level[1]	0.026	-								
3. Tenure[2]	-0.073	0.009	-							
4. Job Level[3]	-0.028	-0.194	-0.254*	-						
5. Years to Retirement[4]	0.191	0.085	-0.299**	0.089	-					
6. Transformational Leadership	-0.096	-0.059	0.030	0.077	-0.127	-				
7. Affective Commitment	0.057	0.028	-0.166	0.080	-0.012	0.465***	-			
8. Normative Commitment	-0.014	0.175	-0.098	0.060	0.038	0.465***	0.646***	-		
9. Thoughts of Quitting	0.064	-0.110	0.111	-0.041	0.009	-0.351***	-0.512***	-0.563***	-	
10. Job Search	0.034	-0.121	0.160	-0.056	-0.092	-0.372***	-0.505***	-0.587***	0.757***	-

*p<.05; **p<.01; ***p<.001

[1] Coded "1" if an Associate degree or less ($n = 118$), and "2" if a Bachelors' degree or higher ($n = 83$)

[2] Coded "1" if 10 years or less ($n = 130$), and "2" if 11 years or more ($n = 71$)

[3] Coded "1" if high level executive ($n = 134$), and "2" if Director level or lower ($n = 67$)

[4] Coded "1" if thoughts of retiring within five years or less ($n = 109$), and "2" if thoughts or retiring after five years or longer ($n = 92$)

TABLE 2
Convergent and Discriminant Validity Assessment

Construct	Scale Items	Loadings	AVE[1]	CR[2]
Transformational Leadership	Challenge	0.945	0.909	0.980
	Enable	0.940		
	Encourage	0.959		
	Inspire	0.960		
	Model	0.962		
Affective Commitment	I would be very happy to spend the rest of my career with this organization.	0.770	0.547	0.878
	I really feel as this organization's problems are my own.	0.619		
	I do not feel a strong sense of "belonging" to my organization. (R)	0.776		
	I do not feel "emotionally attached" to this organization. (R)	0.765		
	I do not feel like "part of the family" at my organization. (R)	0.762		
	This organization has a great deal of personal meaning for me.	0.731		
Normative Commitment	I do not feel any obligation to remain with my current employer. (R)	0.640	0.636	0.912
	Even if were to my advantage, I do not feel it would be right to leave my organization now.	0.831		
	I would feel guilty if I left my organization now.	0.823		
	This organization deserves my loyalty.	0.827		
	I would not leave my organization right now because I have a sense of obligation to the people in it.	0.856		
	I owe a great deal to my organization.	0.789		
Thoughts of Quitting	I am thinking about quitting my job.	0.921	0.871	0.931
	I often think about quitting my present job.	0.945		
Job Search	I have searched for an alternative job since I joined this organization.	0.871	0.829	0.936
	I am actively seeking another job or role.	0.942		
	I am constantly searching for a better alternative.	0.917		

(R) = reverse scored item [1]Average Variance Extracted [2]Composite Reliability

Panel B: Discriminant Validity Assessment[3]

Fornell-Larcker Criterion	Affective Commitment	Job Search	Normative Commitment	Thoughts of Quitting	Transformational Leadership
Affective Commitment	**0.739**				
Job Search	-0.537	**0.911**			
Normative Commitment	0.674	-0.581	**0.798**		
Turnover Intentions	-0.543	0.762	-0.562	**0.933**	
Transformational Leadership	0.474	-0.360	0.458	-0.342	**0.953**

[3]Bolded values (on the diagonal) are the square root of constructs' Average Variance Extracted (AVE). The other tabulated values represent the square of the inter-construct correlation coefficients.

To confirm that the regression results are not biased, collinearity must be tested prior to evaluating structural relationships (Hair et al. 2019). Collinearity is not a problem when Variable Inflation Factor (VIF) values are 3 or lower. Collinearity was not an issue for concern as none of the VIF values generated with this study's data exceeded 2.019.

