

The Accounting Education Change Commission: Its History and Impact

Chapter 7 IMPACTS ON STAKEHOLDERS

The most important stakeholders to be influenced by the AECC are accounting faculty and administrators. Most of this monograph describes how the Commission tried to accomplish this. However, the ultimate success of the changes in accounting education also depends on how much support is generated among other stakeholders. This chapter addresses the impact of the Commission on the following stakeholders: (1) public accounting practitioners, including those in both large and small firms, (2) accounting practitioners in business, industry, and government, (3) business school and university administrators, and (4) accrediting agencies, especially the AACSB-The International Association For Management Education.

A generalization that summarizes the Commission's impact on all of these stakeholders is that progress was made with leadership groups, but there was much less impact at grass-roots levels. Presentations were made to the Boards of Directors of the AICPA and the Financial Executives Institute. Other interactions with organizations such as the Institute of Management Accountants and the Institute of Internal Auditors were primarily with staff and a few top leaders. These groups generally gave enthusiastic support to AECC initiatives, but most members of the organizations were oblivious to the existence of the Commission.

A December 1991 survey (Hulme and Ehrenreich 1994) pointed out the differences between educators and practitioners in their views on needed changes. Practitioners were randomly selected from AICPA and IMA rosters, so they were typical members, not necessarily leaders. In total, the practitioners felt less need to change than did the educators, although both groups strongly supported change. In addition, the practitioners wanted more emphasis on specialized courses, particularly tax, more coverage of procedures and standards, and more real-world cases and problems. Educators wanted a greater conceptual focus, more critical thinking, and more communication skills. The views of the educators were much more consistent with the wishes of the leadership of practitioner organizations than were those of the average practitioners. Either the message had not reached a majority of practitioners or they had heard the message but did not agree with it.

The Commission's lack of recognition among the majority of practicing accountants was not a critical impediment to achieving its objectives. Nevertheless, accounting programs implementing changes must be concerned if a majority of the practicing community are either not supportive of changes, or, worse, want changes in the opposite direction from those being implemented.

Next let's look at the impact of the Commission on the four practitioner groups mentioned earlier.

Public Accounting Practitioners—Large Firms

The AECC was created and funded by the then Big 8 public accounting firms, and it was answerable to the Sponsors' Task Force, which was composed of top personnel partners from the firms. The Commission Chairman and Executive Director met regularly with the Sponsors' Task Force and periodically with the Managing Partners of the firms. Two representatives of the large accounting firms were on the Commission. Indeed, the avowed purpose of the Commission was to carry out the directives in the White Paper prepared by these firms. Therefore, both awareness of and support for the Commission's activities at the top levels of the large public accounting firms was great.

In fact, the consonance of the AECC activities and the desires of the large accounting firms drew criticism. For example, Davis and Sherman (1994, 16) maintained that "the financial linkages between the Big Eight and the professoriate suggest control of the Bedford committee and the AECC by the Big Eight." Later, they state that "it appears that the AAA has been captured [by] the Big Eight accounting firms through the creation and operation of the AECC...[T]he initiatives of the Change

Commission operate in such a way as to advance the purposes and interests of the Sponsoring Firms" (Davis and Sherman 1994, 20).

I don't think anyone connected with the AECC would suggest that the Commission did not try to advance the interests of the sponsoring firms. A primary measure of the success of the Commission is whether it sufficiently advanced these interests. The large accounting firms are major employers of accounting graduates, and to ignore their needs would be foolhardy. A more important question, though, is whether advancing the interests of the large accounting firms was at the expense of the interests of other stakeholders. I will address that issue later in this chapter.

There is little doubt that the large accounting firms exerted an influence on the AECC, but did the AECC also influence the firms? I think the answer is a qualified "yes." There were two areas in which influencing these firms was important to the success of the Commission. First, the hiring practices and the deployment of new graduates had to be consistent with the recommendations of the Commission. Second, the firms had a right (and probably an obligation) to make known the knowledge, skills, and abilities they wanted in accountants they hired out of accounting programs, but the Commission seemed to believe (without explicitly stating so) that it was up to the colleges and universities to determine the best way to develop these attributes in students.

Consider first the hiring practices of the large firms. In the Commission's early years, many academics voiced concern that the attributes delineated in the White Paper might reflect the desires of top management of the firms but they did not reflect the practices of the recruiters on campus. I saw enough evidence to believe that this concern was well founded at the beginning of the 1990s. But by 1995 the situation was different. A transformation took place in the first half of the 1990s. Not only did individual recruiters look for different attributes in candidates, but also firms focused their recruiting on colleges and universities that had programs focused on the attributes they desired. The major factor in this transformation was economic reality, not the AECC. But, I believe the Commission had some effect by stimulating the dialog on the attributes desired by the firms.

