

# Implementing accounting education change: bringing accounting graduates into the management mainstream

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**The accounting profession has recognized the increased importance of the field in the management process**

## Introduction

The accounting function in an organization has long been viewed by other areas of the firm as a necessary evil. Accountants were useful in that they provided financial information concerning the company, but were often thought of as less than an integral part of the management function. Accountants provided historical cost information in endless reports which were often never used in the decision-making process. If managers could understand the report, the information was often so dated it had little usefulness.

This has resulted in an inaccurate stereotyping of accountants as "bean counters". Numerous television shows and advertisements have their characters portray accountants when they wish to project the image we commonly associate with a "nerd". Within the organization, this "accounting nerd" image is widely accepted, disregarding the true role of the accountant. To the contrary, those who must manage complex organizations in today's dynamic, rapidly changing business environment should find the information provided by those in the accounting profession to be indispensable. With the pressures resulting from increased foreign competition, an uncertain economy, and an increasingly knowledgeable and demanding consumer, business decisions must be made quickly and based on complete and detailed knowledge of the decision parameters.

While this does not imply that accountants provide all the necessary information, they do access a variety of relevant information sources ranging from standard product costs to overall performance data at the business

level. In addition, accountants find themselves being called on to become increasingly involved in the management function. Today's accountant must be in tune with the needs of the organization and must be forward-thinking in order to assist in the strategic management of the firm.

It is generally felt that today's accounting education process fails to develop accountants who are able to serve in these demanding roles. This article addresses how the educational process can better prepare accounting graduates, discussing deficiencies in the current curricula, proposals for change, and practical implementation strategies. As IIA Inc and IIA-UK seek to revise their professional examination syllabuses, there are cautionary lessons to be gained from the joys and sorrows of accounting education.

## Deficiencies in the present curricula

The present structure of the majority of accounting programmes does not adequately prepare individuals for situations they will encounter as management accountants or as part of the management team of a firm. The deficiencies centre on three factors:

- (1) the disciplinary chimney approach to course work;
- (2) the conformance orientation[1]; and
- (3) the structure of the principles course sequence.

Throughout his/her academic career, the accounting major is led to believe that management accounting is a distinct, non-related function of financial accounting and other business disciplines. From many accounting programmes, an individual may graduate with only one course in management accounting. The material in this course is taught typically in a "stand alone" concept without any integration of the material to financial

accounting, finance, business strategy, or operations management. Budgeting and cost analysis are taught without any reference to the underlying strategic management concepts. The effects of accounting information on corporate policy decisions is rarely mentioned. This overall lack of corporate integration does not properly prepare accounting graduates for their future positions in the management mainstream.

The conformance orientation relates to the manner in which most accounting classes have traditionally been taught. Students are required to memorize rule after rule and to work detailed problems without any concept of "why". Standard cost variances are calculated by using a predetermined formula without any consideration of why the variances are occurring. Budgets are prepared down to the last penny without any mention of the behavioural aspects or the management use of budgets. Financial ratios are computed without any discussion of how to use the ratios to make business decisions. In each of these examples (and in many more cases), students are taught how to do a problem and not what the problem means. Creative problem solving is not emphasized; thus the student is ill prepared for the unstructured nature of business decision making.

Finally, the focus of the principles sequence suffers from the same conformance orientation. In traditional accounting programmes, this class is nothing more than an advanced exercise in bookkeeping. Given that all business majors must take this course, these problems lay the foundation for the future alienation of the business disciplines. Non-accounting business majors are taught at an early age to despise accounting – a belief that is carried with them throughout their careers. Accounting majors are led to believe that accounting is simply a "follow the rules" discipline in a structured environment. The problems mentioned concerning the chimney approach and conformance orientation are particularly prevalent in the principles sequence. By changing the pedagogical approach in this class, all students will benefit: accounting students by being better prepared for the corporate world, and non-accounting students by better understanding and appreciating the accounting function.

