

The Accounting Education Change Commission: Its History and Impact

Chapter 2 FORMATION OF THE COMMISSION

In April 1989 the then Big 8 public accounting firms issued what became known as "The Big 8 White Paper" (*Perspectives 1989*).² It was signed by the following leaders of the Big 8:

Duane R. Kullberg, Arthur Andersen & Co.
William L. Gladstone, Arthur Young
Peter R. Scanlon, Coopers & Lybrand
J. Michael Cook, Deloitte Haskins & Sells

Ray J. Groves, Ernst & Whinney
Larry D. Horner, Peat Marwick Main & Co.
Shaun F. O'Malley, Price Waterhouse
Edward A. Kangas, Touche Ross

The White Paper detailed the firms' expectations of accounting graduates. It also suggested the formation of the Accounting Education Change Commission and promised funding for the Commission. Understanding the motivation for the White Paper helps to understand the need for the AECC.

Sponsors' Task Force

In 1988 the managing partners of the Big 8 firms agreed that many graduates of existing accounting programs lacked the skills and abilities to succeed in the competitive environment of the 1990s and the twenty-first century. Each appointed an expert within his firm to a combined task force to explore solutions to this problem. This group, later to become known as the Sponsors' Education Task Force (hereafter the Sponsors' Task Force), prepared the above-mentioned White Paper titled *Perspectives on Education: Capabilities for Success in the Accounting Profession*, which is included as appendix B of this monograph. The White Paper outlined the "partnership of faculty and practitioners" necessary to achieve the desired enhancements to accounting education.

The White Paper had two purposes. First, it specified skills and knowledge needed to succeed in the accounting profession. A significant inclusion was the emphasis on skills, specifically communication skills, intellectual skills, and interpersonal skills. In addition, the required knowledge base included general knowledge and organizational and business knowledge, as well as accounting and auditing knowledge. Finally, the White Paper maintained that the accounting and auditing education should not be directed simply at passing the CPA examination. Instead, "the focus should be on developing analytical and conceptual thinking—versus memorizing rapidly expanding professional standards."

The second purpose was to present a program to accomplish the changes necessary for accounting graduates to enter the profession with the requisite skills and knowledge. Recognizing that changes in accounting programs and curricula are the purview of faculty, the authors of the White Paper recommended that the American Accounting Association (AAA) "take the leadership role" in implementing the change process. In essence, they proposed using Big 8 resources and AAA ideas to address an issue that was important to both parties.

American Accounting Association Involvement

The recommendations might have ended there, with the profession sitting back and waiting for the accounting academy to embrace and implement the needed changes. However, many practitioners (including a majority of the Sponsors' Task Force) believed that the AAA had neither the structure nor the resources to successfully undertake such a task on its own. The AAA, through its dedicated voluntary leadership and committee structure, had a reputation for high intellectual content in its committee reports and actions. But it did not have a successful track record in moving quickly, and there was little evidence that its reports had much direct impact on accounting programs. For example, the Bedford Committee report had been issued three years previously, and four follow-up committees had issued reports, yet few of the reports' recommendations had found their way into any actual curricula.

Therefore, two specific proposals were put forth in the White Paper:

1. A "coordinating committee" should be set up to guide the educational change process. All significant stakeholders should be included, including but not limited to "the AICPA, AAA, AACSB, National Association of State Boards of Accountancy (NASBA), Financial Executives Institute (FEI), National Association of Accountants (NAA) [now the Institute of Management Accountants (IMA)] and the major firms."
2. The Big 8 should provide "leadership, guidance, and financial resources" to the coordinating committee. To this end, the firms made a "five-year commitment of up to \$4 million to support the development of stimulating and relevant curricula."

In early 1989, Sponsors' Task Force members approached AAA President Gerhard G. Mueller and President-Elect John Simmons to explore and encourage the AAA's endorsement of this plan. At its April 1989 meeting, the AAA Executive Committee authorized the President and President-Elect to organize the Accounting Education Change Commission (AECC). The AAA noted the approval as follows:

At its meeting in April 1989, the AAA Executive Committee authorized the President and President-Elect jointly to establish an Accounting Education Change Commission. The Accounting Education Change Commission would structure the needed processes: to address the educational changes; to award grants and contracts to individuals, organizations and institutions as appropriate; to carry out as-needed experimentation and preparation of alternate educational processes; and to carry out conferences and workshops as needed to accomplish changes in accounting education consistent with the Bedford Report, its follow-up reports and the objectives noted in the *Perspectives on Education Capabilities* Report. In the summer of 1989, the AAA signed a Memorandum of Understanding with accounting firms that led to the establishment of the AECC. (AAA 1995)

