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RESEARCH ARTICLE

Impact of Employee Compensation and Benefits on Operating Performance

Chia-Chi Lee

Professor, Department of Accounting Information, National Taipei University of Business, No. 321, Sec. 1, Jinan Rd., Zhongzheng District, Taipei City 10051, Taiwan (R.O.C.)

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Corresponding Author: Chia-Chi Lee, Professor, Department of Accounting Information, National Taipei University of Business, No. 321, Sec. 1, Jinan Rd., Zhongzheng District, Taipei City 10051, Taiwan (R.O.C.)

Abstract

From the perspective of employee compensation and benefits, this paper probes into the impact of employee compensation and benefits on the overall operating performance of an accounting firm (hereinafter referred to as firm), identifies key benefits, and provides insights for decision making by firm managers on employee compensation and benefits. This paper suggests that firm managers should provide better compensation and benefits, which not only can enhance employee motivation at work and their sense of belonging to the firm and enhance service quality, but also improve the firm's overall operating performance.

Keywords: Employee Compensation and Benefits, Operating Performance, Accounting Firm.

1. Introduction

According to the "2018 Accounting Firm Service Industry Survey Report" published by the Financial Supervisory Commission in December 2019, the number of accounting firms (hereinafter referred to as "firms") has steadily increased from 1,034 in 2015 to 1,134 in 2018. Among them, 91 accounting firms have sub-firms, accounting for 8% of the total number, including 64 with 1 sub-firm, 17 with 2 sub-firms, 2 with 3 sub-firms, 5 with 4 sub-firms, 3 with more than 5 sub-firms, a total of 143 sub-firms. The number of business place (i.e. the total number of main firms and sub-firms) also increased steadily from 1,196 in 2015 to 1,277 in 2018.

In terms of the organizational type of firms, the number of sole proprietorship firms (i.e., individual firms) has increased steadily from 787 in 2015 to 883 in 2018, and the number of joint firms (i.e., partnership firms) has increased steadily from 247 in 2015 to 251 in 2018. The above data shows that the degree of competition in the whole accounting firm industry is also increasing year by year.

The most important resource invested by the firm is "human resource". As part of the service industry featured with intensive professional knowledge and accumulated experience (Cheng, Wang, & Weng, 2000; Wu & Chang, 2003; Lee, 2013; Lee & Lin, 2019). When a firm operates for a longer time, more human resources and customer sources are accumulated (Cheng, Wang, & Weng, 2000). The professional knowledge, skills and experience of the employees themselves, as well as their interaction with customers, are indispensable factors in determining the success of a firm's operation. According to the "2018 Accounting Firm Service Industry Survey Report", it can be found from the number of firms' employees that by the end of 2018, there were 1,027 small firms with less than 20 employees, which had the largest number, accounting for 90.6%; 76 medium-sized firms with 20 to 49 employees, accounting for 6.7%; 15 large firms with 50 to 99 employees, accounting for 1.3%; 16 ultra-large firms with more than 100 employees, accounting for 1.4%. This shows most firms are small and medium-sized firms (with fewer than 50 employees), accounting for 97.3%.

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In 2016, the average annual salary[1] per employee of partnership firms was 708,000 NTD, while that of sole proprietorship firms was 417,000 NTD, and that of all firms was 637,000 NTD. In 2018, the average annual salary per employee of partnership firms was 718,000 NTD, while that of sole proprietorship firms was 416,000 NTD, and that of all firms was 656,000 NTD. The average annual salary did not increase much over the three years. The average annual salary per employee of sole proprietorship firms even fell to only 391,000 NTD in 2017. It shows that the firm industry is less likely to raise salaries for employees.

Lin, Chang and Lee (2011) claimed that Taiwanese enterprises have been affected by industrial relocation and rising labor costs in recent years. How to attract talents, retain talents and motivate employees to work hard is an important issue faced by managers. Whether the compensation system is good or bad and whether it is satisfying, employees have the most direct feelings, and they are also the key factor for the sustainable growth of a company (Carpenter & Wade, 2002). The most direct purpose of an enterprise's reward plan is to retain the talents needed by the company through deferred compensation, effectively reduce the employee turnover rate, and cut the cost of recruitment and training (Tsai & Ou Yang, 2012).

In small and medium-sized firms with relatively fewer human resources, the division of labor is certainly not as refining as that of large and ultra-large firms. Therefore, employees of small and medium-sized firms are required to carry relatively more workload. Employees of all types in the small and medium-sized firms often need to work overtime to complete the work and mission assigned to them. Therefore, the workload of the firm's employees is very heavy and hard. In practice, the average compensation paid to employees of the firm is relatively lower compared to that in other industries. Therefore, it's necessary for managers to plan from the compensation and benefits so as to retain excellent employees in such a difficult and stressful working environment. For these reasons, the author wants to explore what employee compensation and benefit programs are available in the firm and if expenditures of these programs can achieve positive effects on the firm's operating performance, serving as the main purpose of this study. In addition, the author also wants to further identify the benefit items needed to be improved to bring their practical benefits into play, and provide references on the planning of compensation and benefit policies for the firm managers. In this way, a sound compensation and benefit system can be established, employees' sense of belonging to the firm and work willingness will be strengthened, the turnover rate of employees will be cut down, job satisfaction will be boosted, and the overall operation of the firm becomes more smooth and gets advance.

1. The annual salary per employee does not include the salary of partner accountants.

2. Literature Review and Hypotheses Development

2.1 Related Researches on Human Capital

According to Huemann, Keegan, and Turner (2007), human resource management is a core organizational procedure. Moreover, human have been regarded as an important source of creating competitive advantages for enterprises by more and more scholars (Björkman, Fey, & Park, 2007). In order to create sustainable competitive advantage, valuable, hard-to-imitate, hard-to-convert, and hard-to-replace resources are required for companies, and human are one of the most important resources for creating competitive advantage (Barney, 1991). In the era of knowledge economy, the ability of transforming the skills and knowledge possessed by employees into substantive outputs through human resource management has becomes the most important competitive advantage of enterprise activities (Pfeffer, 1994). According to Arubayi, Eromafuru, and Egbule (2020), human resource development is a process through which the management of an organization could improve the skills and abilities of employees by deliberate training, career development, and organizational development. According to the study, there is a significant positive correlation between human resource development and employee performance. The research results also show that individual absorptive capacity and human resource development have significant positive correlation with employee performance. According to the research results of Wajdi et al. (2020) who studied the effect of human resource capability on the organizational performance of small enterprises in Indonesia, human resource capability and technology can have a significant positive impact on organizational performance. Therefore, during the process of enterprise operation, human resources play a very important role and serve as the business driving force, and enterprise managers in any industry should establish a complete human resources management policy.

