

CHAPTER 4

Why Accounting Practitioners and Educators Would Not Major in Accounting Again

Sales experts long ago concluded that “word of mouth” and “personal testimonials” are the best types of advertising. The Taylor Group¹ found this to be true when they asked high school and college students what they intended to study in college. Their study found that students were more likely to major in accounting if they knew someone, such as a friend or relative, who was an accountant. But what would happen if those who are accountants—either accounting educators or practitioners—quit advocating accounting as a career and major and instead recommended that other majors and careers were more attractive? It appears from our research that we are about to find out. Although nearly 100 percent of accounting educators and 79 percent of accounting practitioners who responded to our surveys had undergraduate degrees in accounting, most of them stated that *they would not get an accounting degree if completing their education over again*. When asked “If you could prepare for your professional career by starting college over again today, which of the following would you be most likely to do?” the responses were as follows:

Type of Degree	% of Educators Who Would	% of Practitioners Who Would
Earn a bachelor’s degree in something other than accounting and then stop	0.0	7.8
Earn a bachelor’s degree in accounting, then stop	4.3	6.4
Earn a Master’s of Business Administration (M.B.A.) degree	37.7	36.4
Earn a Master’s of Accountancy degree	31.5	5.9
Earn a Master’s of Information Systems degree	17.9	21.3
Earn a master’s degree in something else	5.4	6.4
Earn a Ph.D.	1.6	4.4
Earn a J.D. (law degree)	1.6	11.4

These results are frightening, especially considering the fact that we are moving quickly toward a universal application of the rule requiring 150 hours to practice as a CPA, and that the most popular educational model used to prepare CPA candidates is a Master’s of Accountancy degree. At the same time we are recommending that students get a Master’s of Accountancy degree (M.Acc.), only 5.9 percent of practicing accountants would get a M.Acc. if they were starting their education over

¹ The AICPA Topline Report concluded that “Students who have friends and family who are accountants are much more knowledgeable regarding accounting and, correspondingly, much more likely to consider accounting as a career.”

again. Even more amazing is that the largest proportion of accounting faculty members feels the same way. It is telling that six times as many practicing accountants would get an M.B.A. as would an M.Acc., over three times as many practitioners would get a Master's of Information Systems degree as would get an M.Acc., and nearly twice as many practitioners would get a law degree instead of an M.Acc. Together, only 12.3 percent (6.4% + 5.9%) of practitioners would get either an undergraduate or graduate degree in accounting.² This decrease in the perceived value of accounting degrees by practitioners is captured in the following quotes:

We asked a financial executive what advice he would give to a student who wanted to emulate his career. We asked him if he would recommend a M.Acc. degree. He said, "No, I think it had better be broad. Students should be studying other courses and not just taking as many accounting courses as possible. If they're going to do that, they should plan to be one of the enforcers. They should plan on working for the SEC and trying to be one of their generals. And, if I was going to counsel someone with regard to career, I would urge them to get some operations experience along the way." —Interviewee

My job right now is no longer putting numbers together. I do more analysis. My finance skills and my M.B.A. come into play a lot more than my CPA skills. —Participant, CPA Vision Focus Group

I have been on the advisory board of XYZ University...and we have been asking ourselves, "What are the needs of today's accountants?" The IT world is meshing very closely with the accounting world, in practice, and so we are creating a new course of study that will combine accounting and information technology into one unique major....In my mind, that's the way to go. —Interviewee

I always felt like accounting people were a part of it [central role in the company]. Now I see us moving away from that. The information systems department was smaller than ours when I started. Now their department is way bigger than ours, and they're the trainers. My mentor wants me to get a CMA, but I want to learn about information systems. —Participant, CPA Vision Focus Group

The preference for the M.B.A. degree over a Master's of Accountancy degree is motivated both by the nature of the degree and the degree title. When we asked whether "A Master's of Business Administration (M.B.A.) degree title is more valuable than a Master's of Accountancy (M.Acc.) degree title for accounting graduates," 49.0 percent of accounting educators stated that they either somewhat or strongly agreed, while only 32.4 percent of accounting educators responded that they either somewhat or strongly disagreed. In contrast, 64.5 percent of accounting practitioners either somewhat or strongly agreed with the statement that the M.B.A. title is more valuable, while only 15.3 percent of respondents either somewhat or strongly disagreed.

