

CHAPTER 2

Changes in the Business Environment

In order to understand why the number of students choosing to major in accounting has decreased and why professionals with accounting degrees would not major in accounting again, it is necessary to understand changes that have been taking place in business and how these changes have impacted business and accounting education. For many years, business relied on accountants to prepare financial information for internal and external decision making, to audit the fairness of that information and to assist them in fulfilling their regulatory and tax-reporting requirements. Information was expensive and understanding how to prepare accurate financial reports required expertise that could only be developed through rigorous accounting education or relevant experience. Rarely did an individual or institutional investor have sufficient power to influence management or require that specific information be provided. Organizational threats came largely from a few domestic competitors. Because information preparation and dissemination was expensive, product life cycles and competitive advantages could be managed effectively and inefficiencies were not readily observable.

Drivers of Change

At least three major developments have occurred that have changed dramatically the business environment for which we prepare graduates. First, technology has been developed that has made information preparation and dissemination inexpensive. This technology has taken the form of low-cost, high-speed digital and cable video and data transmission, hardware that produces information quickly and easily, and the development of software that makes preparation, data, and communication tools available to individuals who previously did not have access to needed information. With these technology developments, time, space, and other temporal constraints to information have been reduced and, in many cases, eliminated.

A second major development that has significantly impacted business has been globalization. Faster methods of transportation, together with instantaneous information, have allowed the world to become one giant marketplace. Consumers can now buy products from foreign firms as easily as they can from a local store. Organizations such as General Motors have to worry not only about what Chrysler and Ford are doing, but also what Toyota, Volkswagen, and BMW are doing as well. In fact, Chrysler is not just “Chrysler” anymore. It is now a conglomeration of European, North American, and Asian manufacturers known as DaimlerChrysler. Instead of having only two major American competitors, General Motors and all other business organizations now have to compete with similar companies throughout the world. In addition, with the increased availability of inexpensive information, more is known about these competitors and about General Motors than ever before. If a General Motors product has deficiencies, for example, the world knows about and can act on those problems instantly.

A third major change is the concentration of power in certain market investors, primarily large mutual and pension funds. Mutual funds such as Fidelity and Vanguard, and pensions funds such as CALPERS, for example, now hold major stock positions in many companies. The influence of these major market players is so significant that, if they are displeased, corporate executives will find that their positions within the company are in jeopardy. Armed with easily available and inexpensive information about investees and their competitors, large institutional investors raise the competitive bar very high and shorten the periods over which success is measured.

Our focus group participants and interviewees understood well these changes, as expressed in the following quotes:

I believe that one of the most important changes (affecting accounting practice) that has taken place in my experience is the changed relationship between the company and its investors. There is an explosion of required disclosures, and a huge increase in the interest the investment community has in those disclosures. The pressure for those increased disclosures is coming from both the SEC and from investors. The smart analyst will ask questions about the basic financials, but now will also ask about the company's strategic focus. They want to know what a firm's EVA measure is as proof of the company's strategic focus. —Interviewee

Technology has been an enabler, allowing us to do accounting more efficiently and at a lower cost, but what is driving change is the whole global competition and the demand the customer has for more responsiveness and more efficiency. —Participant, New York Focus Group

We are moving into an age of instant gratification—that seems to be true whether it's children, clients, or whatever—they want instant gratification and you have to provide answers now! We not only have to provide answers, but the right answers. As companies change, they can't get information fast enough and if they can't get it from us, they will get it somewhere else. —Participant, Atlanta Focus Group

There are lots of new services that we never even thought about historically. People want information much faster than ever before—they want instant feedback and gratification. The world is much more global than it used to be. Technology has changed the way we work and the way we think about things. —Participant, Atlanta Focus Group

Results of These Change Drivers

While these change drivers have significantly impacted everything we do, including the way we live, they have had two dramatic impacts on business. First, they have eliminated the old model that assumed information is expensive. Today anyone, armed with the right software, can be an “accountant” and produce financial information. Second, they have dramatically increased the level of competition among organizations. Institutional investors want the best performance and they want it now. Global competitors often have different cost structures that can be exploited to render historically successful business models obsolete; and since information about all organizations is widely available, only organizations that are truly the best survive and remain successful.