There are a lot of studies on human resource cost and performance. Chen and Lee (2006) found that labor cost

includes compensation expenditure, travel expense, transportation expense, pension and employee benefits, and labor cost has a significant positive correlation with firm performance. Chen, Chang, and Lee (2008) proposed that human cost is positively correlated with firm performance. Accounting firm is a professional service industry. Therefore, human capital is the core input factor of the firm. The quality of professional competence of accountants, professional leaders and professional assistants in a firm can directly and indirectly affect the audit quality and performance of the firm (Chen, Lin and Fu, 2008). Crook et al. (2011) applied the resource-based theory and found that in the dimension of human capital, enterprises should increase and retain their unique talents to improve or maintain their operating performance.

Komnenic and Pokrajcˇic (2012) assumed that human capital is positively correlated with return on assets, profitability and productivity. Lee (2013) measured human capital by dividing the total compensation by the total number of employees in the firm, and found that the more the human capital invested, the better the firm's operating performance. Lee (2014) used human cost as an important input to measure the operating efficiency of a firm. Lee (2014) claimed that in the operation of a firm, human cost plays a very important role and is the key to determine the operation and service quality of a firm. In addition, it is also an important input factor for the firm to maintain its operation. Lee and Cheng (2018) assumed that the higher the proportion of human resource cost invested, the higher the operating profit of a firm. According to the research results of Nawaz (2019), who discussed the impact of human capital investment and corporate governance characteristics on the market performance of Islamic banking, the financial crisis further stimulated the impact of human capital investment on market performance.

2.2 Relevant Researches on Employee Compensation and Benefits

Compensation refers to the reward that employees get for working for their employers, including basic salaries, bonus and benefits (Henderson, 1979; Huang, 1997). In addition to influencing employees' values and perception of fairness, compensation design can attract, retain and motivate talents to achieve organizational goals (Hughes and Wrght, 1989). Zahra and Pearce (1989) believed that companies should plan different compensation structures and corporate governance mechanisms in different processes of the life cycle. Delaney and Huselid (1996) also proposed that compared with other human resource management schemes, compensation system can more effectively affect organizational performance. That is to say, enterprises should use incentive compensation system to motivate employees, and when employees get recognition and they will continue to perform well. Such results also contribute to the improvement of organizational performance. Hsu et al. (2010) asserted that employee compensation is significantly positively correlated with performance, and enterprises can improve performance by increasing compensation. Danish and Usman (2010) claimed that employee morale and work motivation could be improved through regular increases in compensation and bonus subsidies.

Lin, Chang, and Lee (2011) observed that the compensation system and organization climate have major and mediating effects on the work performance of employees, respectively. Therefore, it is suggested that organizations should develop different combinations of compensation systems for employees based on their different attributes and working characteristics, so as to generate incentive effects. According to the research of Küster and Canales (2011), the more fixed compensation employees get, the more willing they are to work for the organization. Yen and Huang (2011) argued hat the more satisfied employees are with their own compensation, the higher their sense of belonging to the organization. Zhu and Tsai (2012) proposed that increasing compensation is conducive to improving service quality. Rahman et al. (2012) claimed that providing employees with higher benefits can improve job satisfaction. According to a study published by Metlife in 2012, most business owners and managers believed that the adoption of employee benefit programs had a significant impact on employee retention, employee attraction, and employee productivity improvement, and more than 70% said that their companies will increase related employee benefits in the future. From the perspective of employees, the company's benefit policy may affect their loyalty to the company. In addition to compensation and health insurance benefits, ranking first and second respectively, retirement benefit is also an important factor (Tsai & Ou Yang, 2012). Lee and Chen (2016) assumed that the better the benefits provided by the firm to its employees, the better the firm's overall operating performance. The amount of compensation and reward received by employees is an important factor in whether firm managers can motivate employees (Lee & Chen, 2016). According to the study of Abasili, Bambale, and Aliyu (2017),

who studied the direct relationship between rewards and employee performance by taking compensation, bonus, incentive, promotion, recognition, pension and remuneration as independent variables, and performance as dependent variable, there is a significant relationship between employee performance and compensation, bonus, incentive, promotion and recognition. Martono, Khoiruddin, and Wulansari (2018) supposed that the reward management system has become the key point of concern for any organization, and it is the decisive factor for high employee benefit and performance. According to the study on the impact of the compensation and reward system on employee performance by taking incentive and job satisfaction as the intervening variables to research, compensation and job satisfaction have a positive impact on performance. In addition, the study also found that compensation significantly positively affects motivation and job satisfaction.

Relevant studies in the past proposed that the increase in the transparency of senior manager compensation information can enhance the association between senior manager compensation and corporate performance (Park, Nelson, and Huson, 2001; Perry and Zenner, 2001). In addition, some studies have confirmed that the establishment of appropriate and fair compensation could have the incentive effect of increasing enterprise values (Anderson & Bizjak, 2003; Landsberg, 2007; Sun & Cahan, 2012). Mehran's (1995) research shows that the higher the proportion of incentive compensation, the better the performance of the company. Mishra, McConaughy, and Gobeli (2000) asserted that along with the increasing high association between incentive compensation and performance as well as incentive provided in compensation contracts, not only agency problems can be reduced, but also positive benefits can be brought to the future performance of enterprises. Bouwens and Lent (2006) also noted that the intensity of incentives is positively correlated with employees' contributions to corporate performance. Kao and Chan (2013) claimed that the overall total compensation of senior managers has a significant positive relationship with the future performance of the company. In addition, the research also observed that opposite to the situation in the boom period, companies in times of depression should pay definite compensation (compensation, bonus, special allowance and cash dividends) to senior managers rather than uncertain compensation (stock dividends and employee stock options). Such more motivated incentives can be more conducive to the future performance of the company.

Robbins (1978) made the most complete discussion on the scope of compensation. According to Robbins, rewards are divided into intrinsic rewards and extrinsic rewards. Intrinsic rewards refer to the sense of accomplishment or satisfaction that a worker derives from the work itself. According to its nature, extrinsic rewards can be divided into direct rewards, indirect rewards and non-financial rewards. Among them, direct rewards include basic salaries, allowances, bonuses, dividends and stock, etc., while indirect rewards refer to various benefits, such as various insurance, travel subsidies, medical subsidies, etc. In this paper, the research scope of compensation and benefit focuses on the discussion of direct and indirect extrinsic rewards. Zhu (1995) defined compensation as the direct, general and financial remuneration paid by employers to employees, including basic salaries, overtime pay, various allowances, commission, bonus and dividend. Chang (1996) proposed that compensation refers to the financial, tangible or specific remuneration paid by employers to employees, including basic salaries, bonuses and benefits. Huang (1997) divided compensation into basic salaries, allowances and bonuses. Based on the research purpose of this paper, the author defined the compensation as the remuneration given by the organization to employees for providing labor or services, including basic salaries, overtime pay, and various allowances.