Having accounting practitioners and educators state that they would prefer other degrees to accounting degrees is similar to the owner of a BMW or, worse yet, a BMW salesperson telling her children and friends that if she had the buying decision to do over again, she would purchase a different kind of car next time around. If those who practice and teach accounting cannot provide positive testimonials about the value of accounting degrees, then who can?

The responses to our survey questions reveal that accounting practitioners view accounting education and accounting degrees less positively than do accounting educators. This perceived difference in the value of accounting degrees between practitioners and educators may be part of the problem. As educators, we can argue that practitioners really do not understand all the good things we are doing, but that protest quickly becomes hollow when we understand the monumental input

² We did not ask respondents how many would get various combinations of degrees such as undergraduate accounting and Master's of Business Administration degrees. Such combinations could increase the demand for undergraduate accounting degrees. In fact, the Taylor Group found that while very few students rank having a CPA as attractive, about half found having both a CPA and M.B.A. to be attractive.

and output problems we are facing. While it may be difficult for us to admit that our programs are off the mark, the decreasing demand for our programs certainly supports the practitioner viewpoint. If we cannot convince ourselves to believe the opinions expressed by critics, we must be convinced by the empirical evidence regarding the decrease in student demand for our educational programs.

Why Accounting Practitioners and Educators Would Not Major in Accounting Again

While the evidence that accounting practitioners and educators view other degrees as more attractive than accounting degrees is frightening, the follow-up question “Why do they feel that way?” is a more useful inquiry. It takes significant pain for accounting graduates to admit that something they worked so hard for has less value than other alternatives today. It is probably more difficult for educators to admit that their own preferences may not have been right. We cannot take proactive steps to fix the problem until we know what is causing these perceptions. While empirical evidence rarely answers the question “Why,” we gained valuable insights into their reasons from our personal interviews, background readings, and focus group meetings.

Some of the reasons accounting practitioners and educators would not major in accounting today are very closely related to the reasons why students do not choose accounting as a major (as were discussed in [Chapter 3](#)). While all of those reasons apply here as well, there is a big difference between “perceptions of prospective accounting students” and “perceptions of people who already have accounting degrees.” We can argue that prospective students suffer from misinformation or a lack of information and really do not understand the excitement provided by accounting education and accounting careers. However, those “misinformation” arguments do not work with practicing accountants and accounting educators. It is those who have the most knowledge about accounting degrees and careers—current accountants who majored in accounting—that we are addressing here. If anyone has an accurate picture of the value of an accounting degree, they do. There appear to be two major reasons why knowledgeable accounting educators and practitioners would not major in accounting again. One reason has to do with the nature of accounting education and one has to do with the nature of accounting work as stated here:

1. The business world has changed dramatically, while accounting education has not. Accounting education is perceived as being too narrow and backward-looking and too costly for the benefits received.
2. The idea of a career in accounting has lost favor because of technological and competitive changes. Business people who want an interesting and rewarding career are looking elsewhere.

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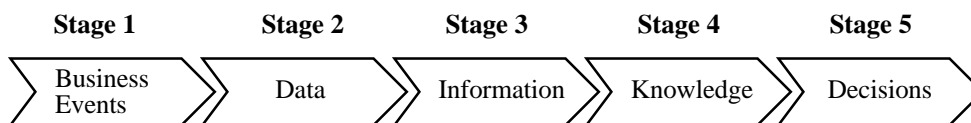
None of us would assert that the business world is the same as it was 15 years ago. The difficulty is in knowing *how* it has changed and *how* we should react to those changes. The following three quotes are typical of what we heard from practicing accountants and educators about the changes taking place.