There have been a number of business developments because of these changes. Some of the most obvious are:

- An increased pace of change in the business world
- Shorter product life cycles and shorter competitive advantages
- A requirement for better, quicker, and more decisive actions by management
- Emergence of new companies and new industries
- Emergence of new professional services
- Outsourcing of non-value-added, but necessary, services

- Increased uncertainty and the explicit recognition of risk
- Increasingly complex business transactions
- Restructuring of rewards with:
 - Elimination of or reduction in rewards for services replaced by technology
 - Unchanged rewards for traditional, but needed services
 - Increased rewards for services that help leverage technology and globalization and that assist in making better strategic decisions
- Changes in financial reporting and relationships with financial markets and major market players
- Increased regulatory activity
- Increased focus on customer satisfaction

Increased Pace of Change, Shorter Product Life Cycles and Competitive Advantages, and Quicker and More Decisive Actions

The first question we asked in our surveys was “How would you describe the rate of change in the accounting profession during each of the following five-year periods, using 1 as representing no change and 5 as representing dramatic change?” Responses were as follows:

| Time Period | Degree of Change— Faculty Responses | Degree of Change— Practitioner Responses |
|--|--|---|
| The first half of the 1980s (1980–1984) | 2.56 | 2.65 |
| The second half of the 1980s (1984–1989) | 3.07 | 2.96 |
| The first half of the 1990s (1990–1994) | 3.54 | 3.41 |
| The second half of the 1990s (1994–1999) | 4.20 | 4.02 |
| The next five years (2000–2004) | 4.47 | 4.29 |

One interviewee stated it this way: “On a scale of 1 to 5, the next five years will be a 50.” The consistently increasing nature of the responses leaves little doubt about the perceptions of change in the future. The results of an increased pace of change are products that do not last as long, and competitive advantages that have shorter lives. The sense of urgency that permeates business today is overwhelming. Competitive advantage is a short-lived asset and its potential must be exploited quickly and fully. Paradoxically, the need to move quickly has reduced the time available for analysis, just when it has become more necessary than ever to have better information in order to squeeze the last penny of profit from a product or investment. As has always been true, these challenges are also opportunities. For those who can take advantage of globalization and technology, the future is bright. For those who cannot, the future is grim. Two interviewees see these changes this way:

The business cycle is substantially shorter, the life cycle of products is shorter. Microsoft will tell you that their products change completely over three years. Look at GM and their market share decline—look how quickly that happened. —Interviewee

Today, the product life cycles are much, much shorter than they were before. Technology, in addition to being an enabler, is fueling all this dynamic change that is rippling through our clients, which in turn impacts us and our people. —Participant, New York Focus Group

Emergence of New Companies, Services and Industries and the Elimination and Outsourcing of Non-Value-Added Services

Every day in the *Wall Street Journal* or other financial news outlets there is a story of a new IPO. Look at your own stock portfolio and see how many companies and industries in which you invest were not in existence a few years ago. Consider the following three facts:

First, consider the number of patents issued by the U.S. government. The first patent under the current patent numbering system was issued in July 1836. Since that time, the number of patents issued has increased every year but one with 1999 having the largest increase and being the highest at almost 600,000 patents. Products and services covered by these patents will change the way we work and live in the future. In fact, it is amazing to think that the power of the world's most powerful and biggest computer 40 years ago can now be contained in a little computer that fits in your pocket. And if experts' predictions are right, in 40 more years, the power of today's biggest and most powerful computers will also be contained in a small pocket-size computer.¹

Second, consider how these new industries and services have affected job tenure. The length of time employees stay with the same firm has now decreased to where, in 1998, the median job tenure for workers 25 and older was 4.7 years. In future years, your typical job will average 5 years or less and you will constantly be on the lookout for your "next" job. The promise or thought of "lifetime employment" is a myth that very few Americans will experience or even want to experience. Americans are being "downsized," "right-sized," and cut from their jobs in record numbers. For example, even though the period 1993–97 were years of high corporate profits and a robust economy, over 2 and one-half million workers were "laid off" by companies in the U.S.²

Third, consider how the way we work and do business in the U.S. is changing. We have moved away from a manufacturing to a service- and information-based society. As an example, if you look at a recent list of Forbes magazine's 400 richest Americans, three of the top 14 are associated with companies that did not even exist 10 years ago, including Price-Line.com, Amazon.com, and eBay.com. If you add Bill Gates, Paul Allen, and Steven Ballmer of Microsoft, Michael Dell of Dell Computers, and Lawrence Ellison of Oracle Corp., only three of the 11 richest Americans are not from technology companies (Warren Buffet of Berkshire Hathaway, S. Robson Walton of Wal-Mart, and John Kluge of Metromedia Co.)³