Lee and Lin (2019) defined human cost as the total amount of compensation expenditures, meal expenses, employee benefits, reserve for pension, retirement fund and overtime pay. Therefore, based on the definition of accounting firm's human cost by Lee and Lin (2019), as well as the classification of compensation and benefits in the "2018 Accounting Firm Service Industry Survey Report", the compensation and benefits in this paper include eight items, namely, compensation expenditures, travel expenses, meal expenses, employee benefits, research expenses, refresher training expenses, retirement fund and provisions, and overtime pay. In addition, whether these compensation and benefits can have positive effects on the improvement of the overall operating performance of accounting firms is also discussed. In this paper, the income from professional practice of a firm and the number of cases entrusted to a firm were taken as indicators to measure the overall operating performance. What's more, the H1 income from professional practice hypothesis and its sub-hypotheses H1-1 to H1-8, and H2 the number of cases entrusted to a firm and its sub-hypotheses H2-1 to H2-8 were developed respectively as follows:

H1: With other conditions unchanged, compensation and benefits have a positive impact on the income from professional practice of a firm.

H1-1: With other conditions unchanged, compensation expenditures have a positive impact on the income from professional practice of a firm.

H1-2: With other conditions unchanged, travel expenses have a positive impact on the income from professional practice of a firm.

H1-3: With other conditions unchanged, meal expenses have a positive impact on the income from professional practice of a firm.

H1-4: With other conditions unchanged, employee benefits have a positive impact on the income from professional practice of a firm.

H1-5: With other conditions unchanged, research expenses have a positive impact on the income from professional practice of a firm.

H1-6: With other conditions unchanged, refresher training expenses have a positive impact on the income from professional practice of a firm.

H1-7: With other conditions unchanged, retirement fund and provisions have a positive impact on the income from professional practice of a firm.

H1-8: With other conditions unchanged, overtime pay has a positive impact on the income from professional practice of a firm.

H2: With other conditions unchanged, compensation and benefits have a positive impact on the number of cases entrusted to a firm.

H2-1: With other conditions unchanged, compensation expenditures have a positive impact on the number of cases entrusted to a firm.

H2-2: With other conditions unchanged, travel expenses have a positive impact on the number of cases entrusted to a firm.

H2-3: With other conditions unchanged, meal expenses have a positive impact on the number of cases entrusted to a firm.

H2-4: With other conditions unchanged, employee benefits have a positive impact on the number of cases entrusted to a firm.

H2-5: With other conditions unchanged, research expenses have a positive impact on the number of cases entrusted to a firm.

H2-6: With other conditions unchanged, refresher training expenses have a positive impact on the number of cases entrusted to a firm.

H2-7: With other conditions unchanged, retirement fund and provisions have a positive impact on the number of cases entrusted to a firm.

H2-8: With other conditions unchanged, overtime pay has a positive impact on the number of cases entrusted to a firm.

3. Research Design

3.1 Data Source and Sample Selection Process

In this paper, the data are sourced from the "2016-2018 Investigation Reports on the Accounting Firm Service Industry" database compiled and printed by the Financial Supervisory Commission. In these three years, the total number of observed values of the firm is 3,296. After excluding 478 outliers, the final number of valid observed values is 2,818, of which 756 come from partnership firms and 2,062 from sole proprietorship firms. This paper is prepared based on the above data, and the sample selection process is shown in Table 1:

Table 1. *Sample Selection Process*

Total number of original observed values	**3,296**
Remove the following observed values:	
Firm age >65 years	(11)
Number of firm employees =0	(25)
Annual salary of firm employees <10,000 NTD	(438)
Income from professional practice =0 NTD	(4)
Total final valid observed values	**2,818**
Partnership firm	756
Sole proprietorship firm	2,062

3.2 Variable Definition

Past studies of analyzing the operation performance of firm industry include Chen and Lee (2006), Lee (2012), Lee (2013), Lee (2014), Lee and Chen (2016), Lee and Tung (2017), Lee (2018), Lee and Cheng (2018) and Lee and Lin (2019). Among them, Lee

(2018) evaluated the operating efficiency of a firm by taking the income from professional practice and the number of cases entrusted to a firm as output items. Lee (2014) found that the higher the total technical efficiency and pure technical efficiency, the higher the income from professional practice and total revenue of a firm. According to the "Investigation Reports on the Accounting Firm Service Industry", Lee (2013) divided the business items of accounting firms into four categories, namely, public offering certifications, taxation, management consultancy, business registration and other business. By referring to the previous research on the firm industry, income from professional practice (Y1) and the number of cases entrusted to a firm (Y2) are adopted as proxy variables for the firm's overall operating performance in this paper.

Lee and Lin (2019) defined human cost as the total amount of compensation expenditures, meal expenses, employee benefits, reserve for pension, retirement fund and overtime pay. Therefore, independent variables are various items of employee compensation and benefits. Based on the definition of human cost by Lee and Lin (2019), as well as the classification of compensation and benefits in the "2018 Accounting Firm Service Industry Survey Report", the compensation and benefits were divided into 8 items in this paper, namely, compensation expenditures (X1), travel expenses (X2), meal expenses (X3), employee benefits (X4), research expenses (X5), refresher training expenses (X6), retirement fund and provisions (X7), and overtime pay (X8).

In terms of control variables, Lee (2013) observed that the longer the firm age, the better the operating performance. Chen and Chen (2014) noted that the longer the firm age, the more the human capital and customer sources accumulated, and the more the benefits it brings to performance. Lee and Chen (2016) assumed that the longer the firm age, the significantly higher the total income from professional practice, total number of business cases, number of audit and non-audit business cases, net income and employee productivity. Lee and Cheng (2018) proposed that the longer the firm age, the more the client sources, which could positively benefit the firm's operating profit. Moreover, the longer the firm age is, the more the business could be diversified. Lee and Lin (2019) also asserted that there is a significant positive relationship between the firm age and the main income of certifications and management consultancy. Therefore, the duration a firm has been established was measured in this paper in terms of firm age (C1).