The world economy is entering a new and highly complex era. Technology is becoming an ever-increasing driver of strategy and decision making. More and more, companies and individuals must compete in a global marketplace. At the same time, businesses and individuals are inundated with data and information from a variety of sources. Success in this environment is increasingly dependent on the strategic management and use of knowledge to understand and analyze this flood of information, and to create and realize value. Mastering knowledge in today's global marketplace requires an increasing emphasis on the understanding of a broad range of business competencies. XYZ Discussion Draft, —AICPA (emphasis added)

Now everybody wants and expects more. What they're looking for is for our people to have better business minds, to be able to think broader, to be more innovative, to share best practices and, if they are not getting that from their service providers, I think they're concerned because in today's business, every small edge counts. And, the stakes are so big for them that they've raised the bar very, very high for us. —Participant, New York Focus Group

We've gone from only performing some narrow roles that people think they understand as being accounting roles to being many other roles that outsiders aren't really clear whether it's the accountant who does it or not. And with it, with the advances in technology and so forth, have come even greater needs for accountants to do more and more, but also greater needs for all of us as stakeholders, to get the message out that today there is a different definition of what an accountant is. —Participant, New York Focus Group

Robert Elliott, KPMG partner and current chairman of the AICPA, speaks often about the value that accountants can and should provide. He identifies five stages of the “value chain” of information. The first stage is recording business events. The second stage is summarizing recorded events into usable data. The third stage is manipulating the data to provide useful information. The fourth stage is converting the information to knowledge that is helpful to decision makers. The fifth and final stage is using the knowledge to make value-added decisions. He uses the following diagram to illustrate this value chain:



This five-stage breakdown is a helpful analysis of the information process. However, the frightening part of Mr. Elliott's analysis is his judgment as to what the segments of the value chain are worth in today's world. Because of the impact of technology, he believes that:

- Stage 1 activity is now worth no more than \$10 per hour
- Stage 2 activity is now worth no more than \$30 per hour
- Stage 3 activity is now worth \$100 per hour
- Stage 4 activity is now worth \$300 per hour
- Stage 5 activity is now worth \$1,000 per hour

In discussing this value chain, Mr. Elliott urges the practice community to focus on upper-end services, and he urges us to prepare our students so they aim toward that goal as well. Historically, accounting education has prepared students to perform stage 1- and stage 2-type work. We spend significant amounts of time teaching recording and summarizing functions, and how to prepare financial statements. Think about the typical curricula:

- The first accounting course is usually a prep course in financial accounting for the intermediate, which covers the nature of debits and credits and how to prepare financial statements. The second course in management accounting is usually a prep course for cost accounting.
- The intermediate accounting and cost accounting courses focus students on tracking costs and the preparation of financial reports on the basis of those costs. The orientation is usually rule-based and requires significant amounts of memorization.
- The advanced courses are often focused on more detail in tax, auditing, financial, and cost accounting.

One senior faculty member, commenting on the idea of an information value chain, said this:

Accounting has traditionally been taught moving up the value chain, starting at the recording process. It gives students a bitter taste for accounting and attracts a narrow student. My observation,

based on my work in the AAA and on accreditation committees, is that the vast majority of academe hasn't bought into the idea of teaching toward the top of the value chain, and accounting continues to be taught from bottom up. —Participant, Ross Institute Roundtable

If technology has replaced the needs and minimized the rewards of performing stage 1 and stage 2 work, has not technology also eliminated the need to teach students how to perform detailed work at these early stages? Consider the following quotes:

The role of management accountants is very different in 1999. Growing numbers of management accountants spend the bulk of their time as internal consultants or business analysts within their companies. Technological advances have liberated them from the mechanical aspects of accounting. They spend less time preparing standardized reports and more time analyzing and interpreting information. Many have moved from the isolation of accounting departments to be physically positioned in operating departments with which they work. Management accountants work on cross-functional teams, have extensive face-to-face communications with people throughout their organizations, and are actively involved in decision making. —IMA, *Counting More, Counting Less*