Think about some of the headlines you have read recently: "Major Company Outsources its Accounting and Payroll Functions," "Big 5 Firm Sells Consulting Practice and Takes it Public," and "dot.com Company Sold for Billions." Even CPA firms have transformed themselves from "accounting" to "professional service" firms, offering services not even imagined a few years ago. One of our Los Angeles focus group participants expressed these changes well:

I can't speak for all the Big 5, but certainly for my firm I think we've tried very hard to redefine ourselves as a "professional services firm." If you look at our business card, if you look at any of our ads, anything, they will say, "professional services firm." And, I think that's probably pretty consistent, certainly throughout the Big 5. —Participant, Los Angeles Focus Group

Discussing just how far accounting firms have moved away from traditional accounting, another focus group participant stated:

About six months ago, I received the annual report of KPMG. And, as I was kind of skimming through, it struck me that the term "accounting" did not appear in their annual report. So, I took it as a challenge and I read the 40 pages only to see if the term "accounting" appears there and it appears twice. Once they said that the firm is supporting Beta Alpha Psi, an accounting students' organization, and the other time was a box that describes the firm and says that they do accounting services. —Participant, Los Angeles Focus Group

Increased Uncertainty and Complexity and an Increased Awareness of Risk

The emergence of additional competitors, the high demands of institutional investors, the global marketplace, and the need to make quick decisions have increased the level of uncertainty and

¹ <http://www.uspto.gov/web/offices/ac/ido/oeip/taf/issuyear.htm>.

² http://www.bls.census.gov/cps/pub/tenure_0296.htm.

³ <http://www.forbes.com/tool/toolbox/billnew/net98.asp?condition=25,99>.

complexity in the business world. Trying to get a competitive edge and use every possible avenue to increase profits, corporations have entered into highly complex transactions. Consider the following two quotes, for example.

The complexity of transactions has changed dramatically in the 16 years I've been with my firm. I started out working on the Delta Airlines audit and have probably worked on it 14 out of 16 years with the firm. Now, if you read their financials and look at the types of transactions that have taken place at just one company, you see things such as securitizations, derivatives, and hedges of foreign exchange and commodity risks. —Participant, Atlanta Focus Group

Because we have all this technology in the business world, models are becoming much more complex. There are very complex transactions that get invented in business and businesses get invented around these things very quickly. Accounting has trouble keeping pace with what should be the right answers for these kinds of transactions and sometimes, by the time we figure them out, the transactions or business becomes obsolete. —Participant, New York Focus Group

This complexity and uncertainty has given rise to new types of professional services focusing on understanding risk. Although many people expect the demand for audit services to decrease because an audit is a “commodity that adds little future value,” this increase in risk may create an even higher demand for audit-type services in the future. One focus group member stated the following about uncertainty and risk:

We have developed a whole new framework to help companies understand that risk is not always a negative thing. Risk can be explored to be something positive. As accountants, we're having to think not just what the accounting standards are and doing them well, but how companies can manage risk in a very positive way. Clients are just absolutely fascinated by how risk in and of itself has evolved. I personally thought that risk was like not being insured. But today, we are looking at risk in a lot of different ways. Think about what happened with Coca-Cola in Europe when they had to pull all the products off the shelf. That was a risk that the company had taken and could have avoided. So we help companies with that. We help companies manage their risk framework. —Participant, Atlanta Focus Group

Restructuring of Rewards and Increased Attractiveness of Other College Majors

As firms try to react to these forces of change, they have altered the amount they pay for different kinds of services. Related to services provided by accounting graduates, three major shifts have occurred:

- Pay for scorekeeping-type services that can now be performed by anyone using the right kind of software has decreased.
- Pay for traditional services that are purchased because they are necessary, such as audit and tax compliance work, is under increased competitive pressure and has stayed fairly constant.
- Pay for services that help companies leverage technology and globalization or make strategic decisions has increased dramatically.

Consider, for example, the salaries paid to undergraduate business students (as reported by NACE)⁴ between 1990 to 1999 by certain types of employers.

| Type of Employer | 1990 Average Salary | 1999 Average Salary | Percent Increase |
|--|----------------------------|----------------------------|-------------------------|
| Public and Private Accounting | \$26,400 | \$34,500 | 31 |
| Investment Banking and Corporate Finance | \$29,100 | \$37,100 | 28 |
| Financial/Treasury Analysis | \$26,700 | \$36,100 | 35 |
| Information Systems/Computer Science | \$29,100 | \$41,400 | 42 |
| Consulting | \$28,700 | \$42,600 | 48 |

⁴ The National Association of Colleges and Employers (NACE), Bethlehem, Pennsylvania.

