

ACCOUNTING EDUCATORS PREPARE FOR THE 21ST CENTURY

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ABSTRACT

Accounting education in the United States is in the midst of change, with the Accounting Education Change Commission as a catalyst. This paper explores the forces motivating the changes, the types of changes needed, and the reactions of universities to the need for change. To produce graduates prepared for the accounting profession in the twenty-first century, programmes need to define accounting broadly, teach a process of problem solving, not just knowledge of techniques, rules, and regulations, and create an application for life-long learning.

INTRODUCTION

The word 'change' has been overused recently. Nevertheless, it is an accurate description of what is facing accounting educators. Accounting education in the twenty-first century will be fundamentally different from what it is today. This will not be a result of faculty unilaterally deciding to change; it will be an inevitable result of the changes in the business and professional world our graduates will enter. Educators do not face a choice of whether to change; rather, they face the choice of how to change and who will control the changes. The challenge to accounting educators is to take the initiative before the need to change becomes a crisis and change is thrust upon them.

Changes in the accounting profession, including public accounting, industry accounting, and government and non-profit accounting, are well under way. The pace of change began to accelerate in the 1980s and has continued into the 1990s. Among the major changes in public accounting are:

- Structural changes, including the increasing role of consulting and the declining role of auditing

- Changes in scope of services, where accounting firms are judged on value-added services to clients, not simply technical expertise
- Increased importance of competitive services as opposed to mandated and regulated attest services
- Changing structure of expertise, with growing use of non-CPA professionals, technicians and para-professionals.

Changes affecting primarily industry and government accountants include:

- Accountants serving more in the capacity of business advisors and less as technicians and standard financial report generators
- Increasing use of interdisciplinary teams which leads to a lessening of the distinctions between different functional areas
- Global competition, which leads to different demands for information
- A declining relevance of the traditional, double-entry, transactions-based accounting model as the information age leads to more and cheaper information available to decision-makers.

The primary result of all these changes is the demand for graduates who are 'accounting managers', that is, accountants who understand the role of information in managerial decisions, can assess managers' needs for information, and can design and operate information systems that produce the needed information. The accountant as a narrow specialist will be as obsolete in the twenty-first century as the 'green-eyeshade' accountant is today. And, most important, many graduates of accounting programmes have not been able to adjust to change. Technical knowledge has proved to have a short shelf-life, and accountants without a broad enough education and a solid conceptual understanding of accounting have not been able to adjust to the new demands of an increasingly complex profession.

ACCOUNTING EDUCATION REACTS TO ENVIRONMENTAL CHANGES

Accounting education has not adapted as quickly as the practising profession to the changes in the environment. Yet subtle changes in accounting education have been occurring for almost two decades. In the 1970s the focus was on increasing the technical competence of accounting graduates. However, by the time of the Bedford Committee report (American Accounting Association, 1986), the need for broadly educated accounting graduates had become widely accepted. Then, the major thrust for change came from the White Paper (Kullberg et al.,

1989) prepared by the then Big Eight accounting firms in the United States and the subsequent formation of the Accounting Education Change Commission (AECC). The AECC, organised by the American Accounting Association and funded by the large accounting firms, became a catalyst for change in accounting programmes in universities in the US (and, indirectly, around the world). The Commission provided the various stakeholders in accounting education with a forum to discuss educational issues. More importantly, the AECC encouraged actual improvements in accounting programmes through a grant programme and subsequent dissemination of information about the successes and failures of the grants.

The AECC was a temporary organisation formed to jump-start the change process. In its first five years, the AECC pointed the direction for change with its position papers, notably *Objectives of Education for Accountants* (Accounting Education Change Commission, 1990), and created prototypes for change with its 12 grant projects. Yet the major efforts are just beginning. For the Commission to be regarded as successful, many more colleges and universities must implement significant improvements in their accounting programmes and an infrastructure that supports continuous improvements in accounting education must be put in place. Implementation and infrastructure will be the focus of the AECC for its remaining three years of life, but they must also be the focus of individual universities and associations of accounting faculty such as the American Accounting Association and the Irish Accounting and Finance Association.

THE NEED FOR CHANGE

The need for fundamental changes in accounting education was pointed out by the Bedford Committee, which concluded that 'future accountants are not receiving the preparation they need to meet the increased demands of the expansive, more complex profession that is emerging' (American Accounting Association, 1986, p.178). This view was reinforced by the largest customers of accounting education, the then-Big Eight accounting firms, in their White Paper (Kullberg et al., 1989). Although accounting education's product, its graduates, had met the customers' needs in the 1960s and 1970s, it was becoming clear that the same education would not meet the profession's needs in the 1990s and twenty-first century.

