

The Ph.D. Shortage

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Our roles and responsibilities as accounting and finance professionals continue to evolve, yet soon there won't be enough specialized accounting educators to prepare students for this constantly changing workplace. For example, there are 50% fewer accounting Ph.D. students in the United States today than there were just 10 years ago, and the number will likely be

halved in another decade. Research conducted by the American Accounting Association (AAA) reports that, within the next three years, U.S. and Canadian universities will look

to hire 942 new Ph.D.s but will have only 621 eligible graduates to fill those slots. To compensate for the shortage, school programs may be forced to hire faculty who aren't as well rounded or as highly qualified, which will adversely affect the quality of student training. *So what*, you may ask. Regrettably, many others are asking this same question, failing to realize the importance these professionals have in facilitating business and economic development in our society.

The Vicious Cycle

At the same time, many universities are eliminating or reducing their accounting Ph.D. programs—which often compete with MBA programs—because of high cost and low enroll-

ment. The impending accounting Ph.D. shortage means fewer specialized educators, which in turn means fewer qualified new professionals entering the workforce. This reduction in the supply of accounting Ph.D.s also occurs at a time when the demand for them is increasing as many colleges raise the standards for their faculty as they pursue accreditation. This process is accelerated when you factor in the baby boomer retirement crisis and the number of faculty who will be retiring within the next few years.

As numbers people, it only takes a moment to calculate what this means. If we continue to hire educators based on practical knowledge alone because there aren't enough candidates who have pursued a higher level of education and research, eventually the cycle will continue to eat away at itself until there are no more doctorally qualified educators in the system. Besides teaching, these faculty members are essential for advancing the entire accounting body of knowledge and ensuring that the accounting profession continues to develop.

We clearly have some catching up

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to do in order to meet the evolving needs of the accounting profession. IMA is taking a proactive role in supporting accounting education, addressing the shortage of Ph.D.s and the future success of undergraduate accounting students who will work in industry. IMA has joined other accounting associations, including the AAA, Financial Executives International (FEI), and the American Institute of Certified Public Accountants (AICPA), to raise awareness of this problem and address these issues via an Accounting Associations' Task Force on Shortage of Ph.D.s in Accounting/Issues in Accounting Education.

As part of this effort, last month IMA Director of Research Raef Lawson co-organized a Task Force meeting at the Association of Government Accountants (AGA) headquarters in Washington, D.C. Former IMA Chair Carl Smith and I joined him at the meeting. The two-day event began with a discussion of both the shortage of Ph.D.s in accounting as well as the broader issues facing accounting education today, including the shortage of faculty in specialized accounting disciplines. During a brainstorming session, the group proposed various reasons for the current situation, including the changing job roles of accountants, market forces, and the current system of Ph.D. accreditation. The group reached a consensus that the faculty shortage issue is symptomatic of a larger problem and that the broader education model in the United States also needs to be examined.

A Historically Biased Curriculum

The lack of accounting Ph.D.s didn't just happen by coincidence. It

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evolved from a bias in the U.S. toward careers in public accounting that can be traced back throughout the years and that has slowly made its way into our universities' accounting curricula. In 1986, the Bedford Report, created by the AAA's Committee on the Future Structure, Content, and Scope of Accounting Education, asserted that accounting education programs should prepare students for a wide range of professional accounting careers. The current status has proved to be a bit different though.

Today, undergraduate accounting curricula in the U.S. are largely focused on meeting the needs of public accounting vs. the much broader, richer knowledge and skill requirements of accounting professionals who work inside organizations (management accountants). While many new graduates do begin their careers in public accounting, most make the transition to work as management accountants, which, in reality, is where more than 90% of U.S. finance function professionals can be found. Unfortunately, these graduates soon learn that their education doesn't align with their on-the-job responsibilities.

The Sarbanes-Oxley Act of 2002 (SOX) has increased the number of entry-level professionals needed for auditing jobs. To that end, aggressive on-campus recruitment by accounting firms offering attractive starting

salaries for new graduates has played a significant role in wiping out students' interest to pursue Ph.D.s, a reality that serves only the needs of the public accounting firms. Forgoing three to five years' salary to continue pursuing a Ph.D. hardly seems worth it to many of these newly recruited graduates.

Also, those looking in from outside the profession continue to view accountants of all pedigrees simply as "tax people." It's unfortunate that the very definition of an "accountant" has become so narrow and unrepresentative of all this profession has to offer. This is a bias that can't be found in any other industrialized nation. To be an accountant in Germany, for example, means you are a well-rounded and skilled finance professional who can work across the value chain within an organization.

Catching up with U.S. Business Needs

Now, perhaps more than ever, accounting is a critical profession within the greater global economy. New accountants and financial professionals entering the workforce are charged with decision making, strategic planning, and control functions—they are partners within an organization who are critical to business performance. A lack of qualified workers puts America's ability to compete in capital markets at great risk. It's time that schools and universities take notice and work toward reversing the existing shortage of Ph.D.s in accounting. If not, businesses will be hard-pressed to find qualified professionals capable of creating economic value.

What do you think? Please share your thoughts with me at psharman@imanet.org. ■