

# CHAPTER 6

## Summary and Recommendations

In 1978, there was a United Airlines night flight from Denver to Portland. In the cockpit were the pilot, the co-pilot, the flight engineer, the navigator, and a visiting full captain who was “dead heading” (flying along to bring back an empty plane from Portland.) The flight was uneventful until the pilot attempted to put down the landing gear. Failing to get the light indicators that the gear was down, the pilot performed backup procedures. There was still no indication of whether the gear was down. As a last resort, the captain flew by the tower for visual inspection. The tower radioed back that it appeared that the landing gear was down and locked.

Because he was uncertain about the landing gear, the pilot elected to circle around one more time to burn off more fuel. The navigator, flight engineer, and co-pilot counseled against circling again saying the fuel was almost gone. Knowing their voices were being recorded, several crew members stated they had counseled against the go-around decision. The visiting captain said, “I know these DC-8s and one thing I know for sure—they don’t fly well without fuel.” He then left the cockpit, walked briskly to the last row in the passenger compartment and put his head between his legs and a pillow behind his head for the crash position.

Upon final approach, the plane ran out of fuel, crashed into two large (empty) homes, skidded across a busy street, had its wings sheared off by trees, and broke in half. Miraculously, no one on the ground was killed and only 12 passengers and one flight attendant died (all in first class.) At the inquiry associated with the civil suits against the pilot and the airlines, the flight transcripts were read. For the first time in history, the Airline Pilots Association (APA) declined to support the pilot. Their position was that when the pilot decided to go alone and ignore all the collective wisdom that he heard that night, he decided to go alone in court.<sup>1</sup>

As accounting educators, we must not emulate the United Airlines pilot and ignore the warnings from our colleagues and the evidence at hand. We can no longer deny that there are serious problems with accounting education. We have an enterprise that is experiencing decreased customer demand, where past customers are recommending that prospective customers shop elsewhere, and where there are significant complaints about our services and products. Accounting education is in a precarious condition.

Frankly, whether accounting programs survive as currently structured probably is not all that important. What matters is that we determine how to add high value to our students as they prepare for careers in a fast-changing business world. We have the capability to do that, but we need to step outside our comfort zone, stretch ourselves, and begin to teach and research in new areas. We

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<sup>1</sup> The story of this incident was recorded by one of the founders of Franklin-Covey, who was supposedly told the story by one of the pilots on board the crashed airplane.

understand measurement and we teach it well. We need to help business and our students develop new, more relevant measures of performance. We understand information systems and we excel in teaching the oldest and most established information system. We need to move beyond financial accounting and help business and our students to develop the information systems they need to make critical, strategic decisions. We understand financial analysis because we know where the numbers come from. We need to move beyond the gathering of the data and help businesses and our students to develop new ways of interpreting and using their data. Those expanded opportunities are ours to lose.

We could sit back and hope salaries for our graduates will increase substantially and students will come flocking back to our classes and programs. However, we do not believe, as some of the respondents to surveys have suggested, that our problems are only a function of salaries. There may very well be a stronger relationship between the “value add” of an accounting education and the starting salaries of our graduates than we are willing to admit. Perhaps programs based on obsolete assumptions such as “information is expensive to produce,” “a narrow but deep education is better than a broad-based education,” and “it is more important to teach content than skills” are not adding as much value as we think they are. After our work on this project, we have come to believe that the decisions we will make, as accounting educators, in the next few years are more important than any we have made in the past.

### **How We Would Structure Future Accounting Programs**

The four organizations sponsoring this study asked us to conclude our “thought piece” with recommendations of what we would do to remedy perceived problems in accounting education. Their request asked us to be bold, forward-thinking, and hold nothing back.

We are happy to share our thoughts and observations based on our research, hoping they will stimulate discussion and follow-up action. The recommendations we will provide below are based on three primary observations:

1. The AACSB was absolutely right when it concluded that each school or department must decide for itself what its mission is, and then establish a strategic plan to achieve that mission. We need to accept that philosophy and implement it, both in fact and in spirit. Many of our focus-group participants bemoaned the prevalence of the cookie-cutter approach we have followed in developing accounting curricula. One interviewee expressed the problem quite succinctly when he said:

*We have been following “a one shoe fits all” approach to curricula, to teaching, to students, and to faculty development.*

There is no one model or prescription that all schools should adopt to resolve the crisis we face in accounting education. Faculty in each department must decide for themselves what their response will be.<sup>2</sup>

2. It is critical that you not let your response to our educational crisis simply evolve. We strongly encourage you to establish a strategic-planning process for your department and to place the responsibility for that planning process on the most qualified, committed faculty you have.