In Lee's (2013) study, partnership firms were defined as those consisting of at least two or more certified public accountants and providing financial certification services for public companies, while sole proprietorship firms were defined as those not providing financial certification services for public companies. In the "Investigation Reports on the Accounting Firm Service Industry", samples were divided into partnership firms and sole proprietorship firms. According to Chen and Huang (2011), who designed the firm type with dummy variables, partnership firms had better operating performance than sole proprietorship firms. Therefore, dummy variables were adopted in this paper to measure business type (C2), whether being a partnership firm or a sole proprietorship firm. Zettelmeyer (2000) assumed that manufacturers could provide different levels of product information in different channels and distinguish consumers, thus increasing their strength in market competition. Therefore, the number of channels was measured by the number of sub-firms (C3) in this paper.

According to Lee (2013), who measured the size of a firm by taking the natural logarithm of the total number of employees, the larger the firm size, the better the firm's operating performance. According to Lee (2014), who took the total number of employees as the proxy variable of firm size, the larger the firm size, the higher the income from professional practice and total income of a firm. According to Lee and Chen (2016), who took the total number of employees of a firm as an indicator to measure the firm size, the larger the firm size, the higher the total income from professional practice, total number of business cases, net income and employee productivity. According to Lee and Lin (2019), who evaluated the operating performance of the firm industry from the perspective of intellectual capital, the larger the firm size, the higher the firm's business and non-income from professional practice. Therefore, in this paper, the firm size was measured in terms of the total number of employees (C4). In this paper, the above four items, including firm age (C1), business type (C2), number of sub-firms (C3) and total number of employees (C4), were taken as control variables of the regression model. The definitions of all variables are summarized in Table 2:

Table 2. *Summary of Variable Definitions*

Variable Property	Variable Name	Variable Definition
Dependent variables	income from professional practice (Y1)	Measured by taking the natural logarithm of the annual income from professional practice of a firm (including public offering certifications, tax, management consultancy, business registration and other business). (Original unit: NTD)
	number of cases entrusted to a firm (Y2)	Measured by taking the natural logarithm of the annual number of cases entrusted to a firm (including public offering certifications, tax, management consultancy, business registration and other business). (Original unit: case)
Independent variables	compensation expenditures (X1)	Measured by taking the natural logarithm of the annual compensation expenditures of a firm. (Original unit: NTD)
	travel expenses (X2)	Measured by taking the natural logarithm of the annual travel expenses of a firm. (Original unit: NTD)
	meal expenses (X3)	Measured by taking the natural logarithm of the annual meal expenses of a firm. (Original unit: NTD)
	employee benefits (X4)	Measured by taking the natural logarithm of the annual employee benefits of a firm. (Original unit: NTD)
	research expenses (X5)	Measured by taking the natural logarithm of the annual research expenses of a firm. (Original unit: NTD)
	refresher training expenses (X6)	Measured by taking the natural logarithm of the annual refresher training expenses of a firm. (Original unit: NTD)
	retirement fund and provisions (X7)	Measured by taking the natural logarithm of the annual retirement fund and provisions of a firm. (Original unit: NTD)
	overtime pay (X8)	Measured by taking the natural logarithm of the annual overtime pay of a firm. (Original unit: NTD)
Control variables	firm age (C1)	Year of survey - year of establishment + 1 (unit: Years)
	business type (C2),	It is a dummy variable, which is set to 1 for partnership firms and 0 for sole proprietorship firms.
	number of sub-firms (C3)	The number of sub-firms of a firm. (Unit: firm)
	total number of employees (C4)	Measured by taking the natural logarithm of the total number of employees of a firm. (Original unit: person)

3.3 Multiple Regression Model

According to the hypotheses in Chapter 2 above, regression models for the overall operating performance of two groups of firms were developed, in which, the income from professional practice and the number of cases entrusted to a firm were taken as the measurement indicators of the overall operating performance. The empirical analysis was used to understand whether the employee compensation and benefits could bring positive benefits to the operating performance of a firm, and practical suggestions were further proposed.

$$Y1=\alpha_0+\alpha_1X1+\alpha_2X2+\alpha_3X3+\alpha_4X4+\alpha_5X5+\alpha_6X6+\alpha_7X7+\alpha_8X8+\alpha_9C1+\alpha_{10}C2+\alpha_{11}C3+\alpha_{12}C4+\varepsilon_i \quad (1)$$

$$Y2=\alpha_0+\alpha_1X1+\alpha_2X2+\alpha_3X3+\alpha_4X4+\alpha_5X5+\alpha_6X6+\alpha_7X7+\alpha_8X8+\alpha_9C1+\alpha_{10}C2+\alpha_{11}C3+\alpha_{12}C4+\varepsilon_i \quad (2)$$

In Regression (1) and Regression (2), Y1 is the income from professional practice; Y2 is the number of cases entrusted to a firm; X1 is the compensation expenditures; X2 is the travel expenses; X3 is the meal expenses; X4 is the employee benefits; X5 is the research expenses; X6 is the refresher training expenses; X7 is the retirement fund and provisions; X8 is the overtime pay; C1 is the firm age; C2 is the business type; C3 is the number of sub-firms; C4 is the total number of employees; α_0 is the intercept item, α_1, α_2, α_3, α_4, α_5, α_6, α_7, α_8, α_9, α_{10}, α_{11}, α_{12} are the parameters of the regression model, and ε_i is the error term.

4. Empirical Results

4.1 Descriptive Statistics

The results of the descriptive statistics of all variables in this paper are shown in Table 3. In terms of dependent variables, the average mean of the income from professional practice (Y1) and the number of cases entrusted to a firm (Y2) of Panel A (all firms) is 21,624,986 NTD and 124 cases respectively, while the average mean of the income from professional practice

and the number of cases entrusted to a firm of Panel B (partnership firms) is 71,850,332 NTD and 346 cases respectively. All of them are significantly higher than the average mean of the income from professional practice and the number of cases entrusted to a firm of Panel C (sole proprietorship firms) (3,210,650 NTD and 42 cases, respectively). It can be seen that the business size difference between partnership firms and sole proprietorship firms is very large.