Changes are needed in both *what* is taught in accounting programmes and *how* it is taught. Until recently, accounting curricula had changed

little since the 1960s, especially in the core areas of financial and managerial accounting. As the accounting knowledge base expanded exponentially, more and more class time was devoted to accounting in most programmes. Nevertheless, a smaller and smaller percentage of the knowledge base was being taught. It is time to do what US law schools did about a century ago – abandon the attempt to teach the entire knowledge base. Instead, the focus must be on learning how to think about accounting.

When the knowledge base was small, instructors had time to both teach the knowledge base and force students to think about *why* accountants did what they did. But attempts to teach the growing knowledge base resulted in the conceptual content almost disappearing from many classrooms. The ‘how’ dominated the ‘why’. Consequently, graduates trained only in the methods of today’s world have a hard time adapting to tomorrow’s changed environment.

The teaching process also needs changing because it often does not teach students to think. Lectures and solving of routine problems dominate the classrooms. There is an over-reliance on textbooks; students often think everything important to learn is contained in the textbook. Finally, students are usually passive receptors of information who use little of their creative abilities. To a great extent, faculty lecture and students memorise. The focus is on teaching and not on learning. To create an effective learning environment, students must actively participate and take charge of their own learning. Faculty must become managers of a learning environment rather than fountains of information.

DIRECTIONS OF CHANGE

The AECC’s *Objectives of Education for Accountants* addresses the needed changes. Most importantly, it states that accounting education ‘should prepare students to *become* professional accountants, not to *be* professional accountants at the time of entry to the profession’. In other words, accounting education prepares a base on which a career can be built, but it cannot provide all the building blocks. Continual learning throughout a professional career is necessary.

For accounting education to set an appropriate base, significant changes are needed. First, accounting courses should present accounting as an information development and communication process. Students should learn how information is identified, measured, communicated and used.

Learning only the techniques, rules and regulations of external and internal reporting is insufficient. Second, the ultimate objective of an accounting education should be to teach students to learn on their own. To accomplish this, the curriculum should focus on a broad conceptual approach to accounting but must still include the techniques that support the concepts. Further, the emphasis needs to be on learning a process of producing and using information to solve unstructured problems. Finally, students should develop an attitude that values continual learning – that is, they should regard university education as the first leg of a life-long journey, not a destination.

Accounting education also includes development of skills: intellectual skills, communication skills and interpersonal skills. Without these skills, graduates will not be able to apply effectively the knowledge and abilities gained in their programmes. Even if these skills are learned primarily outside the accounting curriculum, it is important that they be used and reinforced in accounting courses to illustrate their relevance to accounting careers.

Accounting knowledge should also be placed in context. Many accounting courses are extremely challenging. However, the challenge arises not because the material is inherently difficult but because students are forced to memorise techniques out of context. Rather, accounting should be the capstone added to a good base of general knowledge and business and organisational knowledge. If students first understand decision-making within organisations, they can more easily focus on information demands and the design and use of information systems. In this view of accounting, public reporting with its rules and regulations becomes just one of many demands for accounting information, not the driving force behind all of accounting.

To accomplish accounting's learning objectives, faculty must use methods that make students active participants. Assignments should focus on identifying and solving unstructured problems that do not have one right answer. Real-world problems are not restricted to information presented in one chapter of a textbook, and it is impossible to look up answers to real problems in the back of a book. Students need to explore issues on their own; what they discover for themselves will stay with them much longer than what they are told. Therefore, learning by doing is important. In addition, learning to work in groups will be an important lesson for the active learning that will go on for an entire career. Finally, faculty will increasingly use technology, such as computer-based and multi-media learning, to teach the knowledge base of accounting – the techniques,

rules and regulations. Valuable faculty time will be spent teaching processes such as thinking and problem solving, developing students' skills and managing the environment so that students can learn most effectively.

The new approach to accounting education should start with the first course in accounting. In fact, this course is one of the most important in the curriculum. It provides a base on which other courses build; it is often the only exposure to accounting for managers who need to be able to use accounting information, and it attracts students to accounting majors. The latter is especially important. Accounting has an image problem, and if the introductory accounting course reinforces the dull, number-crunching image of accounting, the wrong students will be attracted. To attract intellectually curious students who like working with other people and solving unstructured problems – that is, the type of student who is likely to succeed as a professional accountant – the introductory course needs to emphasise and reward intellectual curiosity, problem solving and interpersonal skills. In contrast, most introductory accounting courses today reward memorisation, meticulousness, and 'puzzle solving'.

INFRASTRUCTURE CHANGES

How do we accomplish the changes needed in accounting education? The first step is to attack the infrastructure of higher education. In many universities there is little reward for the major curricular innovation that is needed. Further, higher education throughout the world is facing a time of diminishing resources. The challenge is to do more with less.