The traditional curriculum has failed to prepare graduates properly for involvement in the management process. In theory, accounting education should lead to the development of accounting skills that can be applied within the broad context of a changing managerial environment. Accountants must not be after-the-fact reporters of historical information, but should participate proactively in all aspects of organizational decision making. The profession feels that better prepared graduates would take a more prominent role in the management of the firm. The next section will discuss how this can be accomplished through efforts of the

Accounting Education Change Commission to change the nature of the accounting education process.

### Accounting Education Change Commission

In 1984, the executive committee of the American Accounting Association appointed a committee, chaired by Norton M. Bedford, to study the future scope of accounting education. This committee concluded that accounting must expand the areas beyond those traditionally thought of as accounting applications. The scope of future accounting education should cover not only the day-to-day information processing but should expand to include[2]:

- (1) *Operations*: the control and performance of individuals and the scheduled operations of an organization.
- (2) *Administration*: management control systems, organizational resources and structure and motivation.
- (3) *Strategy formulation*: product decisions, marketing strategies, long-term goals.

Given these broad policy statements, the Accounting Education Change Commission (AECC) was formed by the American Accounting Association in 1989 to develop specific implementation strategies to accomplish these goals. In September 1990, the AECC issued Position Statement No. 1 entitled "Objectives of education for accountants"[3]. This statement discussed the desired capabilities and skills for accounting students to be successful (see Appendix), courses and course content, and instructional methods.

The courses and course content section of the statement develops an accounting programme which would alleviate many of the deficiencies in the disciplinary chimney approach to course work. The programme consists of general education, general business education, general accounting education, and specialized accounting education. The general education section should teach students abstract logical thinking, critical analysis, speaking and listening skills, international knowledge, and their role in decision making. General business education should include the study of finance, marketing, operations, organizational behaviour, and how the manager integrates all these functions. The theme for the general accounting education should be decision making, design and use of information systems, financial information and the attestation function, and knowledge of the accounting profession. Only in specialized accounting education would students cover advanced topics in financial accounting, management accounting, auditing and taxes. This paradigm is congruent with the programme recommended by the American Institute of Certified Public Accountants[4].

The instructional methods section of the AECC's Position Statement No. 1 concludes that the conformance orientation approach to teaching is inappropriate. Students should solve unstructured problems, use case materials, work in groups, interrelate all business functions, and develop interpersonal communication skills.

In June 1992, the AECC issued Position Statement No. 2 entitled "The first course in accounting"[5]. This paper discusses the importance of this course for accounting and non-accounting majors and attempts to mitigate the deficiencies in the traditional principles course sequence. According to the AECC, the primary objective of this course is for "students to learn about accounting as an information development and communication function that supports economic decision making[5, p. 2]". The position statement concludes that this objective is best accomplished by providing a broad view of the role of accounting in business, improving decision-making skills, and informing students of the methods by which accounting aids organizations in achieving their objectives.

The arguments of the AECC have been accepted by many accounting faculty members across the nation. These persons have long felt as if the current curricula were not meeting the needs of the accounting major nor preparing non-majors to use accounting information. As the concepts set forth by the AECC are adopted, accounting programmes will change in structure and style. These changes will influence future accountants and other business majors as they enter the workplace. The next section will discuss how this influence will be manifested.

### **The changing role of accounting**

The implementation of the changes discussed in the previous section will affect not only the field of accountancy but also all other business areas. As the team-oriented approach to corporate organizations has gained increased acceptance in recent years, the integration of the various disciplines within the field of business is more critical than ever. Also, other fields such as engineering, quality control and manufacturing technology must be integrated into the total corporate philosophy. A common ground for all these fields is accounting – most of the graduates in all these fields have taken at least one accounting class. Likewise, while many disciplines have developed their own jargon which makes communication across disciplines difficult, accounting information is standardized and represents a common language.

All too often, in the corporate environment, there is a lack of communication between the various factors in the company. The accountants are viewed by other

disciplines as providing little value to the process, and there is little attempt to incorporate the accounting function into corporate strategy. In many situations, managers do not understand the accounting information which is prepared for them and are unwilling to discuss this fact with the accountants.