Structural Model Assessment

We evaluated the theoretical model via the structural coefficients (i.e., betas) and their corresponding *t*- values calculated using the above-noted 5,000 resample bootstrapping procedure, the R^2 value for each dependent construct, predictive relevance (Q^2), and effect size (f^2) metrics suggested by Hair et al. (2019). Table 3 presents the results of the hypothesis tests for H1a-H4. As indicated, transformational leadership had significant positive associations with both affective commitment and normative commitment, thus supporting H1a but not H1b. As predicted, there was no direct association between transformational leadership and either thoughts of quitting or job search, supporting H1c and H1d. In turn, affective commitment's significant positive associations with normative commitment and thoughts of quitting, and non-significant association with either job search, supported H2a-H2c. Normative commitment had significant negative associations with thoughts of quitting and job search, supporting H3a but not H3b. Finally, H4 was supported as thoughts of quitting had a significant positive association with job search.

Table 3: Full Sample Hypothesis Test Results Summary

Hypothesis	Standardized β Coefficient	Hypothesis Supported?	f Square
H1a: Transformational Leadership→Affective Commitment (+)	0.476**	Yes	0.290
H1b: Transformational Leadership→→Normative Leadership (NS)	0.178**	No	0.048
H1c: Transformational Leadership→→Thoughts of Quitting (NS)	-0.044	Yes	0.003
H1d: Transformational Leadership→→Job Search (NS)	0.038	Yes	0.003
H2a: Affective Commitment→Normative Commitment (+)	0.591**	Yes	0.515
H2b: Affective Commitment→Thoughts of Quitting (-)	-0.171**	Yes	0.067
H2c: Affective Commitment→→ Job Search (NS)	-0.068	Yes	0.006
H3a: Normative Commitment→Thoughts of Quitting (-)	-0.347**	Yes	0.100
H3b: Normative Commitment→→Job Search (NS)	-0.171*	No	0.036
H4: Thoughts of Quitting→Job Search (+)	0.617**	Yes	0.629

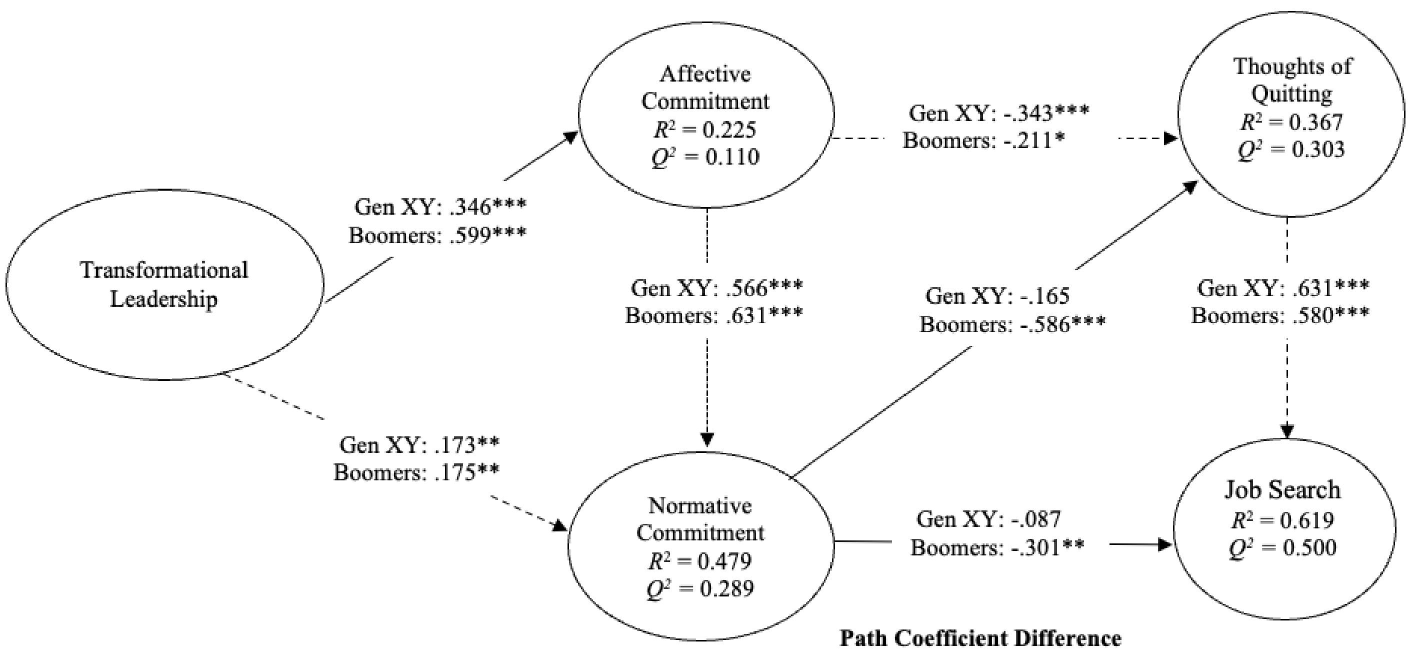
** p < .01; * p < .05; →Direct association, →→Indirect association, NS = relatively small or non-significant