The Commission had a task force focused specifically on the early employment experiences of accounting graduates. The Statement prepared by this task force and issued by the Commission in 1993 was discussed in chapter 6. In effect, the Statement suggests addressing the gap between student expectations and actual job experiences by managing both the expectations and the experiences. My impression is that little progress has been made on the former, but the tight labor market in the last few years has forced some improvement in the deployment of recent graduates. Again, the economy rather than the Commission was probably the driving force, but the Commission discussions about this issue at least focused more attention on the problem and how to address it.

I believe a major factor in the Commission's success was the decision by the sponsoring firms to work through rather than around the academic establishment. They were willing to listen to accounting faculty and administrators as well as admonish them. I admit to having the biases of an academic, but I believe that colleges and universities understand the education production function better than do most practitioners. Because practitioners have been through the educational experience, some think they fully understand how educational institutions should function. The sponsoring firms generally resisted this temptation to specify how their desired knowledge, skills, and abilities should be developed. They did not develop a "model curriculum." In the White Paper, they provided only guidelines, such as the "textbook-based, rule-intensive, lecture/problem style should not survive," "new methods must be explored," "the curriculum should encourage the use of a team approach," and "an efficient curriculum requires attention to integration." The restructuring of programs and curricula was left to the Commission and ultimately to individual colleges and universities.

At the same time that the change activities were left primarily to the academy, the Commission provided an opportunity to look at accounting programs from a broader perspective. Academics are sometimes too involved to see the flaws in their educational processes. The academy is also relatively isolated from market forces. While market forces had caused changes in accounting practice, the academy had been able to ignore many of those forces, at least in the short run. The AECC was a mechanism to bring those market forces to the accounting academy. The sponsoring firms made it clear that the academy did not have a choice on whether to change, only on how to change.

Public Accounting Practitioners—Small and Mid-Sized Firms

While the large public accounting firms were instigators of change in accounting education, most small and mid-sized firms were not directly involved. The Commission had a representative from non-Big 8 firms, first Marvin Strait and then Jim Naus, and neither was reticent about expressing his views. But the variety of small and mid-sized firms made it impossible for a single voice to represent them. Thus, it was possible that the education advocated by the AECC was not appropriate for students wishing to enter many types of small and mid-sized CPA firms.

Critics of the approach to accounting education taken by the Bedford Committee, the White Paper, and the AECC were quick to point out that the day-to-day tasks of small accounting practitioners are quite different from those in large, international firms. From this they conclude that the education for small practitioners should also be different. The AECC disagreed. Although the Commission's reasoning on this was never made explicit, I believe the following is a reasonably close rendition.

Accounting practitioners need both education and training. Although the line between education and training is often blurry, the former focuses more on understanding and the latter on doing. Accounting programs at colleges and universities include both education and training. The training makes graduates valuable immediately on graduation, while education equips them to adapt their training to new situations, providing more value in the long run. The changes in accounting education in the 1990s are generally toward more education, with the necessary result being less training.

Education involves learning to think, communicate, and interact with others, and it also includes a conceptual understanding of the production and use of accounting information. Once learned, these capabilities last a lifetime. On the other hand, training involves learning and applying rules, regulations, techniques, and processes. These are valuable, but in an ever-changing world, they have a short half-life.

The major purpose of colleges and universities is education, not training. However, professional programs such as accounting must also include some training. Education without training does not prepare one for entry to the accounting profession. A brilliant physicist who can eloquently communicate the laws of physics cannot audit financial statements without training in accounting.

Likewise, training without education does not prepare one for a professional career. Although some accounting graduates may become accounting clerks because of their training, they are not the types of professionals that colleges and universities are supposed to produce. Only training that is paired with a good education, so that the training can be adapted as the professional environment changes, is useful to a true professional accountant.

The real issue in the current revolution in accounting education is the balance between education and training. The expansion in the field of accounting, in both scope and depth, and the accelerating pace of change in the profession have made education relatively more important than training. One reaction to this trade-off between education and training is to require more years of postsecondary education—five years instead of four. This can allow the education component to increase without a decrease in training. But the Commission elected to not enter the debate about length of accounting programs, but weighed in with a recommendation that a higher proportion of the time be devoted to education, whatever the length of the program.

To get back to the issue of the needs of small vs. large accounting firms, the question to ask is whether the required balance of education and training is different for small and large firms. Because of the variety of types of small accounting firms, it is hard to give a definitive answer. Firms that primarily compile and review financial statements for small companies, or those that primarily prepare tax returns, probably need entry-level accountants who have more training and less education. Those that provide a broad spectrum of consulting advice to a variety of clients probably require relatively more education.