The changes proposed by the AECC should help to alleviate these common problems and to improve the overall operation of the firm. Accountants should become part of the strategic alliance of the firm, and managers should be able to understand better the role of accounting. Computers have made the day-to-day accounting operation a rather automatic process. Thus the accounting function of the firm is better able to expand their operations into the strategic management of the firm[6]. This development, along with the increased acceptance by managers, will lead to a better workplace and a more competitive firm. Implementation of AECC recommendations should better prepare all business majors for their future in the corporate workplace.

### **Implementation of curriculum changes**

While the need for change is quite apparent and the benefits to be gained acknowledged by nearly all concerned, implementation will be quite difficult. Higher education curriculum changes have been known to be notoriously slow. Faculty who have spent lifetimes developing teaching methods and philosophies are often slow to embrace new concepts that require changing course outlines, objectives and teaching methods. Firms who recruit accounting graduates leave the impression that the accounting curriculum is not that important because "we'll teach you how to do it our way". In general, the infrastructure responsible for planning and implementing accounting curricula has been in place for many years and will undoubtedly be quite resistant to change. A clear understanding of the need for change by those involved in the process within the educational system is critical for successful implementation. Four main groups which must be involved to ensure effective implementation are administrators, faculty, students and the business community.

#### **Administrators**

Within the university community, administrators at all levels must be dedicated to enacting change for the change actually to occur. Curriculum change may often require additional resources that must be identified, quantified and budgeted at various administrative levels. With today's emphasis on quality education with limited, if not reduced financial support, many universities are faced with difficult questions concerning priorities of existing and proposed curriculum programmes. Any curriculum change that requires additional financial

resources may face severe opposition from those competing for those limited resources.

At most universities, the curriculum process is lengthy and encumbered with many layers of administrative procedure. While department heads, with faculty support, normally initiate curriculum changes, most proposals are routed through numerous levels of review and refinement at various levels of administration. At each level, those who resist change, as well as those who support change but in a different way, have the opportunity either to delay the process or to introduce substitutions or amendments to the proposal. Recently, at a mid-sized regional university in the United States, a series of curriculum change proposals in the arts and sciences area took nearly five years to complete the internal curriculum process. Without clear and focused leadership at the administrative level, needed curriculum change may never occur.

#### **Faculty**

At most universities, the curriculum is deemed to be the responsibility of the faculty with most change proposals originating with the faculty. Even those changes mandated by governing bodies or accrediting agencies are often formally proposed by faculty self-study groups or advisory committees. The significance of this is that any change without the support of the faculty is doomed. Even those mandated changes that are administratively forced through the process are eventually turned over to the faculty for implementation.

Changes in the accounting curriculum must be supported by the accounting and non-accounting faculty of the college or division. While not always necessary for approval, this is required for successful implementation. Accounting must be seen from more of an interdisciplinary perspective. Accounting faculty must avoid the "stand alone" concept, integrating material with and developing an understanding of the appropriate disciplines such as finance, operations management or strategy. This requires commitment in terms of course restructuring, adopting new lecture techniques and, in some cases, a review of non-accounting topics and materials in an attempt to develop cross-functional interrelationships.

Especially important will be the faculty in related business disciplines. Most of these faculty were educated in the traditional conformance orientation and do not appreciate the environment in which accounting currently operates in the business world. Faculty who teach in these disciplines must understand the changes in accounting education so that they can convey these interrelationships and challenge students to integrate the material.

All faculty must be reoriented to eliminate the traditional view of the accountant as an "accounting nerd" whose only function in life is to prepare financial accounting

statements. In order to educate business students properly, faculty must view accounting as a resource of the firm and accounting information as critical to the decision making and strategic formulation process. Changing the accounting education process must be accompanied by a corresponding change in the attitudes of business faculty in other disciplines.

#### **Students**

Perhaps the most difficult group to reorient is students. Unfortunately, much of the information used by students in making educational and career choices is informally passed on from parents and family or from the student grapevine found in the hallway of most educational institutions. Those personal contacts will base most advice on experience gained on traditional views of accountants and accounting education. The student grapevine, while often quite effective at disseminating class schedule changes and instructor grading policies, can be quite misleading when passing on information concerning major programme changes and the effects on the educational process.