It's a different way of thinking today—it's a futuristic thinking, rather than a historical thinking. Twenty years ago, cost accounting was after-the-fact keeping track of what something cost to make and today it's out working with suppliers trying to get a cost down so that your company can buy the product cheaper. The whole perspective has changed. It's futuristic. That's where the accounting information has value—not in the historical. —Participant, Los Angeles Focus Group

Students need to know how to analyze. An accounting student needs to know that there are technical rules and regulations. He or she doesn't need to be able to tell me what FAS 124 is. I don't even know what FAS 124 is, but I if I need to know it, I know where to get it. They need to know that there's a body of rules and regulations that govern the practice of accounting, both within business and within the profession. They need to understand financial statements. They need to understand how to read them and they need to understand what is in them. —Participant, Chicago Focus Group

While the world has changed dramatically, there are strong feelings that accounting education has not kept up. In our survey we asked, “How well is accounting education today meeting the needs and expectations of accounting professionals?” The response, with 4 representing “very well,” was 2.69 from both faculty and practice respondents. But others have been more outspokenly critical, as these quotes demonstrate:

Although school and faculty competencies have advanced, the gap between practice and academic research and teaching has widened. The lack of business interaction, changing technologies, aging faculty, and shortage of incentives to change have inhibited faculty initiative for change that is necessary to keep pace with a rapidly changing environment....The pace of change in the external environment is too high for some faculty and many are not investing in lifelong learning for themselves. Often they rely too much on old methods and, lacking direct interaction with industry, generate little cutting-edge research that makes a difference to industry. —AACSB Leadership Report

CEOs have come to see accountants as being 90% concerned with external financial reporting—and the audits thereof. And neither of those activities has anything to do with the way managers run the business. From the standpoint of the CEO, the accounting profession (and accounting education) has been marginalized. Today's successful CFO grew up in a different milieu than the typical accountant. Today's CFO will have been an analyst or a systems person. They understand the elements of the business, but they also understand how management peers make decisions, and the information they need to make those decisions—with forward-looking information. Accountants have lost sight of who their customers are and so have lost their relevance. It is relatively easy to hire people who can be charged with the responsibility for financial reporting. They can do their job and be ignored. —Interviewee

The most critical work activities for management accountants today are strategic planning and process improvement; neither is taught in accounting curricula. Accounting educators must be sure that their students acquire the necessary KSAs to perform these and other key work activities. To better meet the needs of their students and corporate customers, college and university accounting educators should obtain a better understanding of the work performed in modern corporations. —IMA, Counting More, Counting Less

The Vision Project has huge implications for education. A distinction should be made between the traditional education to enter the profession and nontraditional skills. On the traditional side, there are a number of positive curriculum changes at a number of institutions. However, many schools still train people only to prepare and audit financial statements. While this is a core service of the profession, the education is not broad enough to equip graduates to take advantage of all of the opportunities the Vision Project identified. "Steering A Course for the Future," —Interview with Robert Elliott, as he assumed the chairmanship of the AICPA.