The f^2 effect size metric examines how the removal of an individual predictor construct affects an endogenous construct's R^2 value (Hair, Sarstedt, Hopkins, and Kuppelwieser, 2014). Cohen (1988) delineated f^2 values of 0.02, 0.15, and 0.35 as small, medium, and large effect sizes. Ali et al. (2016) suggested that f^2 value be reported as a supplement to statistical significance (*p*) values. As Table 3 indicates, two of the seven significant path coefficients had a small effect, three had a medium effect, and two had a large effect.

Figure 2 below illustrates the R^2 and (Q^2) values generated from analysis of the full sample structural model, as well as the standardized path coefficients broken down for the two generational cohorts. The adjusted R^2 values indicate that transformational leadership explains 22.5% of the variance in affective commitment, and along with affective commitment explains 47.9% of the variance in normative commitment. In turn, 36.7% of the variance in thoughts of quitting and 61.9% of the variance of job search are explained by their respective antecedents.

Figure 2

Final Structural Model - Standardized Path Coefficients Gen XY and Baby Boomers[1]



Inter-generational Hypothesis Test Results	Path Coefficient Difference (Boomers- Gen XY	p-value
H5a: Transformational Leadership → Affective Commitment > Boomers	.253	.013**
H5b: Transformational Leadership → Normative Commitment > Boomers[2]	.185	.051*
H5c: Transformational Leadership → Thoughts of Quitting > Boomers[3]	-.270	.002***
H5d: Transformational Leadership → Job Search > Boomers[3]	-.050	.670

*significant @ p<.10; **significant @ p<.05; ***significant @ p<.01.

- - - - → Indicates that the path is invariant between groups.

[1] R^2 and Q^2 values calculated on the full sample data, not those for the generational subsamples.

[2] Analysis of difference based on total effects as there was a direct and indirect effect for this association.

[3] Analysis of difference based on indirect effects as these were the sole effects for this association.

The Q^2 statistic specifies the in-sample predictive relevance of a PLS path model (Hair et al., 2019). Hair et al. (2019, 12) specify that "Q^2 values should be larger than zero for a specific endogenous construct to indicate predictive accuracy of the structural model for that construct", and prescribe as a rule of thumb, that Q^2 values higher than 0, 0.25, and 0.50 represent small, medium, and large predictive relevance for an endogenous latent construct in the path model. The Q^2 values in Figure 2 indicate small predictive relevance for affective commitment, medium predictive relevance for normative commitment and thoughts of quitting, and large predictive relevance for job search.

Shmueli et al. (2019) contend that a predictive power assessment of a statistical model is a vital aspect of any study and note that "PLS results are well-suited to generate out-of-sample predictions" (2023). To assess our model's out-of-sample predictive power, we incorporated the PLSpredict option in SmartPLS. We generated the key prediction statistics by stipulating10 folds and 10 repetitions for the training and holdout samples used for estimating model parameters. We then compared the RMSE values of the PLS path model to those of a linear benchmark model.[2]

Following Shmueli et al.'s (2019) suggestion that interpretation of PLSpredict results should focus on the indictors of the model's key endogenous construct, our RMSE prediction error metrics focus on the three job search indicators. Shmueli et al. (2019 2330) indicate that the PLS-SEM model has high predictive power if all of its indicators have lower predictive errors when compared to those of the linear benchmark model. Though not illustrated in tabular form, all of the PLS-SEM model indicators had lower RMSE values than those for the linear benchmark model, thus supporting high predictive power of the model.[3]

Analysis of inter-generational differences

Our final set of hypotheses predicted that the effects of transformational leadership would be greater for Baby Boomers than for Gen XY. We dichotomized the sample into Gen XY (i.e., those born after 1964; n = 107) and Baby Boomers (i.e., those born before 1965; n = 94). As illustrated in Figure 2, all of the full sample significant direct paths are significant for the Baby Boomer group, except that between affective commitment and thoughts of quitting. In contrast, all of the full sample significant direct paths are significant for Gen XY, except that normative commitment failed to exert any significant direct influence on either of the turnover intention metrics.

