Opinion

BOOSTING MANAGEMENT ACCOUNTING'S STATURE ON CAMPUS

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The accounting profession has repeatedly faced calls for change in order to remain a relevant and vital part of our economic system. A shifting economic and technological environment threatens to make some traditional accounting functions obsolete and make others more efficient, ultimately reducing the need for accountants. For example, the bookkeeping function has largely been automated. Additionally, automation has reduced the effort involved in budgeting and the computation of variances. At the same time, however, accountants also face an unprecedented opportunity to move the profession toward providing more value-added services. Many of these opportunities lie in the work that management accountants perform. To evolve the profession, accounting curricula and the education of students should better reflect the changing dynamics of the business environment.

Unfortunately, despite many people voicing these concerns for more than two decades, little progress has been made, primarily because of a prevalent bias on campuses toward preparing students for careers in public accounting. While the profession has discussed the relative neglect of management accounting, it has offered few tangible solutions.

We'll examine concerns regarding the current imbalance in the educational system toward financial accounting and outline some proactive measures that can enhance the appeal of the management accounting profession for students. These efforts could ultimately lead to a greater emphasis on management accounting in the accounting curricula.

PERSISTENT CONCERNS IN ACCOUNTING EDUCATION

Numerous studies have discussed the direction of the accounting profession and the skills needed by those entering it, including those entering management accounting. These studies have routinely found a skills gap between what students know and what they need to know. For example, the 1986 Bedford Report stated, "There is little doubt that the current content of professional accounting education, which has remained substantially the same over the past 50 years, is generally inadequate for the future accounting professional. A growing gap exists between what accountants do and what accounting educators teach."

As a response to the Bedford Report, the Accounting Education Change Commission (AECC) was formed in 1989 to create innovative accounting curricula that would better prepare students to become professional accountants. Unfortunately, the AECC's grant programs primarily addressed delivery-method issues. As Gary Sundem pointed out in *The Accounting Education Change Commission: Its History and Impact*, "They did not tackle the most difficult changes advocated by the Bedford Committee, changes in the basic nature of the subjects included in an accounting curriculum." Sundem also noted that the Commission didn't stress enough "its opposition to the emphasis on rules, regulations, and standards in many traditional accounting programs. This emphasis gave accounting programs a financial-accounting orientation, even specifically a CPA-examination orientation, which did not meet the needs of business and industry."

In *Accounting Education: Charting the Course through a Perilous Future*, W. Steve Albrecht and Robert J. Sack more strongly emphasized that the small, incremental changes being made to accounting education weren't sufficient: "The time for change 'just to be better' is past. We must now transform our educational programs merely to survive. We are threatened by changes in the marketplace, some of which are beyond our control. Nonetheless, there are a number of things we can do to shape our future, and we dare not delay. The time for action is now."

The financial accounting orientation of many accounting programs, combined with the historical employment patterns of accountants, means most students are in programs that fail to provide the skills they'll need to pursue and advance in their long-term careers. While their education prepares them for public accounting work, more than 80% to 90% of students who enter these firms will leave within three to five years. Yet because of their schools' public-accounting orientation, most undergraduate accounting majors will only have sparse exposure to the broad field of management accounting.

CPA-CENTRICITY OF ACCOUNTING

There are many reasons for the CPA-centricity of accounting curricula in most major U.S. universities. Much input with regard to the design of accounting programs comes from the public accounting sector. For example, in their 1989 White Paper, the large public accounting firms noted that "…the AICPA will require 150 hours of education for membership by the year 2000….the composition of the accounting curriculum in meeting this requirement…must be addressed in the next several years, since students enrolling in college in the mid-1990s will need to meet this requirement."

Perhaps more importantly, major CPA firms are in frequent contact with students, faculty, and administrators throughout the academic year. At most university campuses, large public accounting firms actively engage in:

- Recruitment of interns and hosting open houses;
- Guest lecturing;
- Support of and involvement in student chapters of accounting societies;
- Support of accounting programs through organized fundraising;
- Funding of professorships and classrooms;
- Inviting students to attend seminars and colloquia hosted by the firms;
- Development of teaching materials, such as Deloitte's Trueblood cases;
- Funding of student and faculty awards; and
- Sponsoring of student fellowships and scholarships.

As a result, these firms influence curriculum decisions

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and discussions significantly. In contrast, other accounting areas (management accounting, governmental accounting, tax, etc.) have limited—if any—presence on campus, so they negligibly impact the accounting curriculum.