In terms of independent variables, for Panel A (all firms), compensation expenditures (X1) being 13,872,168 NTD is the highest expenditure item of compensation and benefits, followed in descending order by overtime pay (X8) being 1,297,419 NTD, travel expenses (X2) being 959,885 NTD, retirement fund and provisions (X7) being 571,824 NTD, meal expenses (X3) being 530,333 NTD, employee benefits (X4) being 451,632 NTD, refresher training expenses (X6) being 158,627 NTD, while research expenses (X5) being 6,857 NTD is the lowest expenditure item of all. For Panel B (partnership firms), the distribution of compensation and benefits is similar to that of all firms. For Panel C (sole proprietorship firms), compensation expenditures (X1) being 2,210,842 NTD is the highest expenditure item in compensation and benefits, followed by the overtime pay (X8) being 197,735 NTD, the retirement fund and provisions (X7) being 124,419 NTD, refresher training expenses (X6) being 25,792 NTD, and research expenses (X5) being 965 NTD, which remains as the lowest expenditure item of all. For both partnership firms and sole proprietorship firms, overtime pay (X8) is the item with the second highest expenditure only after compensation expenditures (X1), which means that employees of accounting firms often need to work overtime to complete their tasks, while research expenses (X5) is the item with the least expenditure in compensation and benefits, which means that employees of accounting firms rarely engage in research and development works. This is the characteristic and reality of the accounting firm industry.

In terms of control variables, the average firm age (C1) of Panel A (all firms) is 18 years. There is little difference between the average firm age of partnership firms (21 years) and sole proprietorship firms (17 years). The longest firm age is 65 years, and the shortest firm age is less than 1 year for the newly established firms. The average mean of the business type (C2) of Panel A (all firms) is 0.268, which means that 26.8% of the research samples in this paper are partnership firms and 73.2% are sole proprietorship firms. The number of sole proprietorship firms is almost three times that of partnership firms. The number of sub-firms (C3) of Panel A (all firms) is up to 9. In terms of the total number of employees (C4), the average mean for partnership firms (Panel B) is 65 employees and for sole proprietorship firms (Panel C) is 7 employees. There is even a partnership firm (Panel B) with as many as 3,780 employees, samples of the top four accounting firms, while a sole proprietorship firm (Panel C) has only 205 employees at most. By comparison, it can be found that the gap between partnership firms and sole proprietorship firms in terms of firm size is very large. Therefore, it should be included in the model as a control variable in the subsequent regression analysis.

Table 3. *Descriptive Statistics*

Panel A: All firms (N=2,818)

Variable Type	Variable name	Average Mean	Median	Minimum	Maximum	Standard Deviation
Dependent variables	income from professional practice (Y1)	21,624,986	2,626,000	0	5,829,113,521	244,705,759
	number of cases entrusted to a firm (Y2)	124	27	0	17,358	809
Independent variables	compensation expenditures (X1)	13,872,168	1,759,482	0	3,378,381,700	150,527,507
	travel expenses (X2)	959,885	48,112	0	341,301,085	13,275,561
	meal expenses (X3)	530,333	106,010	0	118,026,862	4,962,393
	employee benefits (X4)	451,632	47,521	0	117,917,656	5,266,758
	research expenses (X5)	6,857	0	0	5,800,000	180,276
	refresher training expenses(X6)	158,627	9,600	0	39,262,358	1,827,424
	retirement fund and provisions (X7)	571,824	72,000	0	158,933,684	6,034,020

	overtime pay (X8)	1,297,419	85,946	0	442,935,389	15,994,091
Control variables	firm age (C1)	18.249	18.000	1.000	65.000	11.164
	business type (C2),	0.268	0.000	0.000	1.000	0.443
	number of sub-firms (C3)	0.165	0.000	0.000	9.000	0.632
	total number of employees (C4)	22	6	1	3,780	169

Panel B: Partnership firms (N=756)

Variable Type	Variable Name	Average Mean	Median	Minimum	Maximum	Standard Deviation
Dependent variables	income from professional practice (Y1)	71,850,332	8,096,011	0	5,829,113,521	468,868,527
	number of cases entrusted to a firm (Y2)	346	83	0	17,358	1,534
Independent variables	compensation expenditures (X1)	45,678,589	5,620,164	0	3,378,381,700	288,215,739
	travel expenses (X2)	3,290,850	205,007	0	341,301,085	25,492,487
	meal expenses (X3)	1,653,972	288,870	0	118,026,862	9,486,016
	employee benefits (X4)	1,502,657	190,399	0	117,917,656	10,094,347
	research expenses (X5)	22,930	0	0	5,800,000	346,616
	refresher training expenses (X6)	520,937	26,550	0	39,262,358	3,502,002
	retirement fund and provisions (X7)	1,792,129	259,873	0	158,933,684	11,550,967
	overtime pay (X8)	4,296,822	421,006	0	442,935,389	30,667,312
Control variables	firm age (C1)	21.131	22.500	1.000	65.000	12.044
	number of sub-firms (C3)	0.550	0.000	0.000	9.000	1.085
	total number of employees (C4)	65	15	1	3,780	322

Panel C: Sole proprietorship firms (N=2,062)

Variable Type	Variable Name	Average Mean	Median	Minimum	Maximum	Standard Deviation
Dependent variables	income from professional practice (Y1)	3,210,650	1,800,000	0	144,985,073	6,992,958
	number of cases entrusted to a firm (Y2)	42	20	0	1,920	88
Independent variables	compensation expenditures (X1)	2,210,842	1,224,500	0	127,115,511	5,714,113
	travel expenses (X2)	105,272	27,574	0	7,785,351	316,468
	meal expenses (X3)	118,368	72,000	0	4,591,678	248,074
	employee benefits (X4)	66,290	25,374	0	4,810,642	180,798
	research expenses (X5)	965	0	0	498,458	16,724
	refresher training expenses (X6)	25,792	6,495	0	2,470,200	77,415
	retirement fund and provisions(X7)	124,419	47,644	0	6,838,369	375,748
	overtime pay (X8)	197,735	35,863	0	16,420,026	781,614
Control variables	firm age (C1)	17.192	17.000	1.000	57.000	10.633
	number of sub-firms (C3)	0.023	0.000	0.000	5.000	0.198
	total number of employees (C4)	7	5	1	205	10

Note: 1. *Y1: income from professional practice; Y2: the number of cases entrusted to a firm; X1: compensation expenditures; X2: travel expenses; X3: meal expenses; X4: employee benefits; X5: research expenses; X6: refresher training expenses; X7: retirement fund and provisions; X8: overtime pay; C1: firm age; C2: business type; C3: the number of sub-firms; C4: the total number of employees. 2. The total number of samples is 2,818 firms. 3. Dependent variable (Y1) and independent variable (X1-X8) are both expressed in the unit of NTD; the number of cases entrusted to a firm (Y2) is expressed in the unit of case; firm age (C1) is expressed in the unit of year; the number of sub-firms (C3) is expressed in the unit of firm; the total number of employees (C4) is expressed in the unit of person. 4. N indicates the number of observed values.*

4.2 Empirical Results of the Regression Model

According to the suggestion of Neter, Wasserman, and Kutner (1990), the variance inflation factor (VIF) was used to detect the collinearity of variables. When the VIF value is less than 10, it indicates that there is no serious collinearity problem between the independent variables and the control variables. All the VIF values between the independent variables and the control variables of the empirical results of all the regression models below are less than 10, which indicates that there is no obvious collinearity problem between the variables. In addition, the error term of the regression model was tested by Durbin-Watson (D-W value) in this study. If the D-W value is between 1.5 to 2.5, it means that there is no autocorrelation between the error terms. The D-W values of the empirical results of all the regression models below in this paper are between 1.5 and 2.5, which is within the acceptable range. Therefore, there is no autocorrelation problem between error terms of the regression model.