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<sup>2</sup> As an example of the kind of strategic thinking that must take place at each school, consider how one university has responded. Facing declining accounting enrollments and sensing the need for a broader education, this school eliminated its undergraduate accounting program and now offers only a “12-month Master’s of Accountancy program” that admits students who do not have undergraduate accounting degrees. Administrators of the program have had to work hard in recruiting students, but their current number of students is as high as ever and is at capacity. Students admitted generally have no years, or fewer years, of work experience than M.B.A. students and their starting salaries are lower than those of graduating M.B.A. students. The program has proved popular among both liberal arts and undergraduate business students, as well as corporate and professional service recruiters.

Give them the resources they need to complete their work in a timely manner. Set a time horizon that will communicate the urgency of the problem. Quick action is important now.

3. Both of the above-suggested actions apply to individual professors, as well as to departments and programs. All faculty members should use the crisis facing accounting education as an opportunity to evaluate their own situations, and to establish a strategic plan for their careers.<sup>3</sup>

In conducting your strategic planning, there are several steps you could take and questions you should ask. We would recommend that you at least consider the following categories of issues.

### ***Assess the Environment Your Program is Facing***

The first step in the strategic-planning process for an accounting department is to assess the environment your programs and faculty face. Here are some questions you should consider.

1. Who have been the primary employers of our students? What will they expect of us in the future, and what are their strengths and weaknesses? Are we happy with these employers or should we seek out different firms to hire our students? How do employers rate our students? What other opportunities might we develop for our students?
2. Where have our students come from and where will they come from in the future? What do our students expect from us? Can we expect student in-flow to continue? If not, what threats do we see? What other areas of recruiting students are available to us?
3. What are the strengths and weaknesses of our faculty today? Do we have excess capacity or do we need more faculty? What do our faculty strengths and weaknesses look like if our student population and/or demographics change?
4. What are the strengths and weaknesses of the business school of which we are a part? What about the university? Do our programs complement and fit in with those of the business school?
5. What resources do we have available? Are those resources at risk if our student population changes? What other avenues for resource development are available to us?

### ***Consider Carefully Every Degree Offered***

Second, we would encourage you to examine rigorously all of your educational programs, asking whether they should continue to be offered. You should ask, for example:

1. Should we continue to offer a separate undergraduate program in accounting?
2. Should we combine our accounting degree with a related degree program in strategy, information systems, or finance?
3. Should we offer only an accounting minor?
4. Should we offer a fifth-year or master's program?
5. Should we become a service department to other business-school programs?
6. Should we offer only a concentration within an M.B.A. program?
7. Should we continue offering a Ph.D. program? If so, is it structured correctly?
8. Should we add a new and different kind of program? If so, what should it look like?

These are important questions. Following a one-size-fits-all approach, too many schools try to do too much. Because other schools have a full range of academic programs, many others believe they should as well. It would be far better to do one or two things well. Program alternatives your strategic-planning team might consider include:

<sup>3</sup> The findings of this study also have significant implications for the AAA. We urge the Executive Committee to give careful consideration to how it must react to changes in business and needed changes in accounting education in order to continue to provide value-added services to its members.

1. A stand-alone, undergraduate accounting program, designed as a preparatory degree for M.B.A. or other graduate programs, with significantly modified curricula that prepares students for those graduate degrees.
2. A combination undergraduate or graduate degree program with another business discipline.
3. A highly efficient, integrated five-year master's degree in accounting that looks basically like a current M.B.A., but with restructured accounting courses as described below.
4. An accounting minor on top of a broad humanities or social science degree. The three or four accounting courses offered to complete the minor would need to be much different than the typical introductory and intermediate courses we require now.
5. An accounting concentration in a traditional, two-year M.B.A. program, focusing on high-value-chain activities.
6. A Ph.D. program that involves some exposure to pedagogical approaches and curriculum development. An innovative Ph.D. program could involve requiring students to complete joint research with business professionals as well as conduct traditional kinds of empirical, experimental, behavioral, or other research.