With these time- and resource-consuming initiatives, public accounting firms have demonstrated their commitment to accounting education and the respective institutions. From the perspective of academic administrators responsible for designing curricula, it's difficult, if not impossible, to ignore the preference of such critical benefactors. While these firms generally don't voice their preferences explicitly with regard to curriculum design, it's abundantly clear that they wouldn't be interested in recruiting students who wouldn't be able to register for and pass the CPA exam—or supporting the programs in which they are enrolled. That's why it's incumbent on the accounting faculty to design a curriculum that at a bare minimum meets the educational requirements their respective State Boards of Accountancy impose. The more stringent the requirements of the State Boards of Accountancy, the less flexibility faculty have in designing innovative curricula. Representatives of the public accounting firms often dominate the State Boards of Accountancy, and the resulting lack of representation of the broader needs of the accounting profession tend to further enhance the CPA-centricity of the curricula requirements.

As the accounting curricula tend to become more CPA oriented, universities emphasize financial accounting and neglect management accounting. Consequently, the hiring of new faculty is somewhat biased by the teaching needs of those accounting departments, which overwhelmingly tend to be in the areas of financial accounting. This creates a greater demand for Ph.D.s specializing in financial accounting as opposed to management accounting and other nonfinancial accounting subdisciplines. Thus, an increasing number of doctoral candidates choose to specialize in financial accounting instead of other areas of accounting. Later, when these doctoral candidates join the faculty, get tenured in due course, and eventually assume leadership positions in academia, they're predisposed toward financial accounting and indoctrinated in the importance of passing the CPA exam. This leads to a vicious circle of declining opportunities for doctoral students to major in areas other than financial accounting, which leads to few degrees in this area, and so on. Though in the aftermath of Sarbanes-Oxley there's a greater demand for faculty in the area of accounting information systems (AIS) and internal controls, there's a dearth of Ph.D.s in these areas due to the long-term deemphasis of these areas of research in doctoral-granting institutions.

To compound the bias in accounting curricula, prospective accounting undergraduates often learn about the CPA exam and its importance early in their education, and there's no mention of alternative certifications and related accounting careers. This is accomplished partly by faculty members teaching the introductory financial accounting courses and partly by the representatives of public accounting firms in open houses and various other social events with students. This bias goes unchallenged by other affected constituents such as management accountants, AIS specialists, governmental accountants, and internal auditors.

It's understandable that students tend to view CPA licensure as the ultimate goal or validation of their efforts and education, hone in on preparing for that examination, and deemphasize material that isn't covered extensively on the exam, such as management accounting. Also, many students aren't interested in topics other than financial accounting because they perceive them as superfluous to their education and eventual career. Furthermore, students perceive non-CPA careers and designations as second-best—consolation prizes in case of failing to win a career as a CPA. This lack of interest on the part of students further compounds the difficulty of teaching management accounting topics with rigor.

Since resources are limited at almost all universities, few can fund multiple tracks within a discipline. As a result, most accounting departments, forced to select one or at most two specializations from the many possible choices (financial accounting, management accounting, tax, internal auditing, information systems, governmental accounting) inevitably choose financial accounting and maybe one additional track, which tends to be either tax, internal auditing, or management accounting.

PLAUSIBLE REMEDIES

In the January 2007 issue of *Strategic Finance*, Doug Clinton suggested some plausible remedies while acknowledging the enormity of the problem. He outlined suggestions for three primary groups: academics, practitioners, and publishers. Here we'll focus solely on practitioners because we believe they should take the leadership role and convince other constituents of the need for change. Our recommendations are broader than Clinton's since we entrust practitioners with a larger responsibility for being the primary force of change.

As discussed earlier, the public accounting profession has been extremely proactive in its interaction with the academic community, which has enabled it to significantly influence the direction of accounting education despite the fact that it employs fewer than 10% of accountants in the long term, according to the U.S. Bureau of Labor Statistics. Because of its aggressive recruiting practices, it gets to be extremely selective in its hiring. As its approach has been so successful for so long, our recommendations are based on public accounting firms' approach, and we encourage the management accounting profession to adopt some of those practices.

This primarily involves increasing the visibility of companies that employ management accountants. Management accounting professionals need to visit local colleges and participate in accounting forums to present and discuss career paths in fields related to management accounting. They also should participate in accounting fraternity banquets and other student accounting association functions, as well as volunteer to be guest lecturers. Numerous opportunities are available. It's important to impress upon students that management accounting provides equally rewarding and possibly longer-term careers than public accounting does.

The presence of management accounting practitioners on campus has advantages from both the student and faculty perspectives. The greater and more frequent the interaction with students, the more effective the message will be. This is especially true for undergraduate students, who have many high-priority activities and interests that occupy their time. Since not all or even most students will attend a particular event, repeated appearances will increase awareness of the management accounting profession and reinforce its perceived importance.