Regardless of the type of accounting one practices, to be regarded as a professional implies an ability to continue to function in that capacity into the future, even as the economic landscape changes. Therefore, accounting graduates need at least a minimal amount of education (as opposed to training), and I believe the Commission would maintain that the minimum level is greater than that provided by many traditional accounting programs. Even graduates seeking positions in small firms

will benefit from the additional education, even if it means less training.

With the overwhelming trend toward requiring five years of postsecondary education to sit for the CPA examination, the potential conflict between needs of large and small public accounting firms becomes less significant, at least for the present. In five years, there is probably enough time to add the needed education without decreasing the amount of training. Another trend that may decrease the difference between needs of large and small firms is the growing use of paraprofessionals. For positions that require primarily training, those for which environmental changes lead to retraining rather than adaptation, we will see more use of paraprofessionals. In this context, some graduates of accounting programs may become paraprofessionals rather than professionals, but university-level professional programs should not cater to such career goals.

In summary, the type of public accounting firm that graduates aspire to, large or small, should have only a small effect on the type of education provided to them. The exception would be states where four-year graduates can become CPAs; in those states the education required of a professional should probably dominate the undergraduate program. Thus, the Commission's recommendations would still apply.

Accounting Practitioners in Business, Industry, and Government

The AECC heard the views of business and industry from two Commission members, one each representing the Financial Executives Institute (first Steve Berlin and then Penny Flugger) and the Institute of Management Accountants (first John Chironna and then Stan Pylipow). There was no voice of government accountants on the Commission, although the Commission did have a session with Cornelius Tierney, National Director, Public Sector Practice, Ernst & Young, and Virginia Robinson, Executive Director, Joint Financial Management Program, on the need to include the topics of government accounting and auditing in the accounting curriculum. While the input from business, industry, and government was less than that from public accounting, the Commission was careful not to ignore their needs.

As described in chapter 1, one of the first actions of the Commission was to broadly define "accounting careers" and "accounting profession," including careers in public accounting, corporate accounting, and governmental and nonprofit accounting. In fact, the initial discussion of this issue came up in the early moments of the Commission's first meeting when Doyle Williams introduced its charge. The minutes of the meeting read as follows: "Members expressed concern that the commission might focus too much on education for public accounting and slight other accounting careers. The Commission decided to establish a task force to prepare a draft of the Commission's position on the breadth of accounting careers being considered." That task force prepared the Statement that very broadly defined accounting careers.

Despite efforts to incorporate all accounting careers, the Commission nevertheless was criticized for being too public-accounting oriented. Davis and Sherman (1994, 26) said that "the views of 'other stakeholders' have been discounted" by the AECC. Poe and Bushong (1991, 66) were more specific: "[Position Statement No. One] recognizes the broad diversity of knowledge within the profession but paradoxically calls for one curriculum to meet the needs of all areas." They go on to advocate specialized programs for various career objectives. Despite the fact that Position Statement No. One does not suggest any specific curriculum, Poe and Bushong (1991) are right that the Commission envisaged a common education for all accountants. According to the Commission, the skills, knowledge, and abilities in Position Statement No. One are necessary for whatever type of professional accounting career a person seeks. Specific career paths might warrant additional specialized education and training, but the Commission believed that the basic education upon which specializations are built is the same for all accounting careers.

The educational changes advocated by the AECC are consistent with many of the findings of studies dealing with the preparation of management accountants. For example, Novin et al. (1990, 213) reported: "A majority of the CMA respondents rated thinking, problem solving, and listening skills as extremely important. In addition, a majority felt that, if necessary, some study of accounting concepts and procedures should be sacrificed to provide for the development of these other skills." When asked what areas of accounting could be reduced, the conclusion was: "In general, while respondents approved of reducing the procedural aspect of some areas, they showed a greater reluctance to reduce the conceptual component of any of these categories" (Novin et al. 1990, 218).

A 1994 study sponsored by the Institute of Management Accountants and the Financial Executives Institute, *What Corporate America Wants in Entry-Level Accountants: Executive Summary* (Siegel and Sorensen 1994), adds further support to AECC initiatives. The report was released to great fanfare and misleading headlines (the press release was called "Colleges are not Adequately Preparing Accounting Graduates for first Jobs, Say Corporate Executives" [IMA 1994] and the *Wall Street Journal* headline read "College Courses on Accounting Get Poor Grade" [Berton 1994]), and it was used by some to chastise accounting education. Although the negative spin put on the results was not totally consistent with the [data](#),⁷ the report did highlight changes needed in the education of management accountants. Some of the failings of graduates cited (Siegel and Sorensen 1994, 4) were "lack of practical experience, little understanding of the 'big picture' or how the 'real world' works, and poor communication and social skills." Based on previous studies, the study took as given that "employers value a broad educational background and good social and communications skills." The directions of change advocated by the AECC were certainly consistent with the changes desired by corporate America.