From these data, it is not hard to see where premiums are being paid. Graduates who work with technology or help make strategic decisions are being paid the highest premiums. Salaries in public and private accounting are currently the lowest.

Changes in Financial Reporting and Increased Regulatory Activity

The combined forces of globalization, technology, and increased power among certain institutional investors has changed the relationship between listed companies and the market and the way those companies report information. The results of these changes have been:

- Decreased reliance on historical financial statements
- More one-on-one contact between listed companies and major market decision makers and analysts
- More disclosure of nonfinancial information
- Movement away from traditional financial statements to database-type reporting

The result of these changes is less need for historical financial statements. As one focus group participant stated:

The way things have changed is that our clients no longer need us to crunch numbers the way we used to because technology now does that for them. What, in the past, used to be our deliverable—the financial statement—is now coming 60 to 90 days after year-end. It loses a lot of its importance because our clients (and their investors) no longer care what happened 60 or 90 days ago; they're looking for something to affect the bottom line in the operations of the business today.
—Participant, New York Focus Group

As CPA firms have moved beyond their traditional roles, regulators have worried that their independence will be compromised. The result has been increased regulatory activity by the Securities and Exchange Commission and other regulatory bodies, and more uncertainty within the profession. The profession is in the midst of an extraordinary transition, and it is not clear where that transition is heading.

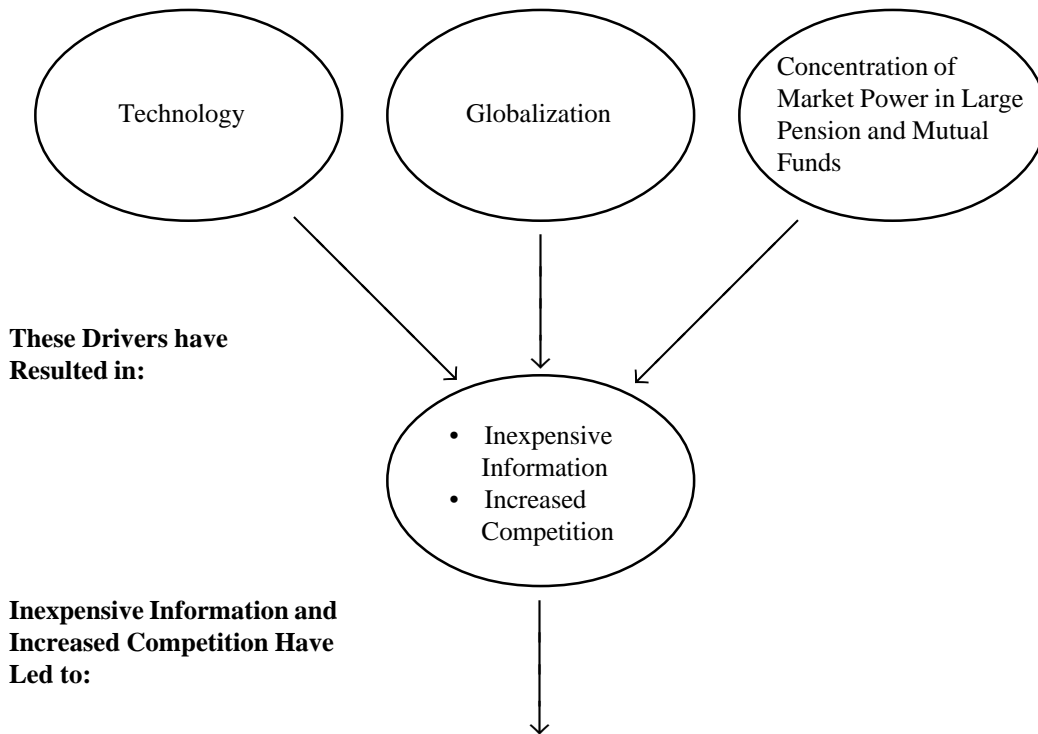
Increased Focus on Customer Satisfaction

With immediately available information and global competition, customers have more information than ever before to use in making purchase decisions. The result of this increased information and globalization is greater and more discriminating purchasing power and influence by customers and a shift in power from sellers to customers. Customers can now, more than ever before, dictate terms of purchase transactions, including price, delivery times, and product and service specifications. This increased customer focus extends beyond purchasing goods and services from other entities to increased power by users of accounting and other information within entities. Operations managers and other users can now dictate the kind of information they want, when they need it, and how it is to be reported to them.