Given the changing nature of accounting education and the business world, a combination degree program with a related discipline might be very attractive. One such program would be to follow the lead of the AICPA and IMA and redesign the accounting curriculum so that graduates are consultants/accountants with a strong basis in measurement, but are more broadly equipped to act as business consultants and advisors. Such a program would include some accounting, but would also include more coverage of information systems, economics, and business strategy. Adopting this approach would require the involvement of nonaccounting faculty in the accounting/consultant major or the retraining of existing accounting faculty. The expanded scope of this curriculum would mean a reduction in the amount of time and depth that could be devoted to traditional accounting courses. It might make sense to package this broadened curriculum in a five-year program, as the originators of the 150-hour rule envisioned.

Another strategy would be to develop an accounting/systems degree. Many of our focus-group participants and several of our interviewees suggested that accounting education needs to broaden its understanding of what accounting is and see it as a subset, or extension of, the larger business information system. With a broadly defined "information" perspective of accounting, it is logical that accounting education would evolve as a combination of traditional accounting courses and information systems courses. Again, such a strategy would require a reduced amount of time and depth devoted to traditional accounting and more study of information systems.

A third strategy would be to develop an accounting/finance degree. The vision of accounting as information providers has particular appeal to those who see accounting as useful in corporate decision making and management. Alternatively, accounting can also be seen as a critical element of financial markets. With a financial-market perspective, it may be appropriate to combine accounting and finance into one degree. Such an integrated program would produce a student who has a thorough understanding of the financial-reporting process, how financial reporting affects financial markets, and how financial information can be used and analyzed to make better investment and market decisions.

These are only three of several possible degree combinations available. Whichever strategy is selected, accounting educators will probably have to work hard to eliminate the "silo" mentality and walls that isolate accounting professors and classes from the rest of the business school. Continuing to be an isolated department will not be a wise strategy given the oft-cited need for our graduates to have a broad business background.

For departments and faculty who choose not to broaden their major, abandoning their accounting major altogether and becoming a service provider for other disciplines within the business school

might be attractive. Every business graduate must have a fundamental understanding of accounting in the same way that he or she must have a solid grounding in quantitative methods or economics. There is no shame in being a service provider to other degree programs. Such a strategy, however, would require a change in emphasis among the accounting faculty and a much higher degree of integration across the school. It would also probably mean decreased financial resources and a smaller faculty.

### ***Consider Carefully Your Curriculum and Course Content***

Third, we would encourage you, in your strategic planning, to rigorously challenge curricula and content from your most introductory accounting course to your most advanced course. Focusing on each course, you would ask questions such as:

1. Is what we are teaching and the level at which we are covering topics really important in the business world today or has technology, globalization, or increased competition dictated that we make substantive changes to our curriculum?
2. Are we teaching important concepts in the most efficient and effective way—that is, are we using the most effective pedagogy in our teaching?
3. Are we partnering sufficiently with related and/or needed courses in other disciplines? Is there an opportunity to eliminate silos in our school?

Each school's faculty must decide for itself how it will answer these questions, based on its own environment. However, based on our acquired understanding of what is occurring, we believe significant changes in curricula and content will be required. Here are a few ideas:

- Introductory accounting might focus less on preparation of financial statements and more on analysis. It might explore the role that accounting plays in capital markets and organizations and explain the structure of the profession. The content might introduce the material that an accountant would need to move into consulting, business advising, and strategic planning.
- The second course might creatively capture managerial topics that focus on using information to make decisions.
- Intermediate accounting should be collapsed into one course, focusing more on analysis and research than on specific standards in detail.

Similarly, why not eliminate separate cost and advanced accounting courses? Why not develop one tax course that focuses on both individual and corporate taxes? Then, think about ways to introduce your students to various industries such as manufacturing, financial services, retail, service, and dot.coms, exposing students to the economic model of companies in the industries, including how they generate profit and are related to other types of companies and to the economy. In addition, find a way to cover risk analysis and control. In particular, we need to renew our commitment to skill development.