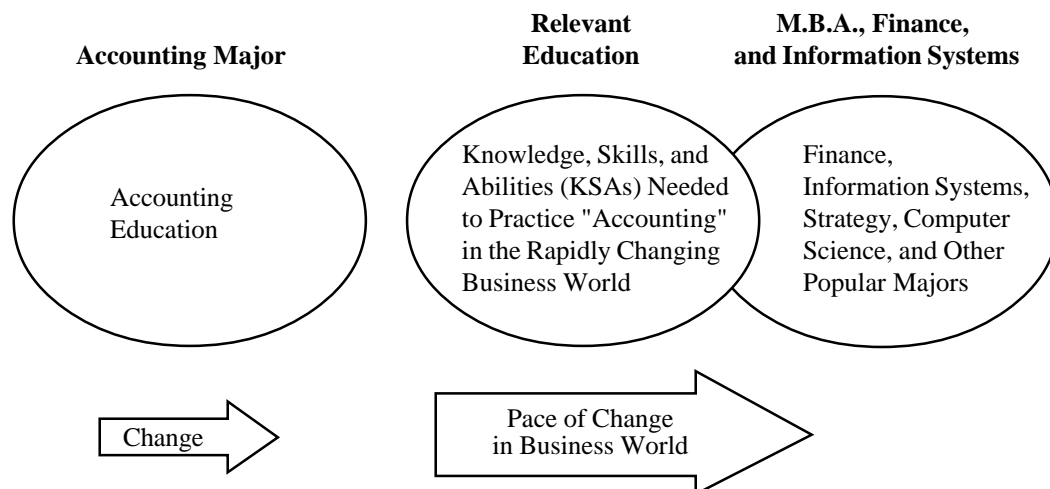
A major firm recruiter provided a more positive perspective, but with a serious caveat:

From my perspective there has been a lot of positive change in education. As we look at communication skills and technology skills, and so on, students are far better prepared to be in today's business climate than they were five or ten years ago. So the change has been terrific, quite honestly. I think the message is that we'd like to see those changes be more pervasive and that there's an opportunity to do even more. Actually, it's critical that we do more if our students are going to be competitive, the way that the business world is going. It is essential that we keep the foot on the accelerator with regard to change. —Participant, New York Focus Group

As the work of accountants has changed, other, often shorter and less difficult, majors are preparing students to work as "accountants." With technology now performing the recording and summarizing functions, there is no significant market or competitive advantage to pursuing a rigorous, rule-based curricula. One Big 5 recruiter summarized this problem well.

The other [nonaccounting] majors that are coming out of school today are bringing to bear the things that accountants have traditionally done in the past. I think what you're seeing now is a difficulty in differentiating majors coming out of school—a finance major from an accountant, for example. As a result, it continues to be a challenge for us as a firm as to what we are looking for in the qualities of graduates and the approach we take when looking for people to join our organization. —Participant, New York Focus Group

We can summarize this problem by using the following Venn diagram.



This diagram illustrates the two changes that are occurring and causing practitioners and educators to choose not to major in accounting today: (1) accounting education is not changing fast enough to keep up with changes in the business world, and (2) as the business world changes, increasingly more of the knowledge, skills and abilities (KSAs) needed to do what “accountants” do are being taught by other, often lower cost, disciplines. Students studying finance and information systems, for example, can get a four-year degree that some would argue is less rigorous than an accounting degree and be well prepared to perform many of the services that are now being performed by professional service firms and corporate accountants.

To understand the attractiveness of related majors, we asked our survey respondents to rank the attractiveness of various business majors and to think about how the accounting major might be changed to make it more attractive. Their responses to those questions bear out their dislike for the accounting major as it has been traditionally taught.

Question Asked	Faculty Who Strongly Disagreed or Disagreed	Faculty Who Agreed or Strongly Agreed	Practitioners Who Strongly Disagreed or Disagreed	Practitioners Who Agreed or Strongly Agreed
Accounting is a more attractive college major than finance	35.7%	38.6%	30.0%	49.5%
Accounting is a more attractive college major than information systems	55.2	22.8	49.7	31.1
Accounting and information systems should be combined into one college major	25.0	57.5	34.7	52.0
Accounting and finance should be combined into one college major	38.7	41.2	28.7	58.6
The various business majors are too isolated from each other	21.3	62.3	29.6	47.3
Accounting education is integrated sufficiently with other business disciplines	53.3	25.0	38.6	36.4

In summary, it appears that both practicing accountants and educators believe: (1) accounting education has not changed enough to meet the changing needs of accountants, (2) that other majors may now be preparing students as well or better for the work accountants now do, and (3) that accounting education is too isolated from other business disciplines. These feelings are strong enough to convince them that they would not get an accounting degree if starting over again today.