The Institute of Management Accountants produced additional evidence consistent with AECC changes in a study of core competencies required for success in management accounting careers. The top ten competencies were (in order): work commitment, professional conduct, professional development, interpersonal skills, proactive skills, listening skills, team leadership and teamwork, financial reporting, written communication skills, and strategic planning. Again, the competencies desired are consistent with those emphasized by the AECC.

In my view, most of the criticism of the AECC with relation to its effect on management accounting was misplaced. Management accountants, as well as public accountants, must shed the green-eye-shade, number-crunching image and focus on the interpretation of economic information and providing value-added services. The changes advocated by the Commission all move education in this direction.

The main failing of the Commission in this area may have been not stressing enough its opposition to the emphasis on rules, regulations, and standards in many traditional accounting programs. This emphasis gave accounting programs a financial-accounting orientation, even specifically a CPA-examination orientation, which did not meet the needs of business and industry. The Commission definitely weighed in against such an orientation, but it did not do much to promote its opposition as a benefit to students entering business or government. Further, the Commission's inability to gain much recognition of its activities among practicing accountants in business, industry, and government did not help. This may have been an impossible task because most such accountants are focused on serving their organization, not hiring new accountants. Nevertheless, the change process would have progressed better with more support from these sectors, and I believe that those who fully understood the goals of the Commission would have been enthusiastic supporters.

Business School and University Administrators

The Commission made extensive efforts to communicate with university and business school administrators, with only modest success. Several of the Commission's publications were sent to university administrators and business school deans in addition to accounting faculty and administrators. Support of top administrators was an important factor in the decisions to award grants to an institution. Although I know of no empirical evidence on the recognition of AECC activities by university administrators, my impression is that few university presidents and provosts would know of the Commission's work. I heard anecdotes of provosts or other top university officials forwarding AECC publications to the accounting chair apparently without reading them. Rather than the Commission enlisting top university officials to promote change in accounting, it was often incumbent on accounting faculty to sell change to their administrations.

Recognition among business school deans was greater, but I think most Commission members would agree that even here the AECC fell short of its goal. Several presentations were made to annual meetings of AACSB-The International Association for Management Education. These included hosting a breakfast session at the 1996 AACSB Annual Meeting to attract large numbers of deans. The vast majority of deans were familiar with the AECC, but the deans did not become great champions of AECC-supported changes. My impression was that the deans were not opposed to

changes sought by the Commission, but their attention was mainly focused elsewhere.

It is unfortunate that more deans did not embrace AECC initiatives. All business school curricula, especially M.B.A. programs, were undergoing change at the same time as was accounting. Lessons learned from changes in accounting could be applied elsewhere. Especially useful were the monographs on intentional learning and assessment (Francis et al. 1995; Gainen and Locatelli 1995). Although these monographs tended to use accounting examples, they apply equally well to all areas of the business curriculum. Some colleges and universities used changes in accounting as leverage in generating changes across the entire business school curriculum and achieved great synergy by doing so.

Even if business school deans did not jump on the AECC bandwagon, they nevertheless provided an important mechanism for implementing parts of the AECC agenda—accreditation. At first the Commission regarded business and accounting accreditation as an impediment to change. Traditional accreditation standards forced a cookie-cutter approach to business education. Accreditation standards represented one model of business education, and conformance with this model was necessary to join the "club" of accredited schools. But, by fortuitous timing, the AACSB was examining its accreditation standards at the time of formation of the AECC.

Accrediting Agencies

The forces that caused the formation of the AECC were affecting all of business education. The AACSB sponsored the Porter and McKibben (1988) study and, based on the results, it undertook a major revision of accreditation standards. The timing was perfect for AECC influence, and the Commission took full advantage of the opportunity.

By the late 1980s business accreditation had become a deterrent to innovation and change. An increasingly complex and diverse business world was being served by an academy that motivate conformity through accreditation standards. When the Porter and McKibben (1988) report made it clear that major changes were needed in business education, the AACSB found it necessary to revise accreditation standards to allow, and indeed encourage, change. A call for input to the revision process was presented at the AECC's first meeting, and a task force was immediately appointed to draft the Commission's position on accreditation.