Summary of Changes

The following diagram illustrates the drivers of change, results of these changes, and developments that have occurred because of the changes that have taken place.

The Three Key Drivers of Change in the Business Environment are:



These Drivers have Resulted in:

- Inexpensive Information
- Increased Competition

Inexpensive Information and Increased Competition Have Led to:

- An increased pace of change in the business world
- Shorter product life cycles and shorter competitive advantages
- A requirement for better, quicker, and more decisive actions by management
- Emergence of new companies and new industries
- Emergence of new professional services
- Outsourcing of non-value added, but necessary, services
- Increased uncertainty and the explicit recognition of risk
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Reactions to These Changes by Accounting Associations and Professionals

Everyone agrees that change in business is occurring rapidly. The real question is whether accounting organizations, professionals, and educators are recognizing the changes and adapting quickly enough to the new environment. Consider how four accounting-related groups have reacted: (1) public practice, excluding the Big 5, (2) industry, (3) the Big 5 firms, and (4) education.

If we think of public accounting as being represented by the AICPA and smaller public accounting firms, how have they responded? The AICPA has recently undertaken a very comprehensive Vision project to identify new values, services, competencies, and issues it must deal with. It is redesigning and computerizing the CPA exam, developing new technology-related services, heading up a new global, broader-based professional certification program (XYZ certification), developing several specialty certifications, and is one of the major players in developing a new, consistent reporting format using XML programming language (XBRL.) The AICPA is scrambling to make changes that will keep its members successful and maintain its status as the preeminent nonprofit organization of practicing “accounting” professionals. Non-Big 5 CPA firms have reorganized and refocused the types of services they offer. Instead of performing mostly tax, audit, and write-up services, they have developed expertise in personal financial planning, fraud auditing, and business advising.

The Big 5 firms, more than any other group, have transformed themselves into completely different kinds of entities. No longer driven by audit and tax services, they have expanded the types of services they offer, the types of students and experienced hires they recruit, and no longer even refer to themselves as public accounting firms.⁵ Because of regulatory pressure and other reasons, they have even broken apart into separate entities. They are paying premiums to students and employees who can provide services to clients that allow those clients to leverage technology and take advantage of globalization opportunities.

If we think of industry as being represented by the IMA and “accountants” working in organizations, how have they responded? The IMA has changed the name of its journal from *Management Accounting* to *Strategic Finance*. It no longer refers to its members as “management accountants” but instead as “finance professionals.” It has added a new, international CMA/CFM certification and has initiated several major studies to understand what environmental changes mean for its members and, like the AICPA, is scrambling to find new services that will keep its members successful. Finance professionals (accountants) working inside companies have transformed themselves from scorekeepers working in isolated departments to trusted business professionals making decisions together with management.

So, what about accounting education? How have we responded to these changes? If we think of education as being represented by the AAA, individual school programs, and faculty members, what have we done? Like the AICPA and IMA, the AAA is scrambling to add services that will add value to its members. It has started a benchmarking program to help schools understand the kinds of changes being made at other schools. It has worked hard on electronic publication issues to take advantage of new publishing opportunities and not lose its valuable stream of publication revenues. It has placed significant emphasis on faculty development, hiring a full-time faculty development director to assist schools as they try to keep their faculty current. Members of the AAA have responded in different ways. At the institutional level, some schools have made significant changes, while others have been slow to change. Some faculty have engaged in aggressive faculty development and have worked hard to stay current while others have not.

⁵ During the period 1993–1999, revenue from consulting services grew at a compound annual rate of 27 percent, tax revenue grew at 13 percent, and audit and assurance services revenue grew by 9 percent. In 1993, the Big 5 firms’ accounting and auditing services averaged 51 percent of total fees; tax services were 22 percent; and consulting and other services accounting for 27 percent. By 1999, accounting and auditing had slipped to 33 percent of total fees, tax was 18 percent and consulting and other services had grown to the an average of 49 percent of the firms’ fees.