[2] Shmueli et al. (2019, 2328) define the RMSE as "…the square root of the average of the squared differences between the predictions and the actual observations" and citing prior literature state "…the RMSE rather than other criteria is the preferred default".

[3] The PLS-SEM model RMSE values for Job Search indicators 1-3 were 1.489, 1.463, and 1.503; whereas the corresponding naïve linear benchmark model values were 1.497, 1.492, and 1.509.

As Figure 2 also illustrates, our inter-generational predictions were generally supported. While the positive association between transformational leadership and affective commitment was significant for both groups, it was significantly stronger for Baby Boomers (@ p =0.03). Similarly, the total effect of transformational leadership on normative leadership was .553 for Baby Boomers versus .369 for Gen XY, a difference significant at p = 0.051.[4] The transformational leadership to thoughts of quitting path coefficient difference of -0.0270 between Baby Boomers and their Gen XY counterparts was significant at p = 0.002.[5] However, the inter-generational path coefficient difference for the indirect path between transformation leadership and job search behaviors (-0.050) was not statistically significant.

DISCUSSION

Our first objective in this study was to evaluate how the elements of organizational commitment may mediate the relation between transformational leadership and the components of turnover intentions, and our other goal was to investigate whether one's generational cohort differentially affects those associations.

Eight of our 10 hypotheses were supported with the full sample data. The two exceptions were the significant paths from transformational leadership to normative commitment, and from normative commitment to job search, paths we expected to be fully mediated by affective commitment, and thoughts of quitting, respectively. These exceptions indicate that affective commitment and thoughts of quitting only served as partial mediators of their respective antecedent constructs. These findings notwithstanding, affective commitment did indeed fully mediate the association between transformational leadership and each turnover metric, as predicted.

Research suggests that the individual will examine their employment options before actually quitting, and the results of this study also indicate that the employee first possesses the thoughts of leaving as a trigger for job search prior to actual turnover (Rubenstein, et al., 2018; Gardner, Van Iddekinge, and Hom, 2016). Our fourth hypothesis posited a direct association between thoughts of quitting and job search behaviors, and this prediction was fully supported. Most of our results were expected and in line with prior research and support the contention that psychological and behavioral intentions to leave stimulates and facilitates turnover and initiates the stages of job search prior to actual resignation (Gardner et al., 2016).

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[4] For Baby Boomers, the total effect is the sum of the following effects: Transformational Leadership → Normative Commitment (.175); Transformational Leadership → Affective Commitment → Normative Commitment (.599*.631 = .378). The .369 coefficient for Gen XY is calculated in the same manner.

[5] For Baby Boomers, the total indirect effect (.450, not illustrated) is the sum of the following effects: Transformational Leadership → Affective Commitment → Thoughts of Quitting (-.126); Transformational Leadership → Normative Commitment → Thoughts of Quitting (-.103); Transformational Leadership → Affective Commitment → Normative Commitment → TI (-.221). The (not illustrated) .180 coefficient for Gen XY is calculated in the same manner.

However, our other contribution is demonstrating how transformational leadership differentially affects organizational outcomes based on one's generational cohort.

Our inter-generational analyses suggest that that younger employees' feelings of obligation toward the organization are significantly lower than that of their older counterparts. The above-referenced extant research documenting the orientation of younger workers' attitude to work to live, their preference for working alone, better working conditions, and value of extrinsic rewards over job security, all support Hofstede's (2001) above-referenced concern that generational differences in the workplace may differentially affect the influence of transformational leadership on organizational commitment. These generational shifts in attitudes are indeed reflected in our findings with respect to the influence of transformational leadership on both affective and normative commitment. Among Gen XY participants the non-significant influence of normative commitment on either turnover metric also seems reflective of that group's preference for greater mobility and upward and lateral career changes, as well as complete career changes (Dries et al., 2008; Lyons and Kuron, 2013). Indeed, among our Gen XY participants, the level of normative commitment appears to have declined to the point that there is no real sense of obligation to stay with the organization because it is the right thing to do, i.e., a moral imperative.