4.2.1 Overall Operating Performance Results of a Firm

The regression results of the income from professional practice in Table 4 shows that adjusted R^2 is 0.850 and F value is 1,329.666, reaching a statistically significant level of 1%, which means that the model fit is very good. In terms of independent variables, except research expenses (X5) demonstrating a significant negative impact, other variables, including compensation expenditures (X1), travel expenses (X2), meal expenses (X3), employee benefits (X4), refresher training expenses (X6), retirement fund and provisions (X7) and overtime pay (X8), all have a significant positive impact on income from professional practice (Y1), and reach a statistically significant level of 1%. This means that the more the firm invests in these compensation and benefits, the higher the firm's income from professional practice is. Therefore, Hypotheses H1-1, H1-2, H1-3, H1-4, H1-6, H1-7 and H1-8 are all valid.

In terms of control variables, except the number of sub-firms (C3) demonstrating no significant impact, other variables, including the firm age (C1), business type (C2) and total number of employees (C4), all have a significant positive impact on income from professional practice (Y1). In other words, the longer the age of firm being a partnership firm, and the larger the firm size, the higher the income from professional practice of a firm.

Table 4. *Regression Results of Income from Professional Practice*

$Y1=\alpha_0+\alpha_1X1+\alpha_2X2+\alpha_3X3+\alpha_4X4+\alpha_5X5+\alpha_6X6+\alpha_7X7+\alpha_8X8+\alpha_9C1+\alpha_{10}C2+\alpha_{11}C3+\alpha_{12}C4+\varepsilon_i$

Variable property	Variable name	Anticipation symbol	Coefficient value	Standard error	t value	Significance (one-tailed)	VIF	Sequence number of the hypothesis	Whether the hypothesis is valid or not
	Constant term		9.370	0.122	76.586	<0.000***			
Independent variables	X1	+	0.256	0.011	23.671	<0.000***	3.331	H1-1	Yes
	X2	+	0.022	0.002	10.288	<0.000***	1.315	H1-2	Yes
	X3	+	0.012	0.003	4.173	<0.000***	1.669	H1-3	Yes
	X4	+	0.029	0.003	11.308	<0.000***	1.732	H1-4	Yes
	X5	+	-0.003	0.009	-0.381	0.352	1.010	H1-5	No
	X6	+	0.017	0.003	5.914	<0.000***	1.260	H1-6	Yes
	X7	+	0.011	0.002	5.050	<0.000***	1.431	H1-7	Yes
	X8	+	0.016	0.002	6.990	<0.000***	1.835	H1-8	Yes

Control variables	C1	+	0.004	0.001	4.325	<0.000***	1.181		
	C2	+	0.085	0.027	3.127	0.001***	1.473		
	C3	+	-0.010	0.020	-0.511	0.305	1.701		
	C4	+	0.634	0.025	25.790	<0.000***	4.762		
	R^2			0.850					
	Adjusted R^2			0.850					
	F value			1,329.666***					
	D-W value			2.033					

Note: *1. Y1: income from professional practice; X1: compensation expenditures; X2: travel expenses; X3: meal expenses; X4: employee benefits; X5: research expenses; X6: refresher training expenses; X7: retirement fund and provisions; X8: overtime pay; C1: firm age; C2: business type; C3: The number of sub-firms; C4: the total number of employees. 2. It adopts the one-tailed test, with ***, ** and * indicating statistically significant levels less than 1%, 5% and 10%, respectively. 3. "Yes" means that the hypothesis is valid, and "No" means that the hypothesis is not valid. 4. Significance p-value<0.000 indicates a very small number. 5. The total number of samples is 2,818 firms.*

The regression results of the number of cases entrusted to a firm in Table 5 show that adjusted R^2 is 0.155 and F value is 44.073, reaching a statistically significant level of 1%, which means that the model fit is very good. In terms of independent variables, except research expenses (X5) and overtime pay (X8) demonstrating a non-significant positive impact and a non-significant negative impact, respectively, and retirement fund and provisions (C7) demonstrating a significant negative impact, other independent variables, including compensation expenditures (X1), travel expenses (X2), meal expenses (X3), employee benefits (X4) and refresher training expenses (X6), all have a significant positive impact on the number of cases entrusted to a firm (Y2), reaching a statistically significant level of 10%. This means that the more expenditures paid by the firm on these compensation and benefits, the more cases entrusted to the firm. Therefore, Hypotheses H2-1, H2-2, H2-3, H2-4 and H2-6 are all valid.

In terms of control variables, except business type (C2) demonstrating a significant negative impact, other variables, including firm age (C1), number of sub-firms (C3) and total number of employees (C4), all have a significant positive impact on the number of cases entrusted to a firm (Y2). In other words, the longer the age of firm being a sole proprietorship firm, the larger the number of sub-firms, and the larger the firm size, the larger the number of cases entrusted to a firm.

Table 5. *Regression Results of the Number of Cases Entrusted to a Firm*

$Y2=\alpha_0+\alpha_1X1+\alpha_2X2+\alpha_3X3+\alpha_4X4+\alpha_5X5+\alpha_6X6+\alpha_7X7+\alpha_8X8+\alpha_9C1+\alpha_{10}C2+\alpha_{11}C3+\alpha_{12}C4+\varepsilon_i$									
Variable Property	**Variable Name**	**Anticipation Symbol**	**Coefficient Value**	**Standard Error**	**t value**	**Significance (one-tailed)**	**VIF**	**Sequence Number of the Hypothesis**	**Whether the hypothesis is valid or not**
	Constant term		0.016	0.464	0.035	0.486			
Independent variables	X1	+	0.146	0.041	3.575	<0.000***	3.331	H2-1	Yes
	X2	+	0.016	0.008	2.009	0.022**	1.315	H2-2	Yes
	X3	+	0.019	0.010	1.785	0.037**	1.669	H2-3	Yes
	X4	+	0.032	0.010	3.251	0.001***	1.732	H2-4	Yes
	X5	+	0.013	0.033	0.389	0.349	1.010	H2-5	No
	X6	+	0.016	0.011	1.557	0.060*	1.260	H2-6	Yes