It is probably harder for education to change than it is for any of the other groups. As one interviewee said, “Business has to be more nimble [than education]. It is shaped quickly by market forces. Higher education is not so nimble—it’s only slowly shaped by market forces.” Accounting education is burdened by the hierarchy within universities. Before curricula changes can be made, approval must often be given by departmental and college curriculum committees, university administrators, and even boards of regents. Traditional higher education, as represented by liberal arts and humanities, is slow to change by design. Universities like the fact that the bureaucracy protects and insulates them from the real world. Such protection allows universities to withstand change and not worry about such issues as student placement and competition. If you ask philosophy professors, for example, what is going on in the world and how changes are affecting them, they will tell you it is not important to them. They neither worry about student placement nor relevance. Professional schools such as business and law are, in some ways, trapped by this bureaucracy even though they would like to change and be more relevant. They are being pulled in two different directions—toward changes and relevance by the business world and toward insulation and apathy by other parts of the academy.

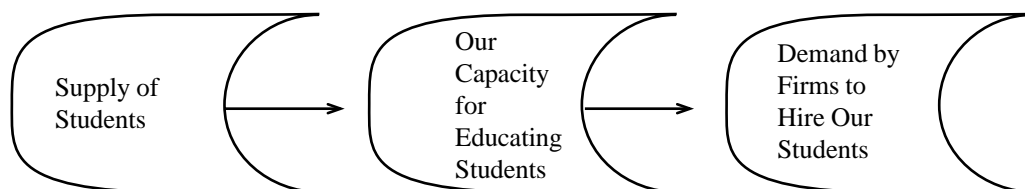


In recent years, many types of professional schools, including medical schools, law schools, and business schools, have struggled with these competing tensions. Given the battles we have had to fight for change, educators would argue that we have changed significantly. Friends in the professional world, not understanding how difficult change is in academe, argue that we have not changed fast enough.

How Have These Environmental Changes Impacted Education?

In some ways, the implications of change on education are obvious. Schools that are educating students to perform services that have been replaced by technology are finding that their students have a hard time finding jobs and that their student numbers are decreasing rapidly. Schools that have not adapted to change have found that many students who might have chosen accounting as a major in the past are now opting for more popular and highly paid information systems, finance, logistics/supply chain management, e-commerce, and strategy programs. Accounting professionals, who have adapted themselves, tell us that our changes are neither fast nor substantive enough. We are being told that the traditional model underlying accounting education no longer exists.

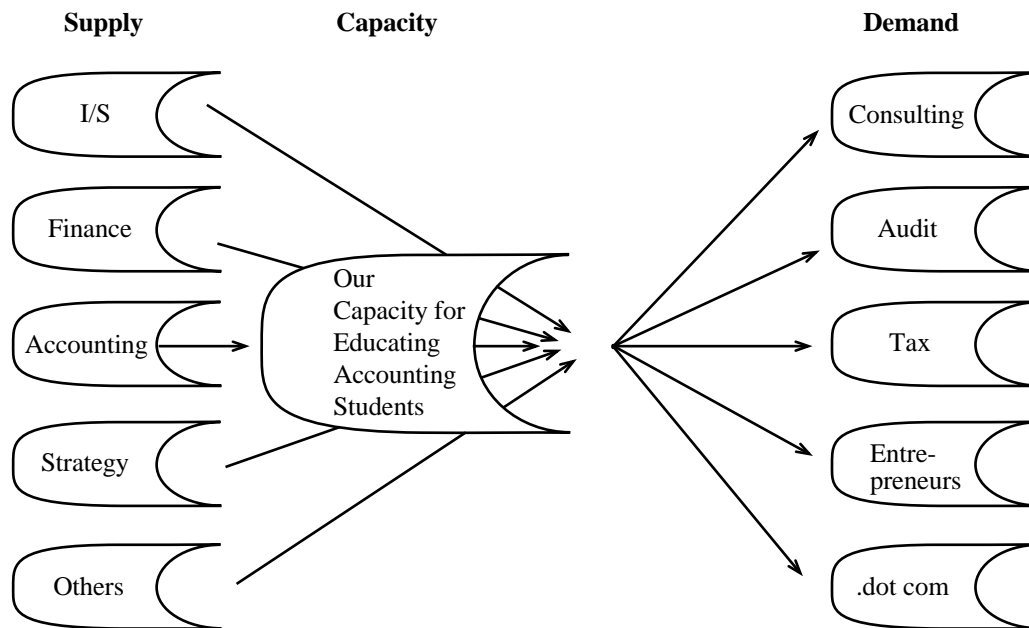
Historically, our educational model looked something like this:



This was a nice model because the supply of students filled our educational pipelines and most of them joined the profession. The traditional hiring model was to serve a short “apprenticeship” in public accounting and then decide whether public accounting, industry, internal audit, or some other work was more attractive, challenging, and rewarding. With supply, capacity, and demand in

equilibrium, we neither had to worry about attracting new students—they were always there—nor did we have to worry about placing them. Not only did a few recruiters hire all of our students, but also they each worked hard to get the competitive edge on our campuses through investments of time and resources.