The idea of a career in accounting has lost favor because of technological and competitive changes. Business people who want an interesting and rewarding career are looking elsewhere.

A second reason why practicing accountants and educators would not study accounting today is because of problems they perceive with accounting careers. The problems most often mentioned in our research were:

1. Technology has made much of what accountants do obsolete and the demand for the traditional work of accountants, audit and tax, has decreased.
2. Accounting careers are less attractive financially than other careers.
3. There is less psychic income from being an accountant than there used to be and the CPA brand is not worth what it was previously.

Technology Has Made Much of What Accountants Do Obsolete and the Demand for the Traditional Work of Accountants, Audit and Tax, Is Not Increasing

One of the most pervasive themes we heard in our research was that technology has replaced much of what accountants have historically done. No one is impressed by a neat set of financial statements anymore—all of the gathering, recording, and reporting can now be done more efficiently using any of a number of inexpensive software packages. One observer said:

What used to be a skill is no longer an important skill and that is true whether accounting is outsourced or whether it is an internal, shared service. No matter where it's done, it is done by somebody's data-processing system. If it's outsourced, it appears on a screen on your desk. If it's done by a box underneath your desk, it's still available on a screen. Now, the focus has to be on being able to interpret and use the information provided on the screen. —Interviewee

As we suggested in [Chapter 2](#), practitioners who saw this technology revolution coming have repositioned themselves as interpreters and called themselves finance professionals, information consultants, or decision-support specialists. Practitioners who have not made the transition have been relegated to mechanical, uninspiring, and unrewarding jobs. The fear of being left behind in one of those jobs has motivated both the IMA and AICPA to push their members to move up the information value chain.

One focus group participant said:

As you know, the IMA changed its journal and called it Strategic Finance instead of Management Accountant. It is my view that the term finance is a broader umbrella under which accounting resides. I do use the terms interchangeably, but I guess if I had to pick one term, I would say that I work in finance without necessarily thinking about it. —Participant, Atlanta Focus Group

Another focus group participant said it this way:

Accounting is like baseball. The game has not changed substantially in 100 years. But what has changed is the expectations of team owners, the players, and the fans on the one hand and the incredible number of tools we now have to deliver the game on the other hand. With more tools to deliver the product, you can come up with an incredible array of additional statistics that people can now recite off their fingertips like never before. We now know how many double plays in a game and all that other stuff whereas when I was growing up all we focused on was runs, hits, and errors. Just like in baseball—we don't want to fail today and so the accountant who doesn't deliver this whole array of tools and has the right information at the right time is in trouble. —Participant, Atlanta Focus Group

No one wants to be on the wrong side of the technological revolution. Accounting—as it has been taught and practiced—is seen by many as a relic of the pre-information revolution, and so it is not surprising that practicing accountants, knowing what they do now, would pursue a different major if they were starting their education over again.

Accounting Careers Are Less Attractive Financially than Other Careers

Accounting careers are perceived by many professionals and educators to be less attractive than other business careers in three ways:

1. As discussed in [Chapter 3](#), starting salaries are lower.
2. Independence rules, the requirement to act as partnerships, and other regulations are restricting the ability to accumulate the degree of wealth that is available to other business professionals.

3. The perception is that accounting offers a more limited career track. There was a time when accounting graduates could become the chief executives of their companies because of their understanding of the company as a whole and their understanding of the importance of return-to-investors. That perspective is no longer the exclusive property of accountants and, today, corporate value creation is considered to be more a factor of strategic thinking than anything else.