LIMITATIONS AND CONCLUSIONS

This study, like all cross-sectional investigations that use self-report measures, has inherent limitations. Using self-reported items raises the concern of common methods variance among the tested relationships, as well as the possibility of questionable results due to poor instrument design. However, confirmatory factor analyses provide support for the theoretical legitimacy of the latent constructs, and each of the instruments used has been proven reliable and valid in prior research, thus providing some assurance that the method of data collection was not responsible for the observed associations between them.

Another concern is that we cannot be certain of the motivations of the volunteers for this study. Further, the sample size for our intergenerational analyses is also a limitation. While there is no definitive standard, and PLS-SEM is noted for its ability to handle small to medium sample sizes (Hair et al. (2013), ours is on the lower end of acceptability. Consequently, it is likely that a larger sample size may have allowed us to uncover additional differences between Gen XY and Baby Boomers. For example, we did not find any intergenerational differences in the associations between transformational leadership and affective commitment, nor did we find that Gen XY had any influence on normative commitment. These are anomalies that might not replicate with a larger sample.

The cross-sectional nature of our study also raises the concern that the data would have supported other construct orderings. Therefore, despite our theoretical model's foundation on reasonably sound a priori theory, longitudinally structured studies are required before any causal inferences may be made. Moreover, the constructs under analysis in this study are especially problematic given the cross-sectional design employed. Specifically, it is difficult to separate effects of age from that of generational membership, and it is also difficult to determine whether a particular attitude or belief is reflective of the formative identity of a generational cohort or that of age or career stage (Dencker, et al., 2008). While cross-sectional evaluations fail to disentangle the confounding effects of age and generational cohort, they can still be valuable. Lyons and Kuron (2013, p. S139) noted that the "results of time-lag, cross-temporal meta-analytic and cross-sectional studies provide sufficient "proof of concept" for generation as a workplace variable, but further theoretical and qualitative work is needed to flesh out mediators and moderators in the relationship between generation and work-related variables." The present analysis answers that call.

Limitations notwithstanding, we are able to make notable contributions. First, we extend our understanding to the role that the elements of organizational commitment play in mediating the influence of leadership style on the components of turnover intentions. We show that normative commitment only mediates the influence of leadership and affective commitment on both thoughts of quitting and job search behaviors among Baby Boomers. We also find that thoughts of quitting partially mediate the effects of leadership and affective commitment on job search behaviors. Third, we provide additional evidence of intergenerational differences, by showing differential generational effect in the structural model and a reduction in the efficacy of transformational leadership for younger generations. These insights have significant implications for management.

At a time when organizations are becoming more dependent on a committed workforce to obtain an advantage, our results support the contention that younger workers are becoming less committed, and that management beliefs regarding the efficacy of transformational leadership may no longer hold. The ability of leaders to inspire employees' commitment and loyalty through intrinsic motivation and charismatic leadership is becoming more difficult as younger members place greater emphasis on extrinsic rewards. Our results suggest that while younger members still feel a desire to retain organizational membership (albeit at lower levels than their baby boomer counterparts), they feel that they are less obligated to do so.

As noted earlier, leaders need to be mindful that generational differences are unlikely to be attributable to age effects alone, but rather indicative of broader trends that will likely continue to evolve. We show that for younger employees, transformational leadership does not appear to be as efficacious in engendering organizational commitment and in tempering the propensity to leave the organization. As Gen X and Gen Y employees progress through their careers and comprise an ever-larger proportion of the workforce, leaders who are able to effectively channel the individualistic needs of their employees toward the achievement of organizational goals will have a competitive advantage over those who fail to adapt to the changing landscape. The new reality may include flexible working conditions, short-term transactional employment relationships and a fundamental shift in management styles. It is clear the composition of the employment base is changing. To be effective, leadership styles will need to change as well.

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