Because of the changes described in this chapter, the model where supply, capacity, and demand are equal no longer exists. In fact, a new, splintered model has emerged that looks like this:



This model makes clear the problems that many of our accounting departments face—we have capacity that was built for a supply/demand market that has changed dramatically. We still have customers for our product, but we have a significantly smaller supply. As a result, other disciplines, such as I/S, Finance, and Strategy, are educating students who are assuming many of the positions previously filled by accounting students. The reduced supply of accounting students is in turn due to the attractiveness of other options for individuals who would have been our students—options that are now readily available to them because of changes that have swept the business world. Ironically, some of the most attractive of these “alternative options” are with the same employers who used to comprise the nucleus of our former market.

The following quotes from one of our interviewees articulate why students in majors other than accounting are being hired to fill accounting positions:

It's not the way we would like it to be, but I will tell you the way it is. We will hire any student who has brains, regardless of academic preparation. It's easier to hire smart people, without regard to their academic background, and teach them the accounting they need to know, than it is to search through the smaller pool of accounting-trained people, looking for the same level of native talent. Forty percent of what is traditionally done in an audit doesn't have to be done by partner-track people. The audit function has two fundamental needs: well-educated, bright people who have skills in either (1) business processes or (2) wealth accumulation. The first is handled best by engineering-type people, while the second is handled best by finance-type people.

The systems-trained people we see can run circles around the accounting-trained people. The top 20 percent of accounting folk are okay, but on the whole, the systems people are more interested, more alert, and just smarter. Why that should be is unclear—is it self-selection? Or, is it something in their education?

How Should Accounting Education Change in Response to Environmental Changes?

In a later chapter, we identify strategies that schools and faculty must take to survive in the changing environment. However, before leaving the topic of changes, it is important to recognize three very important facts. First, accounting education has many positive aspects. Many people believe that accounting education provides the best background for business and other related careers. One focus group participant stated:

I believe that accounting is important, not because of the content, but because of the rigor of the curriculum. It's my personal opinion that the people who we hire who don't have an undergraduate accounting degree come in somewhat behind. It's not that they are not as smart, but they don't have as much of the base technical skills to just recognize what they need to do with problems. I think the base technical skills are important, but I think the curriculum is important in the sense that it tends to separate the wheat from the tares. I mean, I really do think that—I almost majored in journalism and what convinced me to major in accounting was that I knew that if I had an accounting degree I could always write, but if I had a journalism degree, I couldn't get an accounting job. My ex-husband was an attorney and he didn't have much accounting background. I can't tell you how many times I spent trying to help him draft merger-acquisition agreements. I'm appalled that there can be a corporate attorney who is very bright and in one of the top law firms who just doesn't get the basic accounting principles. So, I think accounting is a great core curriculum and that we need to build on it with communication skills, analytical skills, and problem-solving skills. —Participant, Atlanta Focus Group

Second, public accounting and industry still see tremendous value in an accounting education and are hiring as many graduates as they can. The AICPA data on supply and demand support the continued value of an accounting education. These data show that even though the pool of accounting graduates was 20 percent smaller in 1998–99, public accounting firms hired just as many graduates as they did in 1995–96. It is just that they are not paying as much for accounting graduates as they are for other graduates and that students are moving away from accounting to these “higher paying and more exciting” careers and degrees.

Third, if accounting education is to keep up with changes occurring in the business world, educators must understand what types of services their graduates will perform in the future. In our surveys, we asked educators and practitioners what kinds of services would be needed of accounting graduates in the future. When we asked what kind of work they expect accounting graduates to be performing five years from now, *practitioners and educators did not agree*, as shown below.

| Ranking of Future Services | Faculty | Practitioners |
|-----------------------------------|-----------------------|----------------------|
| 1. (Most demanded) | Audit | Financial analysis |
| 2. | e-commerce consulting | Financial planning |
| 3. | Systems consulting | Financial reporting |
| 4. | Tax consulting | Strategic consulting |
| 5. | Strategic consulting | Systems consulting |

You can see from these responses that faculty still believe audit will be one of the most important services in the future, while practitioners did not rank it in the top five. Both groups identified consulting, analysis, and advising types of services as being most demanded. When we asked what current services will be least demanded in the future, faculty and practitioners agreed that treasury, accounting services, general accounting, and valuation will not be demanded.