The problem of starting salaries was addressed in [Chapter 2](#). The independence and other wealth accumulation inhibitions are expressed well by the following *Business Week* quote:

Competition from Wall Street and Silicon Valley, where the rewards can be much richer, plays a big part [in the shortage problem]. Big 5 accountants have just the expertise they need: they know financial accounting, they're technologically savvy, and they have had a broad experience in a wide variety of businesses. But also to blame, many are beginning to argue, are regulations that govern an auditor's ability to invest in stocks.³

There is Less Psychic Income from Being an Accountant than There Used to Be and the CPA Brand is Not Worth What It Was Previously

In two of our four focus groups, professional accountants made comments such as “the psychic income from being a partner in a CPA firm isn’t as high as it used to be” and “the CPA brand isn’t worth what it used to be.” Decreasing numbers of first-time candidates sitting for the CPA exam and the movement of public accounting firms away from being CPA firms to professional service firms tells us a great deal about the value of the CPA brand in the marketplace. The following quote typifies this concern:

Many CPAs currently perceive the opportunities in public accounting to be changing, with less perceived gain for continued demands and commitment. Many CPAs note that the traditional path within a public accounting firm—making partner—is changing, and note greater lengths of time currently necessary to achieve partner. —CPA Vision Project

On the other hand, management accountants—at least those who have successfully transitioned themselves as finance professionals—do not seem to have suffered a similar loss in psychic income. According to the IMA’s most recent study *Counting More, Counting Less*, the results show an escalating change in the work performed by management accountants in their role in the organization, and in the value they bring to business decision making.

We asked respondents to rank career choices according to their relative attractiveness. The results found in the [table on the following page](#) support the general inclination away from traditional accounting and auditing careers that we heard in our focus group discussions. These results are discouraging to those who are responsible for recruiting for audit and tax functions in CPA firms. They are even more discouraging for those who must recruit into internal audit and government positions.

Consulting work, in any setting, and working in the accounting/finance area of a business organization are perceived as the most challenging and rewarding careers. These results provide some explanation why faculty and practitioners would not pursue an accounting degree today. *Still, these data show that all types of accounting careers are perceived quite positively, a fact that leads us to believe that our respondents’ overall disinclination to pursue an accounting education is motivated more by the perceived problems in accounting education than by perceived problems in professional work.*

³ “Where Have All the Accountants Gone?” *Business Week* 2000.

Question Asked	Faculty Who Strongly or Somewhat Disagreed	Faculty Who Strongly or Somewhat Agreed	Practitioners Who Strongly or Somewhat Disagreed	Practitioners Who Strongly or Somewhat Agreed
Working in the consulting area of a CPA firm is a challenging and rewarding career	0.7%	92.5%	1.2%	88.6%
Working for a consulting firm is a challenging and rewarding career	0.0%	89.9	2.3	86.7
Working in the accounting/finance area of a business organization is a challenging and rewarding career	1.4	92.9	7.2	82.6
Working in the tax area of a CPA firm is a challenging and rewarding career	7.5	72.7	16.4	62.1
Working in the audit/assurance services area of a CPA firm is a challenging and rewarding career	14.2	66.3	19.9	59.1
Working for an investment banking company is a challenging and rewarding career	2.5	66.7	4.3	61.4
Working as a college professor is a challenging and rewarding career	4.3	84.3	14.2	54.9
Working in an internal audit area in a large organization is a challenging and rewarding career	12.5	58.0	39.9	39.3
Working as a governmental accountant is a challenging and rewarding career	32.8	30.2	49.5	25.1

Concluding Remarks

We must all be concerned that both educators and practitioners would choose different majors if starting their education over again today. The perceived low value of an accounting education appears to be caused by two problems: (1) their belief that accounting education does not provide a clear advantage in preparing students to perform the expanding array of services being performed by accountants (or finance professionals) today, and (2) some perceived negative aspects of accounting work that are causing concern among today's accountants.

While both of these reasons were frequently mentioned by focus group participants, we heard more serious concerns about the nature of accounting education. In any event, this is the piece of the problem about which accounting educators can do something. The professional organizations have recognized their own career-image problems, and both the IMA and the AICPA have been working hard to improve the work and image of their members. They must continue, and must further clarify and intensify those campaigns. However, we must not rely on the profession to solve our problems. We have problems with the image and value-added nature of accounting education and we must address these problems ourselves.