	X7	+	-0.015	0.008	-1.836	0.033**	1.431	H2-7	No
	X8	+	-0.005	0.008	-0.596	0.276	1.835	H2-8	No
Control variables	C1	+	0.008	0.004	2.158	0.016**	1.181		
	C2	+	-0.144	0.103	-1.399	0.081*	1.473		
	C3	+	0.131	0.078	1.694	0.045**	1.701		
	C4	+	0.507	0.093	5.449	<0.000***	4.762		
	R^2			0.159					
	Adjusted R^2			0.155					
	F value			44.073***					
	D-W value			2.010					

Note: *1. Y2: the number of cases entrusted to a firm; X1: compensation expenditures; X2: travel expenses; X3: meal expenses; X4: employee benefits; X5: research expenses; X6: refresher training expenses; X7: retirement fund and provisions; X8: overtime pay; C1: firm age; C2: business type; C3: The number of sub-firms; C4: the total number of employees. 2. It adopts the one-tailed test, with ***, ** and * indicating statistically significant levels less than 1%, 5% and 10%, respectively. 3. "Yes" means that the hypothesis is valid, and "No" means that the hypothesis is not valid. 4. Significance p-value<0.000 indicates a very small number. 5. The total number of samples is 2,818 firms.*

4.2.2. Overall Operating Performance Results of Partnership Firms and Sole Proprietorship Firms

According to the classification of the database, the business type (C2) was divided into two groups of firm samples, namely, partnership firms (C2=1) and sole proprietorship firms (C2=0), and Regression Models (1) and (2) were re-applied, with the results shown in Table 6. The regression results of the income from professional practice of Panel A (partnership firms) show that, except meal expenses (X3) and research expenses (X5) demonstrating a significant negative impact and a non-significant negative impact, respectively, other variables, including compensation expenditures (X1), travel expenses (X2), employee benefits (X4), refresher training expenses (X6), retirement fund and provisions (X7) and overtime pay (X8), all have a significant positive impact on income from professional practice (Y1). The more the partnership firm invests in these compensation and benefits, the higher the firm's income from professional practice will be. Therefore, Hypotheses H1-1 H1-2, H1-4, H1-6 and H1-7 are all valid. In terms of control variables, the firm age (C1) and the number of sub-firms (C3) have a significant negative impact, while the total number of employees (C4) has a significant positive impact on income from professional practice (Y1). That is to say, the shorter the firm age, the fewer the number of sub-firms, and the larger the firm size, the higher the income from professional practice of a partnership firm.

The regression results of the number of cases entrusted to a firm of Panel A show that, except overtime pay (X8) demonstrating a significant negative impact, compensation expenditures (X1), employee benefits (X4), and refresher training expenses (X6), all have a significant positive impact on the number of cases entrusted to a firm (Y2). The more expenditures paid by a partnership firm on these compensation and benefits, the more cases entrusted to the firm. Therefore, Hypotheses H2-1, H2-4 and H2-6 are all valid. In terms of control variables, the firm age (C1), the number of sub-firms (C3) and the total number of employees (C4) all have a significant positive impact on the number of cases entrusted to a firm (Y2). That is to say, the longer the firm age, the larger the number of sub-firms, and the larger the firm size, the larger the number of cases entrusted to a partnership firm.

To sum up, increasing investment in compensation expenditures, employee benefits and training expenses can not only enhance employees' incentive to work, but also make them willing to accept more tasks and missions, enhance their work motivation and sense of belonging to the firm, and thus improve the overall operating performance of the partnership firm.

The regression results of the sole proprietorship firms of Panel B show that, like the results in Table 4, except research expenses (X5) demonstrating a non-significant negative impact, other variables, including compensation expenditures (X1), travel

expenses (X2), meal expenses (X3), employee benefits (X4), refresher training expenses (X6), retirement fund and provisions (X7) and overtime pay (X8), all have a significant positive impact on income from professional practice (Y1). The more the sole proprietorship firm invests in these compensation and benefits, the higher the firm's income from professional practice. Therefore, Hypotheses H1-1, H1-2, H1-3, H1-4, H1-6, H1-7 and H1-8 are all valid. In terms of control variables, the firm age (C1) and the total number of employees (C4) have a significant positive impact on income from professional practice (Y1). That is to say, the longer the firm age, the larger the firm size, the higher the income from professional practice of a sole proprietorship firm.

The regression results of the number of cases entrusted to a firm of Panel B show that, except retirement fund and provisions (C7) demonstrating a significant negative impact, compensation expenditures (X1), travel expenses (X2), meal expenses (X3) and employee benefits (X4) all have a significant positive impact on the number of cases entrusted to a firm (Y2). The more expenditures paid by the sole proprietorship firm on these compensation and benefits, the more cases entrusted to the firm. Therefore, Hypotheses H2-1, H2-2, H2-3 and H2-4 are all valid. In terms of control variables, only the total number of employees (C4) has a significant positive impact on the number of cases entrusted to a firm (Y2). In other words, the larger the firm size, the larger the number of cases entrusted to a sole proprietorship firm.

To sum up, increasing investment in compensation expenditures, travel expenses, meal expenses and employee benefits can improve the incentive and motivation of employees to work, so as to improve the overall operating performance of the sole proprietorship firm.

Table 6. *Regression Results of the Overall Operating Performance of Partnership Firms and Sole Proprietorship Firms*

Panel A: Partnership firms (N=756)

			Income from Professional Practice (Y1)				Number of Cases Entrusted to a Firm (Y2)			
Variable property	**Variable Name**	**Anticipation Symbol**	**Coefficient Value**	**Standard error**	**t value**	**Significance (one-tailed)**	**VIF**	**Sequence Number of the Hypothesis**	**Whether the hypothesis is valid or not**	**Variable property**
	Constant term		8.929	41.774***			-1.553	-1.071		
Independent variables	X1	+	0.312	17.066***	H1-1	Yes	0.269	2.163**	H2-1	Yes
	X2	+	0.023	7.258***	H1-2	Yes	-0.003	-0.147	H2-2	No
	X3	+	-0.006	-1.284*	H1-3	No	-0.024	-0.745	H2-3	No
	X4	+	0.034	7.721***	H1-4	Yes	0.048	1.610*	H2-4	Yes
	X5	+	-0.001	-0.074	H1-5	No	0.061	0.948	H2-5	No
	X6	+	0.015	3.666***	H1-6	Yes	0.066	2.436***	H2-6	Yes
	X7	+	0.006	2.289**	H1-7	Yes	-0.014	-0.738	H2-7	No
	X8	+	0.020	6.077***	H1-8	Yes	-0.034	-1.529*	H2-8	No
Control variables	C1	+	-0.002	-1.327*			0.018	2.266**		
	C3	+	-0.022	-1.370*			0.142	1.289*		
	C4	+	0.613	20.435***			0.395	1.942**		
	R^2			0.931				0.182		
	Adjusted R^2			0.930				0.169		
	F value			918.987***				14.999***		
	D-W value			2.005				1.852		