A popular suggestion is to shift resources from research to teaching. Many critics of higher education maintain that universities have allowed research to dominate teaching. A better approach is that of Ernest Boyer (1990) who recommends a broad definition of scholarship and emphasises the interactions among the various types of scholarship. He proposes four types of scholarship: discovery, integration, application and teaching. Discovery scholarship is the creation of new knowledge – the essence of most research. Integration scholarship is interdisciplinary work that is becoming more important as we try to understand the complex interdependencies in today's world. Application scholarship is especially important in professional fields such as accounting – the current emphasis on 'relevance' in accounting research recognises its importance. Finally, Boyer's main contribution is to consider innovations in teaching to be a scholarly activity. Both course design

and curriculum development, if undertaken correctly, have a major scholarly component.

If teaching and research were separate activities, there would be no reason for both to be part of the mission of a university. Rather, they are synergistic activities – each is better because of the presence of the other. The link from research to teaching is often extolled, but less often practised. However, such a link is essential if teaching is to be forward-looking and not just teaching the methods of the past and present. In addition, an important link from teaching to research is often overlooked. If teaching explores the fundamental issues in accounting, as it should, the classroom will be the source of relevant issues for research. By recognising the common ground of scholarship that underlies teaching and research and emphasising the links between teaching and research, we will move the dialogue from a trade-off between research and teaching to one of how to accomplish the most in both areas.

A university should have a portfolio of scholarly activities consistent with its mission. Some will have more discovery scholarship, and others will have more application scholarship. All need teaching scholarship, but teaching will differ by institution depending on its other scholarly activities and how they influence its teaching programme. This will lead to differences in types of accounting education, but not necessarily to differences in quality. Programmes supported by much discovery scholarship will be different from those supported primarily by applications scholarship, but not necessarily better or worse. Similarly, more teaching scholarship may create more innovation in the classroom, but it may sacrifice the insights provided by discovery or integration scholarship. The type of education provided to students will be influenced by the portfolio of scholarly activities at a given university, but quality need not be.

IMPLEMENTING CHANGE

There is much agreement on the need for changes in accounting education and on the general direction of these changes. The real test of change will be the speed with which universities actually implement change. External pressure from those who hire our graduates – public accounting, industry and government – together with internal pressure from faculty have caused a majority of universities to seriously consider revisions in their accounting programmes. Most changes so far have been incremental, addressing only the most glaring shortcomings in accounting programmes.

However, an increasing number of schools are looking into fundamental changes. The AECC has tried to accelerate this process by making grants for 12 major curriculum projects at the following colleges and universities:

- Arizona State University
- Brigham Young University
- University of Chicago
- Universities of Illinois and Notre Dame
- Kansas State University
- Kirkwood Community College
- University of Massachusetts
- Mesa Community College
- North Carolina A & T University
- University of North Texas
- Rutgers University
- University of Virginia.

These grant schools, together with others who are leaders in developing new curricula, will serve as prototypes for other universities who want to change their programmes but do not have the resources to undertake all the necessary development activities. As the educational materials developed by these leaders become widely available, it will be easier to follow the path of change.

Implementing change should be a major focus of organisations supporting accounting education, such as the American Accounting Association and the Irish Accounting and Finance Association. The main avenue for such support seems to be faculty development. If programmes change, faculty will have to change how they teach. Many will require retooling in new teaching methods, including not only how they teach but also the materials they use and how they approach a class. If we don't provide opportunities for faculty to change, accounting programmes will not change. We cannot afford to wait for a new generation of accounting faculty; changes in the world will not wait for us to adjust.

SUMMARY AND CONCLUSIONS

Change is threatening to those involved, but it is also a creator of opportunities. I think there is great opportunity in accounting education in the coming decade. For the past three decades accounting academe and accounting practice have been drifting apart. Since the Ford and Carnegie Commission reports in 1959, accounting faculty in the US have been focused on gaining academic respectability. Faculty have been

concerned with their colleagues on campus, not their customers in the accounting profession. Some real benefits have been generated by this focus: the status of accounting among faculty and students is at an all-time high. However, it has also been costly as curricula have failed to adapt to changes in the profession.

Meanwhile, most accounting practitioners have also lost interest in the scholarly dimensions of accounting. Thirty years ago many practitioners contributed to the conceptual advance of accounting. However, as competition increased, they elected to focus on their core business, and they seem to pay less attention to the broader issues of advancing accounting concepts. This also was probably a necessary diversion as accountants developed the marketing and strategic skills to compete in a new environment.

Now there are signs that accounting academics and practitioners are developing a renewed commonality of interest. Faculty are becoming more concerned with the relevance of their scholarship and the marketability of their graduates. Practitioners are becoming more concerned with the future of the profession and the need for broadly educated graduates. Both groups face threats of obsolescence and global competition, so cooperation is in everyone's best interest. With accounting faculty and practitioners cooperating to make accounting education relevant to the twenty-first century, the future is bright. While change is necessary, it is occurring, and it will lead to revitalised programmes that produce graduates who can adapt to the inevitable changes they will see during their professional careers.

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