Memorandum of Understanding

Professors Mueller and Simmons worked with the Sponsors' Task Force to develop a structure and operating procedures for the AECC. A Memorandum of Understanding between the sponsoring firms and the AAA was signed on June 30, [1989](#).³ The Memorandum specified the following objective of the AECC:

The overall objective of the Accounting Education Change Commission is to foster changes in the academic preparation of accountants consistent with the goal of improving their capabilities for successful professional careers in practice. These capabilities are described in the sponsoring firms' White Paper, *Perspectives on Education: Capabilities for Success in the Accounting Profession*, and in the American Accounting Association report of the Committee on the Future Structure, Content and Scope of Accounting Education (Bedford Committee report). Providing such capabilities will require both curriculum reengineering and supportive institutional changes by educational, professional, licensing, and accreditation bodies, *inter alia*, all with the ultimate goal of serving the public interest through the improved education of accountants. The Accounting Education Change Commission has been formed to pursue the realization of these objectives.

In the Memorandum, the sponsoring firms also conditionally pledged \$4 million to fund the AECC, with the funding channeled through the American Accounting Association. The conditions for the grant were that the provisions of the Memorandum be carried out.

The Memorandum established the AAA as the parent body of the AECC. The AAA was to create and charge the Commission, appoint, reappoint, remove, or replace Commission members, approve AECC operating procedures, and provide appropriate fiscal oversight. Especially important was the AAA's responsibility to terminate the Commission when either (1) it failed to make acceptable progress or (2) it completed its work. The Commission's task was clearly seen as temporary, its life limited. It was not intended to be the type of permanent organization, along the lines of the National

Science Foundation, that Previts (1991) advocated as necessary for continued timely improvements in accounting education.

The AAA President and President-Elect jointly appointed AECC members to two-year renewable terms. No approval of either the AAA Executive Committee or the Sponsors' Task Force was required, although in practice their advice was generally sought. The Memorandum specifically addressed eight positions on the Commission. The two leadership positions, Chairman and Executive Director will be discussed later. Six additional members represented specific constituencies. The Memorandum stated that each of the following organizations would be asked to nominate three to five individuals from which the AAA President and President-Elect would select the AECC representatives: Sponsors' Task Force, American Assembly of Collegiate Schools of Business, American Institute of Certified Public Accountants, Financial Executives Institute, National Association of Accountants, and National Association of State Boards of Accountancy. This requirement assured that a broad cross-section of professional accounting would be represented.

The total size of the Commission was not established in the Memorandum. It simply stated that the "AAA shall also appoint a sufficient number of accounting faculty and nonaccountants to assure the Commission of the necessary depth and breadth of input." Professors Mueller and Simmons appointed eight such persons (five accounting professors, one accounting practitioner, one university president, and one education expert), bringing the total AECC membership to 16.

In addition to the regular members, there were two ex-officio members who had full participation rights but no vote: (1) the AAA's Director of Education and (2) the AICPA's Vice President, Education. The Memorandum of Understanding called these two "invited guests," but they were treated the same as other Commission members except for the voting privilege.

Initial Commission Membership

Extensive recruiting efforts by Professors Mueller and Simmons produced a Commission that clearly met the criterion in the Memorandum of Understanding that members be "committed and highly respected individuals who can influence both the Commission and the other organizations with which they are affiliated." For its first two years of operation, the Commission consisted of the following 18 members (including affiliations for those nominated by a specific constituency):

Steven R. Berlin (FEI)	Ray M. Sommerfeld
John F. Chironna (NAA [IMA])	Joan S. Stark
Robert K. Elliott (Sponsors' Task Force)	A. Marvin Strait (AICPA)
Nathan T. Garrett (NASBA)	Gary L. Sundem, Executive Director
Charles T. Horngren	Richard R. West (AACSB)
Donald E. Kieso	Doyle Z. Williams, Chairman
Paul L. Locatelli, S. J.	
James K. Loebbecke	Ex Officio:
Melvin C. O'Connor	Rick Elam (AICPA)
Vincent M. O'Reilly	Corine T. Norgaard (AAA)

AECC Chairman

The success of an organization such as the AECC depends heavily on its leadership. The AECC was fortunate to have Doyle Z. Williams as its first Chairman. The position of Chairperson was a part-time position with a three-year renewable term. Williams was in the position for four-and-a-half years, before being followed by Gerhard G. Mueller for the last two-and-a-half years of the Commission's life.