Additionally, frequent visits to campus enable management accounting professionals to interact with faculty, thereby keeping them informed about the changing needs and skill sets for management accountants. Such informal interactions with faculty lead to greater potential for modifications of course content and delivery. If diverse professionals repeatedly assert the evolving practice needs, this will induce faculty to adapt the curriculum to better meet those evolving needs.

Management accounting professionals also need to get more involved in their respective State Boards of Accountancy to influence policy making as it relates to accounting education. They can do this by becoming members of these Boards or through actively lobbying them. The State Boards of Accountancy have a great influence on the content coverage of accounting programs. Since representatives from public accounting firms dominate these Boards, it's no surprise that their actions tend to be congruent with the needs of public accounting firms. The Boards don't heed the needs and requirements of other professions within accounting with the same zeal. Even though only 10% of accounting professionals work for CPA firms, they form a vocal and cohesive minority that dominates the needs of the silent majority. To counteract that influence, the majority should become more united and more vocal in such forums.

Public accounting firms also enjoy a significant advantage over management accountants' companies regarding hiring and internships. Each major public accounting firm usually recruits a significant number of graduating students from large accounting programs, but a typical management accounting hire is one or two students, which isn't enough to create a recruiting buzz. Management accountants should pool their hiring needs and recruit nationally or regionally for the best employees. For example, they should coordinate their recruitment efforts through their organizations or professional affiliations and therefore have greater presence on campus. Such cooperation would be cost efficient and effective for the participating organizations. Similarly, management accounting internships can attract promising students to the field and expose them to alternative career paths. The intangible benefit extends beyond the recruiting effort to the greater awareness and marketing of the profession, which would lead to a greater stature on campus.

Companies frequently recruit management accountants through the secondary market (those already in the workforce) as opposed to the primary market of graduating students. Consequently, the primary focus of university students is to get their first job at a CPA firm since their subsequent career (often in management accounting) will follow only after relevant experience at the pub-

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lic accounting firm. This perception and the consequent ramifications can be altered if management accountants do more entry-level hiring directly on campus.

Recruiting experienced personnel from public accounting firms, though, has its advantages: Training costs are borne by the firms, not by the organization hiring the management accountant. Additionally, the risk of an unsatisfactory hire is greater when a company recruits someone directly out of college rather than hiring personnel who have been gainfully employed for an extended time in a professional work environment such as the public accounting firm.

The management accounting profession has to collectively address this issue. If the management accounting profession continues to hire in the secondary market, there's little it can do to influence what educators perceive is important and how students focus on getting placed in the primary market. To counter this obstacle, the management accounting profession should recruit collectively from the primary market (i.e., college campuses) and provide comparable internships and other opportunities to accounting students.

While these recommendations are difficult to implement at an individual or company level, they can be addressed better through collective efforts. The Institute of Management Accountants (IMA®) should take a leadership role in coordinating the efforts of its members in these initiatives. For example, IMA chapters provide a plausible forum to engage in outreach activities. Local chapters could:

- Coordinate campus visits by their members,
- Organize and aggregate the recruiting needs in management accounting and facilitate the recruiting process, and
- Organize and fill multiple internships with accounting students from local colleges.

Moreover, the national organization could compile a list of successful initiatives and circulate it to chapters to ease the learning curve of late adopters.

As the accounting profession broadens and the body of knowledge in each track expands, it may be time for accounting programs to strive for greater autonomy. With a separate Association to Advance Collegiate Schools of Business (AACSB) accreditation already in place, greater autonomy can be leveraged to obtain more resources from the university administration due to the increased visibility of the programs. With greater resources, various tracks within the accounting program can be supported. The practitioners in the accounting profession, including the public accounting function, should inform university administrators of such needs and encourage them to respond.

CREATING STUDENT DEMAND

We've proposed potential ways to proactively boost the stature of management accounting on campus. All these measures have a common theme: They enhance the stature of management accounting as a profession. Once the stature has improved, more students will want to pursue such a career path, which should lead to an increased demand for—and interest in—relevant management accounting courses. After all, student demand leads to course offerings at most institutions. On the other hand, expanding course offerings without cultivating student demand is destined to fail because of student apathy—which would lead to low enrollments. Hence, prior to encouraging faculty and university administrators to offer more management accounting courses and curricula, it's worthwhile to make students aware of the rewards and potential career paths that management accounting offers. A curriculum change that's undertaken as a result of increased student demand is much more likely to last. By taking these steps we've outlined, management accounting professionals can greatly aid the rebalancing of the accounting profession. ■

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