The Commission's first discussion of accreditation contained a debate on whether separate accounting accreditation (in addition to business accreditation) was necessary. This discussion was reprised at the second, third, and fourth meetings of the Commission. At the third meeting, Rick Elam and Chuck Carpenter presented a list of pros and cons of accounting accreditation. Although some members continued to oppose accounting accreditation, the Commission formally voted at its fourth meeting to assume that there will be accounting accreditation and to use it as one tool for accomplishing its objectives. This is a good example of how the Commission carried forth a united front. The Commission's clout could have been used successfully to oppose and thereby possibly eliminate accounting accreditation, which was a goal of some Commission members. However, once the Commission made the decision to use accreditation rather than oppose it, all effort was put into making accreditation standards consistent with the AECC's objectives.

As the final stage of a long process, at its April 1991 meeting, the Commission voted to support the report of the AACSB Accreditation Task force that was being presented to the AACSB membership for approval. A formal resolution read as follows:

The Accounting Education Change Commission expresses its deep appreciation to the AACSB Accreditation Project Task Force for: 1) Providing a timely opportunity for the Commission to respond to the work of the Accreditation Task Force; 2) Providing the opportunity for the Commission to engage in an active dialogue with representatives of the Accreditation Task Force; and 3) The Task Force's responsiveness to the recommendation of the Commission.

However, the path leading to this endorsement was not always smooth.

Although the Commission prepared and revised a letter of input to the AACSB Accreditation Task Force during its first three meetings, its view of accreditation really began to take shape during a

discussion with Don Skadden during the meeting in February 1990. He presented the goals of the Task Force as: (1) to recognize the wide variety of business programs; (2) encourage improvement, innovation, and experimentation in programs; and (3) relate accreditation to an institution's goals. The Commission agreed with the goals. However, differences of opinion arose when discussing how to achieve these goals.

A major area of disagreement was the Task Force's suggestion that colleges and universities be accredited in one of four categories: (1) Teaching, (2) Graduate Teaching, (3) Graduate Research, and (4) Research. The AACSB Task Force placed no hierarchical relation on these categories, but Commission members seemed convinced that the perception would be that a research accreditation is the "best" accreditation to have, while a teaching accreditation is the lowest. Such a system would motivate a shift of resources from teaching to research in order to "progress" up the hierarchy. The interchange with Skadden was spirited and very useful. At the end, the Commission was resolutely opposed to the four-way categorization. Instead, it suggested that each institution should be judged against its own goals and objectives.

Although opposition to categorization of accreditation was the most passionate point made by the Commission, other suggestions included:

- The need to use longitudinal measures to show continuous improvement;
- The need to review accreditation on a more timely basis, possibly every three years;
- Opposition to accreditation of Ph.D. programs.

After further discussion with Don Skadden in June 1990, it was clear that the Commission and the AACSB Task Force were moving closer to a common view. However, the prospect of accreditation categories had not yet been exercised, so the Commission prepared another Statement for the Task Force.

By January 1991, the AACSB Task Force had issued another draft that addressed many of the Commission's concerns. The Commission chose to comment on only two additional issues. First was Ph.D. program accreditation. It was clear that its recommendation to exempt Ph.D. programs from accreditation would not be accepted. But two requirements for Ph.D. programs present in an earlier draft had been dropped, and the AECC wanted to see them reinserted. The first called for a breath-of-knowledge requirement and the second for instruction in teaching and curriculum development. In relation to the second requirement, an AECC survey revealed that only 17 of 56 Ph.D. programs offered a course in how to teach, and only 10 of them were required. The Commission wanted an incentive for universities to provide instruction in teaching and course and curriculum development as a routine part of doctoral programs.

The other issue was the first course in accounting. The proposed standards exempted introductory accounting from the standards for academically qualified faculty. This course is very important, and the Commission felt that it was important to motivate the use of qualified faculty in it. The final standards accommodated both of these recommendations, albeit it in different words than those suggested by the Commission.

In summary, revision of the AACSB accreditation standards was well under way before the AECC was formed. Nevertheless, the Commission's positions on several accreditation issues led to additional revisions in the proposed standards. Whether any of these revisions would have been made in the absence of the Commission's input is impossible to determine. However, I think it is safe to say that the final standards were significantly different than they would have been if the Commission had not had an influence. (For more information on how the new accreditation standards affect accounting programs see Bailey [1994].)

⁷The interpretations were also contrary to a more recent study by Accountemps (1998, 14) that showed that 88 percent of chief financial officers are either very satisfied or somewhat satisfied with the skill level of recent accounting and finance college graduates, compared to 12 percent who were either somewhat dissatisfied or very dissatisfied.