The result might be an undergraduate curriculum that covers the following subjects:

1. Accounting and its role in society: The accounting profession
2. Analysis of accounting information: What does accounting information tell us?
3. Using accounting information (financial and nonfinancial) to make decisions
4. Risk analysis and controls
5. Research in financial reporting: where the standards are and how to apply them
6. Using technology in business and decision making (technology as a business aid and the impact of technology on business strategy.)
7. Tax accounting (personal and corporate—income, sales, estate, etc.) and its effect on decision making.

8. Using accounting information in different industries (case-based course using accounting information from different industries, focusing on the nature of those industries as much as the accounting issues involved)
9. Expanded professional services (e.g., personal financial planning, fraud investigations, strategic consulting)
10. A few, but not many, elective courses that allow some specialization

After looking at these subjects, you may say that there is no way all of the topics, grouped together, could be covered in one course. Intermediate, cost, and tax professors, for example, might say that they need several courses to cover their material. Therein lies a major point we are trying to make—we do not need to cover all the traditional material. Students can be exposed to many of these topics at the 25,000-foot level and if we do not get all the topics covered in equal depth, then that's fine. What is important is teaching students how to find answers and how to learn. Frankly, educators have little comparative advantage over practice in delivering high-level technical material. Rather, our competitive advantage is on focusing more on fundamental/foundational material and skill building. This change in orientation will be difficult for many of us who grew up thinking that professors were the preeminent purveyors of knowledge and that students should be captive listeners. Some will question this type of curriculum because it does not include a particular course or courses that they think is important. The curriculum suggested here is only one possible set of courses. The important thing is that each school take a “zero-based” approach to its curriculum—throw away what is no longer needed and try to make its program as value-added as possible.

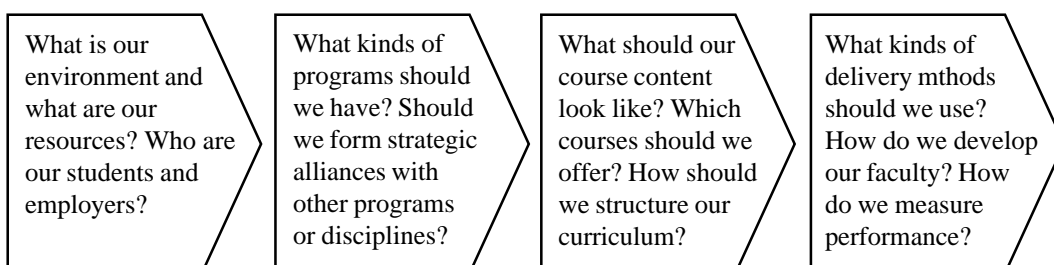
### ***Consider Carefully the Pedagogy in Every Class***

Finally, we would encourage your strategic planning team to challenge rigorously the current pedagogy of every class offered. The team ought to ask questions such as:

1. Do our delivery methods allow students to develop critical skills?
2. Do our delivery methods rely too much on lecture and memorization?
3. Do we use sufficient and appropriate out-of-classroom experiences?

Following the advice of the AECC, it is time that we, in accounting education, move away from our reliance on lecture and move toward teaching approaches that convey critical KSAs—cases that teach dealing with uncertainty and analytical skills, oral and written communication assignments, and quizzes immediately after mini-lectures or videos to teach communication and listening skills. Our pedagogy needs to include some elements of group work to teach leadership and working together, role playing to teach negotiation, technology assignments to teach technology, and larger projects to teach project management. We all need to look for creative ways to involve business professionals in the educational process, and to exploit the potential of out-of-class activities, such as internships, field studies, and service-learning assignments. We should expect our students to do research on the Web and use the wide variety of data services available.

The following diagram illustrates the strategic-planning decisions each program must address:



## The Need to Invest in Faculty Development

Universities cannot expect faculty who possess outdated skills and knowledge to make the kinds of changes needed today. Accounting faculty studied topics and were educated in ways that are no longer relevant. It is critical that faculty be given the resources to stay up to date, which means that they must develop technologically, globally, and have current and broad business and accounting knowledge. They must be allowed to interact with business professionals and faculty colleagues in other disciplines. Schools that do not invest sufficient resources in faculty development will find that their faculty is unable to make the changes needed today. The result will be programs that continue to shrink in size and diminish in effectiveness.