When we asked respondents whether they expected the demand for accounting graduates who work in the following types of jobs to decrease, stay about the same, or increase in the future, we received the following responses:

| Activity | Faculty: | | | Practitioners: | | |
|--|----------------------|------------------|----------------------|----------------------------|------------------|----------------------------|
| | Faculty: Decrease | Stay the Same | Faculty: Increase | Practitioners: Decrease | Stay the Same | Practitioners: Increase |
| Internal Audit | 11.1 | 50.8 | 38.1 | 16.4 | 60.5 | 23.1 |
| Corporate Accounting/ Finance | 14.8 | 57.5 | 27.7 | 8.8 | 55.4 | 35.8 |
| Tax | 14.0 | 61.0 | 25.0 | 9.6 | 62.6 | 27.8 |
| Audit and Assurance | 30.7 | 51.2 | 18.1 | 10.6 | 70.3 | 19.1 |
| Business Consulting and Advising | 1.1 | 10.0 | 88.9 | 0.4 | 14.2 | 85.4 |
| Planning and Strategy | 1.5 | 26.4 | 72.1 | 1.6 | 25.7 | 72.7 |

It is clear from the responses to these questions that, while traditional internal audit, corporate accounting/finance, tax, and audit services may not decrease in the future, the real growth opportunities for our graduates are in planning and strategy and business consulting and advising.⁶

Certainly we want to offer students the programs that they need and want and that will add high value in their future. One educator, looking at the salaries being paid by accounting firms and the myriad of new opportunities available to students said:

As you know, our school has been in the business of educating accountants for some time—that's an understatement, because we have been in the business since the 1900s. I think it is also well known that there are more partners in the larger firms who have degrees from our school than from anywhere else in the world. So, we have been in the business. And to be brutally frank, we would like to stay in this business. But, it is an industry that is in such transition. Our end is in transition—what should we be doing? What should we be doing in the classroom? It's in a state of flux. We are methodically thinking about this issue.... We are really grappling with these issues. We think we are doing the right thing now, but we think that what we will be doing in the future is something quite different.... From our end, we try to offer students programs that they need and want. And it is increasingly not looking like a no-brainer that we stay in this business. Of course, we all have a lot of respect and...concern for the profession. But that was then and this is now. We feel the pressure, too. We are asking, maybe that's not a business we should be in at all. — Participant, Ross Institute Roundtable

As an educator, think of yourself as someone who is driving 15 miles an hour up a hill in an old pickup truck, pulling a huge load of potatoes on a trailer behind you. You cannot go very fast because your truck is old and the potatoes are heavy. Suddenly, around you zips a new sports car going at least 70 miles per hour. You are envious because you would like to be able to keep up. Yet,

⁶ At first glance, it may appear that faculty responses to this and the prior table are inconsistent. In the results presented in this table, the majority of faculty expects the demand for accounting graduates who work in audit and assurance services to stay the same. In the previous table, faculty believe that accounting graduates will be performing a significant amount of audit-type work five years from now. An explanation for the perceived differences may be that faculty believes that, while the demand for audit and assurance services will not increase, it will not decrease. In addition, faculty probably believe that audit and assurance services play a bigger role in practice today than they really do.

you are tired from working so hard to get the potatoes loaded on the trailer. You say to yourself, “If only I had a car as fast and nimble, I’d be better.” In many ways, this scenario is analogous to the situation we face as accounting educators. Everyone in the business world appears to be moving faster than accounting education. Everyone appears to have more money to support change. Other entities appear not to be burdened with the heavy traditions and infrastructures of an institution that does not want to change. Our critics say these are only excuses—that we could make needed changes if we really wanted to. Yet, we look at the old truck and wonder if it will even make the hill. Somehow, we must re-energize ourselves and our educational programs. We have to find a way to shed the heavy load and figure out how to get to the top of the hill faster. To assume that the old truck will not go any faster or that the load must always be pulled may be obsolete assumptions. Fixing the problem first requires that we identify exactly what is causing us to go so slow. In the next three chapters, we look at the three major problems facing accounting education: (1) decreasing students, (2) dissatisfaction of past graduates, and (3) criticisms of our educational model. Once we understand the nature of our problems, we might be able to determine how to make the truck go faster and to fix our problems. In [Chapter 6](#), we identify strategies accounting educators can take to fix the problem and keep up with changes taking place.