Panel B: Sole proprietorship firms (N=2,062)

			Income from professional practice (Y1)				Number of cases entrusted to a firm (Y2)			
Variable property	**Variable Name**	**Anticipation Symbol**	**Coefficient Value**	**Standard Error**	**t value**	**Significance (one-tailed)**	**VIF**	**Sequence number of the hypothesis**	**Whether the Hypothesis is Valid or not**	**Variable Property**
	Constant term		9.453	64.927***			0.337	0.718		
Independent variables	X1	+	0.246	19.007***	H1-1	Yes	0.128	3.073***	H2-1	Yes
	X2	+	0.021	8.161***	H1-2	Yes	0.022	2.542***	H2-2	Yes
	X3	+	0.014	4.274***	H1-3	Yes	0.027	2.535***	H2-3	Yes
	X4	+	0.029	9.333***	H1-4	Yes	0.030	3.038***	H2-4	Yes
	X5	+	-0.007	-0.555	H1-5	No	-0.017	-0.428	H2-5	No
	X6	+	0.017	4.826***	H1-6	Yes	0.002	0.152	H2-6	No
	X7	+	0.013	4.662***	H1-7	Yes	-0.015	-1.642*	H2-7	No
	X8	+	0.015	5.552***	H1-8	Yes	0.004	0.449	H2-8	No
Control variables	C1	+	0.007	5.187***			0.004	1.047		
	C3	+	-0.005	-0.083			-0.149	-0.699		
	C4	+	0.626	18.281***			0.482	4.364***		
	R^2			0.733				0.101		
	Adjusted R^2			0.731				0.096		
	F value			510.698***				21.012***		
	D-W value			2.030				2.019		

Note: *1. Y1: income from professional practice; Y2: the number of cases entrusted to a firm; X1: compensation expenditures; X2: travel expenses; X3: meal expenses; X4: employee benefits; X5: research expenses; X6: refresher training expenses; X7: retirement fund and provisions; X8: overtime pay; C1: firm age; C2: business type; C3: The number of sub-firms; C4: the total number of employees. 2. It adopts the one-tailed test, with ***, ** and * indicating statistically significant levels less than 1%, 5% and 10%, respectively. 3. "Yes" means that the hypothesis is valid, and "No" means that the hypothesis is not valid. 4. N indicates the number of observed values, including 756 for partnership firms and 2,062 for sole proprietorship firms*

5. Conclusion and Suggestion

From the perspective of employee compensation and benefits, this paper probes into the impact of employee compensation and benefits on the overall operating performance of an accounting firm, identifies key benefits, and provides insights for of decision making by firm managers on employee compensation and benefits. In this paper, income from professional practice and number of cases entrusted to firms are chosen as indicators of a firm's of overall operating performance, and eight indicators are used to measure a firm' of compensation and benefits, including compensation expenditures, travel expenses, meal expenses, employee benefits, research expenses, refresher training expenses, retirement fund and provisions, and overtime pay. First, this study found that judging by income from professional practice of all firms, a firm's income from professional practice increases as the compensation expenditures, travel expenses, meal expenses, employee benefits, refresher training expenses, retirement fund and provisions and overtime pay rise. In addition, the longer the age of firm being a partnership firm, and the larger the firm size, the higher the income from professional practice of a firm. Judging by the number of cases entrusted to all firms, increasing the resources invested for compensation expenditures, travel expenses, meal expenses, employee benefits and refresher training expenses can increase the number of cases entrusted to a firm. In addition, it also has been found in this

paper that the longer the age of firm being a sole proprietorship firm, the larger the number of sub-firms, and the larger the firm size, the larger the number of cases entrusted to a firm.

Second, judging by the income from professional practice of partnership firms, increasing the compensation expenditures, travel expenses, employee benefits, refresher training expenses, retirement fund and provisions and overtime pay has a positive impact on increasing income from professional practice. In addition, the shorter the firm age, the fewer the number of sub-firms, and the larger the firm size, the higher the income from professional practice of a partnership firm. Judging by the number of cases entrusted to partnership firms, the higher the compensation expenditures, employee benefits and refresher training expenses, the larger the number of cases entrusted to a firm. In addition, the longer the firm age, the larger the number of sub-firms, and the larger the firm size, the larger the number of cases entrusted to a partnership firm.

Third, the findings on income from professional practice of sole proprietorship firms are the same as those on the income from professional practice of all firms. In addition, the longer the firm age, the larger the firm size, the higher the income from professional practice of a sole proprietorship firm. Judging by the number of cases entrusted to sole proprietorship firms, the higher the compensation expenditures, travel expenses, meal expenses and employee benefits, the larger the number of cases entrusted to a firm. In addition, the larger the firm size, the larger the number of cases entrusted to a sole proprietorship firm.

Fourth, this paper shows that research expenses are of limited help to the income from professional practice and the number of cases entrusted to a firm. One of the reasons may be insufficient investment, and another reason is that employees in accounting firms are busy with work and rarely have time to engage in R&D or innovation efforts, which is the current situation of the accounting firm industry. Therefore, it is suggested that managers can increase investment in research expenses, so as to increase incentives for R&D and innovation, and enhance the R&D ability of employees, which will certainly be helpful to the future operation of the firm.

Fifth, overtime pay is the benefit item with the second most expenses. It can boost income from professional practice, but has a negative impact on the number of cases entrusted to a firm. The reason may be that employees are overloaded and often need to work overtime to finish work, so generally they are unwilling to handle too many cases, leading to the fact that increase overtime pay cannot increase the number of cases entrusted to a firm.

Lastly, this paper suggests that firm managers should provide better compensation and benefits. It not only can enhance employee motivation and incentive at work and their sense of belonging to the firm, but also serve as a positive driver for income from professional practice and the number of cases entrusted to a firm. In addition, it is also suggested that firm managers should adjust the overtime system in a timely manner, and flexibly reduce the work load, in which way the heavy work burden and turnover rate of employees can be reduced, the cohesion of employees for the office can be enhanced, employees' sense of belonging to the firm can be stabilized. Consequently, better business service quality will be available, thus being conductive to the operation management of the firm.

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