Those students who select accounting as a major must understand not only changes in the accounting curriculum, but also changes in the accounting profession. Accounting is no longer the profession of choice for those who want to avoid personal responsibility and creative thinking. Under proposed guidelines, accountants will be more likely to play an active role in the management decision making of the firm, providing guidance and advice to those who are faced with managing in a dynamic, rapidly changing business environment. The "new" accounting major must understand that simply knowing the rules and solving problems in a structured environment is no longer sufficient preparation.

#### **The business community**

While business leaders will have a limited role in implementing accounting education change, they will play a major role in establishing the direction and focus of the change. Most of the need for change is based on the assumption that business organizations need and desire change and will be willing to go through the necessary organizational restructuring. Unless accountants are integrated into the strategic decision-making process, the time and effort made to develop and implement broader educational imperatives will have been wasted.

#### **Conclusions**

The accounting education profession is attempting to change in order to prepare graduates better for the challenges of today's business world. These proposals, while ambitious in design, require careful implementation to ensure that real and effective change will occur. Parties involved with the implementation process, admin-



istrators, faculty, students and business organizations, must be willing to adapt.

The highly demanding and competitive nature of today's global economy requires both carefully derived strategic planning for the long term and flexible, rapidly developed tactics for the short term. Both are extremely dependent on relevant and timely accounting information. Accounting graduates with an understanding of the interrelated nature of the entire operation of the firm can better prepare and interpret information requirements. The decision-making ability of executives will also be enhanced by a better understanding of the accounting information function. Implementation of the changes discussed in this article will enhance the effectiveness of the strategic decision-making process, enabling the firm to compete better in today's business environment. It is to be hoped that the new internal audit syllabuses in the USA and UK will achieve similar objectives.

#### References

1. Keating, P.J. and Jablonsky, S.F., *Changing Roles of Financial Management: Getting Close to the Business*, Financial Executives Research Foundation, Morristown, NJ, 1990.
2. Bedford, N.M. and Skenkir, W.G., "Reorienting accounting education", *Journal of Accountancy*, August 1987, pp. 84-91.
3. Accounting Education Change Commission, *Position Statement No. 1*, "Objectives of education for accountants", September 1990.
4. American Institute of Certified Public Accountants, "Education requirements for entry into the accounting profession", October 1990.
5. Accounting Education Change Commission, *Position Statement No. 2*, "The first course in accounting", June 1992.
6. Oliver, L., "Accountants as business partners", *Management Accounting*, June 1991, pp. 40-42.

#### Appendix

##### Composite profile of capabilities needed by accounting graduates

- (1) *General knowledge*  
Basic knowledge of psychology, economics, mathematics through calculus and statistics.

A sense of the breadth of ideas, issues, and contrasting economic, political and social forces in the world.

An awareness of personal and social values and of the process of enquiry and judgement.

- (2) *Intellectual skills*

Capacities for enquiry, abstract logical thinking, inductive and deductive reasoning and critical analysis.

Ability to identify and solve unstructured problems in unfamiliar settings and to apply problem-solving skills in a consultative process.

- (3) *Interpersonal skills*

Ability to work with others, particularly in groups, to organize and delegate tasks, to motivate and develop people, and to resolve conflict.

- (4) *Communication skills*

Ability to present, discuss and defend views effectively through formal and informal, written and spoken language.

Ability to locate, obtain, organize, report and use information from human, print and electronic sources.

- (5) *Organizational and business knowledge*

A knowledge of the activities of business organizations and of the environments in which they operate.

An understanding of the methods for creating and managing change in organizations.

An understanding of the basic internal workings of organizations and the application of this knowledge to specific examples.

- (6) *Accounting knowledge*

- (7) *Accounting skills*

- (8) *Personal capacities and attitudes*

Creative thinking, integrity, commitment to life-long learning

Source: Accounting Education Change Commission, *Position Statement No. 1*, "Objective of education for accountants", Appendix B.

Note: This list is a summary of the Appendix in the Statement. Please refer to the Statement for the entire list.

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