Both Williams and Mueller were acknowledged by fellow Commission members as effective leaders. However, because Williams was the initial Chairman and presided for more than half the life of the Commission, his impact was especially apparent. As the AAA president who appointed the Bedford Committee and a strong supporter of both professional schools of accountancy and 150-semester-hour accounting programs, Williams already had a reputation as an accounting reformer. However, to his credit, his agenda did not become the Commission's agenda. Instead, he created an open atmosphere where the initial 18 members formulated the Commission's agenda and approach. Chapter 3, "Setting the Direction," will describe the process.

Two characteristics of Doyle Williams's leadership were especially important in the early days of the AECC. First, he was output oriented, and second, he could achieve consensus within a diverse group. The Commission moved quickly under Williams, meeting the mandate of the Sponsors' Task Force but generating criticisms of moving too fast (see, for example, Barefield 1991).

The Commission was established to take actions, not prepare reports. Its success would be measured by real change in accounting education, not by the eloquence of its pronouncements. Williams pushed the Commission to tackle issues where a real impact could be made. Further, he wanted initial actions to begin immediately, not only after prolonged discussion. The strategy was to identify the "low-hanging fruit" and pick it quickly, even before a plan had been devised for picking the harder-to-reach fruit. I believe this strategy was one of the main reasons that the AECC had a large impact almost immediately within the accounting academy. It also accounted for some of the controversies along the way.

For the AECC to move quickly, it was necessary for the Commission to achieve consensus on its objectives and the initial steps for accomplishing them. Many members of the original Commission have commented on the skill with which Doyle Williams accomplished this. Under his leadership, a diverse set of individuals committed the time and effort necessary to work out differences and subjugate their personal agendas to the good of the Commission. Mel O'Connor praised Williams's leadership style by saying, "Doyle had a way of getting you to commit huge blocks of time and energy to further the goals of the Commission and at the same time think that he was doing you a favor" (O'Connor 1996).

The goal of those establishing the AECC was to select a strong, dynamic, respected leader. They got that in Doyle Williams. However, because of his well-known and outspoken positions on many issues of accounting education, sometimes outsiders read things into the AECC's agenda that were not there. I believe that was a small price to pay for the outstanding leadership that Williams provided in the Commission's early years.

Because I was not involved with the Commission during Gerry Mueller's term as Chairman, I know less about his impact. In a sense, Gerry's influence was felt throughout the life of the Commission because, as AAA President, he (together with John Simmons) signed the Memorandum of Understanding and appointed the initial Commission members. He then stepped aside until he was appointed to the Commission in August 1992 and took over as Chairman in January 1994. He had the unenviable task of maintaining the Commission's momentum while phasing out its operation. Although creating the Commission's agenda and formulating a strategy to accomplish it was more exciting, the implementation phase under Mueller's leadership was essential to the success of the Commission. From all accounts, and from the successes in grant project completion, dissemination of grant project results, and hand-off of operations to the AAA, the Commission continued to flourish under Gerry Mueller's leadership.

Executive Director

The Memorandum of Understanding specified a second leadership position for the AECC, an Executive Director. Two characteristics of this position were especially influential in how the Commission operated: (1) the position was a full-time paid position to provide staffing support for the Commission, and (2) the Executive Director was a full member of the Commission. The first provided a person with the time and incentive to devote full attention to the Commission; the second allowed that person to speak with the full authority of the Commission.

The importance of the position of Executive Director cannot be dismissed. (As the first Executive Director, I could be biased, but others have expressed similar views.) Without an Executive Director with the two characteristics in the preceding paragraph, the Commission would not have had as large an impact, or at least its impact would have been slower in coming. A pure staff person could have handled the administrative functions of the position, but would not have had the needed credibility in representing the Commission. An academic on a part-time appointment would have had less time and more distractions, preventing him or her from complete immersion in Commission activities.

With the appointment of Gary Sundem as the first Executive Director, the organizers found someone

who was a good complement to Doyle Williams. As a Stanford Ph.D. and a former editor of *The Accounting Review*, Sundem came from a strong research tradition. Although the Commission focused on the teaching role of faculty and accounting programs, it was important to also recognize the role of research in maintaining the vitality of the profession and its educational programs. When the Commission was accused of "research-bashing" (Barefield 1991), Sundem and his academic colleagues on the Commission maintained that there is a synergy between research (or, more generally, scholarly activities) and teaching. It is the *over-emphasis* on either one of these that leads to problems, and the late 1980s seemed to be a time of over-emphasis on research. It was the task of the research-oriented members of the Commission to make sure the pendulum did not swing too far the opposite way. It was also a time of legitimate criticisms of the nature of much accounting research (see Beaver [1992, 137–139] for an excellent discussion of this point), and it was important that these criticisms not be generalized to all accounting research.