Faculty must stay engaged, in some form, with the fast-paced changing world of business. Being current means that, in an environment of a shrinking global market, faculty should have global interests and their teaching should include a global perspective. Faculty must have consulting, internship, residency, or other real-world experiences that allow them to understand the kinds and pace of changes taking place.<sup>4</sup> Faculty must be avid readers of other people's research and of current business newspapers and periodicals.

Every program must have a proactive faculty development agenda. Only those programs and faculty that determine how to add value that is distinctive, appreciated by stakeholders, and not easily duplicated by lower-cost competitors will survive. Every program and its faculty must decide what are its competitive advantages and strengths and work hard to maintain those advantages. Faculty development opportunities must be explicitly created and rewarded for programs to remain competitive. While successful faculty members must be in charge of their own faculty development, programs and schools must provide the supportive environment to allow and encourage development to take place.

## Concluding Comments

We will conclude this report with one quote from each the four sponsoring organizations about the future of accounting education and accounting careers.

*The role of management accountants has evolved from serving internal customers to being a business partner. A business partner is an equal member of the decision-making team. As a business partner, a management accountant has the authority and responsibility to tell an operating executive why particular types of information may or may not be relevant to the business decision at hand and is expected to suggest ways to improve the quality of the decision. —IMA, Counting More, Counting Less, 1999*

*A fundamental power shift from providers to consumers is taking place in all segments of the economy, including post-secondary education. To remain competitive, institutions need to adopt a customer focus, which will become the key driver in the design and delivery of post-secondary education. Each institution needs to understand the needs of those employer organizations with whom it wishes to place its graduates, the needs of prospective students, including degree requirements, credentialing, and other life-long learning opportunities, and strengths and weaknesses of its competition. Each institution needs to define the unique market niche that will set its programs(s)*

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<sup>4</sup> The right kind of consulting experiences, for example, can keep faculty current and bring opportunities to students. While some still argue that consulting, under any circumstance, is inappropriate, consulting is probably the lowest-cost way for a school to keep its faculty current. Consulting can result in a win-win situation for everyone involved. Students of consulting faculty are more engaged because what they are learning is current and relevant and classes are more interesting and challenging. Professors feel rewarded because they are experiencing research and consulting accomplishments and sharing those accomplishments with their students. Periodic involvement in consulting and other forms of dialogue between academics and professionals enhances the teacher's ability to teach and the researcher's ability to research. Like medicine and law, accounting and business are clinical subjects with the laboratory being the world of business and accounting.

*apart from other accounting programs with which it competes. Each institution needs to identify those “high priority” segments of its curricula that will be pivotal in establishing its market niche and then quickly build new curricula in the identified “high priority” areas. Each institution needs to identify new knowledge and skills required to teach the “high priority” segments of its curricula, such as information technology and globalization, and begin to build those skills through faculty development initiatives. —AAA, Report of the Changing Environment Committee, 1998*

*Many of the traditional, essential skills of CPAs are being replaced by new technologies that are increasing in number and being rapidly developed, often from unexpected sources. Corporations are conducting business in a world of commerce that is global, technological, instantaneous, and increasingly virtual. The leadership they require from both internal and external advisors requires new insights, new skills, and extraordinary agility. CPAs will expand their ability to gather data from a wide variety of sources and increasingly provide valuable strategic interpretations for decision making. —AICPA, CPA Vision, 1999*

*The accounting profession faces a unique convergence of forces, which creates a critical need to re-examine the educational process. The profession is changing, expanding and, as a result, becoming increasingly complex. Declining enrollments in accounting programs indicate that the profession is becoming less attractive to students....Individuals seeking to be successful in the diverse world of public accounting must be able to use creative problem-solving skills in a consultative process....The current textbook-based, rule-intensive, lecture/problem-solving style should not survive as the primary means of presentation. —Big 8, The White Paper, 1989*

These quotes cover a period of 11 years. Yet, the message is the same. Corporate and public accounting firms are working hard to transform themselves into finance professionals and professional services firms. It is now accounting education’s turn to transform itself. Failure to do so could be fatal. Seizing the moment to make needed changes could increase our relevance and open new opportunities for accounting education.