Sundem also brought a management-accounting perspective to the Commission. Whereas Williams was active in the California Society of CPAs and the AICPA, Sundem had been involved in the Institute of Management Accountants (as Seattle Chapter President and a member of the National Board of Directors) and the Financial Executives Institute. He had little previous connection with the Big 8, so he could more easily answer the critics who thought the Commission was biased in favor of preparation for public accounting careers, especially for careers in the large firms.

Sundem was Executive Director only two years, but he continued to champion the AECC agenda the following two years as President-Elect and then President of the AAA. In 1991, Doyle Williams was asked to add the Executive Director duties to his Chairmanship when Sundem was elected AAA President-Elect. At the same time a position of Vice-Chairman was created and filled by William Shenkir. It was an unpaid position with responsibility for representing the Commission but with no specific administrative duties. When Doyle Williams assumed the position of Dean of the College of Business Administration at the University of Arkansas in 1993, he relinquished the position of AECC Executive Director and at the end of the year also relinquished the Chairmanship. On July 1, 1993, Richard E. Flaherty was appointed Executive Director and held the position for the last three years of the Commission's life.

Flaherty was especially successful in leading the effort to disseminate the results from the grant projects. He was well known in the academic accounting community, and he spent a great deal of time making presentations around the country about how to go about changing accounting programs.

Turnover of Membership

The original Commission members remained in place for two years. Much of the success of the Commission was due to the esprit des corps among these 18 individuals. They shared the excitement of creation and formed a strong bond of common goals. However, the Memorandum of Understanding clearly anticipated rotation of membership. The Chairman had an initial three-year term, the Executive Director had an initial one-year term, and all Commissioners had two-year terms. All were renewable annually thereafter.

Thus, at the end of the second year, membership changes were made. Gary Sundem resigned because of potential conflicts of interest with his AAA duties, and Nathan Garrett and Richard West also stepped down. They were replaced by Sarah Blake, Katherine Schipper, and William Shenkir, who was appointed Vice Chairman. In addition, Robert Ingram replaced Corrine Norgaard as the AAA Director of Education and thus took her place on the Commission. The quality of these replacements assured that the momentum of the Commission would not wane. The pace of four meetings per year continued through the 1992–93 academic year as emphasis switched from setting the direction to monitoring change activities and providing tools to help schools change their accounting programs.

Another five of the original Commission members completed their service at the end of 1991–92: Steve Berlin, Charles Horngren, James Loebbecke, Vincent O'Reilly, and Ray Sommerfeld. They were replaced by Penny Flugger, David Landsittel, Gerhard Mueller, Peter Wilson, and Robert Witt. It was clear that Commission membership was attractive enough to continue attracting top-level members.

The 1993–94 year marked the first year that a majority of the Commission members had not been on the initial Commission. At the beginning of that year John Chironna, Donald Kieso, and Marvin Strait were replaced by Richard Flaherty, James Naus, and Stanley Pylipow, and Jan Williams replaced Robert Ingram as the AAA representative. In addition, on January 1, 1994 Barron Harvey replaced Doyle Williams, and Gerhard Mueller took over the Commission Chairmanship.

The end of the 1993–94 year marked the departure of two original Commission members who were especially influential on the direction of the Commission: Joan Stark and Robert Elliott. Their replacements were Eugene Rice and David Pearson. By this time only two original members, Mel O'Connor and Paul Locatelli, and one ex-officio member, Rick Elam, remained. During 1995 Rick Elam left the AICPA, thus vacating his ex-officio seat, and Mike Diamond replaced Jan Williams as the AAA representative. That marked the end of changes in Commission membership. Mel O'Connor and Paul Locatelli were the only members who saw the Commission through from start to finish.

²The White Paper was widely distributed, as described in a cover letter accompanying it: "Because of the importance of the issues discussed in this paper, we are distributing copies to a number of parties concerned with education for accounting. Within academia, we will be forwarding this paper to college and university presidents, deans of business schools, chairmen of accounting departments and accounting faculty. Copies also will be sent to state boards of accountancy, state societies of CPAs and officers of the American Accounting Association, American Institute of Certified Public Accountants, American Assembly of Collegiate Schools of Business, National Association of State Boards of Accountancy, Financial Executives Institute and National Association of Accountants. All United States senators and representatives will receive copies, as will officials of interested government agencies."

³Signing the Memorandum were Gerhard G. Mueller and John K. Simmons representing the AAA, Doyle Z. Williams representing the AECC, and Richard Shafer, Francis N. Bonsignore, Donald Dupont, Robert K. Elliott, Robert McDowell, Bruce Mantia, Lester Sussman, and David A. Wilson representing the sponsoring firms.