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The Comparative Performance of MBAs vs. Undergraduate Accounting Majors in Public Accounting

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ABSTRACT: In response to the greater challenges and competitive pressures facing the public accounting profession in recent years, many CPA firms have hired significant numbers of MBAs. Yet there has been little empirical evidence of the comparative performance in public accounting of MBAs *vis-a-vis* undergraduates with an accounting major (BAs). This issue has important implications as to the appropriate educational training for those entering the profession and for CPA firm recruiting strategies. This study traced the performance of 54 MBA and 56 BA entry level accountants over a nine year horizon. Performance was measured by advancement, turnover, and salary increases. MBAs advanced more rapidly in the firm than BAs but did not demonstrate significant differences in turnover or salary increases. MBAs from top rated schools, however, reached the manager level faster and experienced lower turnover rates than other MBAs and BAs.

THE appropriate educational preparation for individuals entering public accounting has always been of great concern to both the profession and accounting educators. Over the decade 1973-1983 approximately 18 percent of the graduates hired each year into public accounting have held Master of Business Administration (MBA) degrees with a concentration in accounting, although this percentage has declined recently (1980-1982) to about 11 percent annually. The percentage of MBAs hired varies dramatically by firm size and

exceeds 40 percent for some of the larger firms [McInnes and MacNeill, 1983]. Despite the significant numbers of MBAs employed, there is little empirical evidence regarding on-the-job performance of these individuals in public accounting as compared to undergradu-

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ate accounting majors with a Bachelor's degree (referred to as BAs). The purpose of this study is to provide evidence on this issue, which has important implications for the education of entry level accountants and recruiting strategies of CPA firms.

There have been several dramatic changes over the past two decades in the environment and nature of public accounting practice. Included are: (1) increased competition within the profession for clients producing the need for greater audit efficiency and an expansion in the range of services offered; (2) mounting exposure to litigation and the accompanying risks of monetary damages and loss of professional reputation; (3) greater complexity in business practices; (4) rapid and widespread acceptance and use of computers changing the nature of EDP-based accounting systems and the auditing of such systems; and (5) the proliferation of pronouncements from rule-making bodies [AICPA, 1983; DeNardo and Thornton, 1982].

As a result of these changes, there is concern as to whether the profession is attracting the types of people who can effectively lead the firms and the profession itself in the challenging, dynamic times ahead. MBAs from top-rated schools appear to be promising candidates for these challenges, yet thus far, CPA firms have had great difficulty in hiring such individuals.

Finally, the growing use of computers in auditing practice has resulted in a rapidly increasing proportion of the routine procedures, once performed by less experienced staff, now being automated. This development has led to a shift in personnel needs to more middle level, experienced individuals. Staff are thus expected to reach levels of responsibility more quickly with correspondingly increasing needs for greater communica-

tion and analytical skills. Consequently, educational background, staff retention, and rapid training are of greater concern than in the past.

These changes have led to a reassessment of the educational needs of those entering the profession. For example, in 1978 the AICPA recommended that a five-year professional accounting program of 150 semester hours become the minimum educational requirement. More recently, the AICPA's Commission on Professional Accounting Education [1983] has recommended a postbaccalaureate degree be required for new CPAs. These recommendations have been the subject of considerable debate, and alternative approaches have been identified such as modifying the curriculum of current undergraduate accounting programs (e.g., placing greater emphasis on communication skills), establishing five-year professional schools of accounting, or relying on MBA graduates with an emphasis in accounting [Spiceland et al., 1980; Schiff, 1980; and Kelsey et al., 1983].

This paper provides empirical evidence on the comparative performance in public accounting of graduates of BA and MBA programs in order to begin to assess the relative merits of relying on alternative educational backgrounds in dealing with the challenges currently facing the profession. The next section examines the arguments advanced for hiring greater numbers of MBAs in public accounting. The method and results are then described, followed by a discussion of the conclusions.

CONSIDERATIONS IN HIRING MBAs

Several articles identify key attributes that CPA firms seek in recruiting entry level personnel [Seaton and White, 1973; Anderson et al., 1980]. For example, DeNardo and Thornton [1982] stress

that graduates are needed who (1) can adapt to the technological changes occurring in information systems, and (2) possess a broad background, allowing the firm the opportunity to offer an expanding range of client services to offset the limited growth outlook for auditing. MBAs who supplement their studies with accounting electives are often perceived to possess a comparative advantage over BAs on several dimensions including maturity, increased ambition, broader business knowledge, problem-solving abilities, strong communication skills, and leadership capabilities [Kelsey et al., 1983].

MBAs have demonstrated substantially higher pass rates than BAs on the CPA examination [National Association of State Boards of Accountancy, 1982; Leathers et al., 1982]. Better performance on the CPA examination may suggest MBAs possess a higher level of technical proficiency than undergraduates. However, there are other factors which may contribute to success on the CPA examination, such as study abilities or greater motivation and commitment. Also, the relation between proficiency on the CPA examination and success in public accounting has not been established.

The AICPA Commission on Professional Accounting Education [1983] compiled limited interview data which suggested that staff members with post-baccalaureate degrees advance more rapidly and experience lower turnover rates than those with an undergraduate education solely. However, those results are based on only two firms. Conflicting evidence was obtained from two other firms regarding turnover.

McDonough [1973] argues that the public accounting profession should actively recruit MBAs, since MBAs are a major source of managerial talent for

industry. The prestige and stature of the profession largely rests upon the image of accounting that these future high-level executives carry with them. Hiring MBAs will also raise the visibility of the profession within the graduate business school. Accounting electives may then be offered to a number of interested MBAs. Thus, the profession will gain capable entry level candidates while also raising its prestige and presence among future business leaders.

Despite the perceived advantages of hiring MBAs with an accounting concentration, McDonough [1973] asserts that MBAs typically have very limited knowledge of accounting and little appreciation of the need for and nature of the attest function. McDonough also identifies other widely perceived disadvantages of MBAs as compared to BAs: higher salaries; sometimes unrealistic expectations as to salary and promotion adjustments; continual demand for interesting and demanding assignments; and an aversion to routine, detail tasks.

METHOD

Subjects

This research traced the on-the-job performance of 110 entry level accountants hired in 1973. That year was selected as the earliest base year where significant numbers of MBAs were hired to provide the longest horizon available to examine performance differences between BAs and MBAs. Discussions with personnel administrators at the participating CPA firm's offices indicated few MBAs were employed prior to 1973. The performance of subjects *while in public accounting* was examined over a nine-year period (1973-1981). Due to the significant turnover rate present in CPA firms, relatively few subjects were employed for the entire test period and,

TABLE 1
GEOGRAPHIC DISPERSION OF GRADUATES AND UNIVERSITIES

	<i>Number of Subjects</i>		
	<i>MBAs</i>	<i>BAs</i>	<i>Total</i>
California Universities	35	35	70
Universities throughout United States	19	21	40
Total	54	56	110
	<i>Number of Universities Represented</i>		
San Francisco area		9	
California (outside of San Francisco)		12	
Throughout the United States		25	
Total		46	

thus, performance data reflect those individuals remaining with the firm at various points in time over the nine-year horizon. Subjects were drawn from the San Francisco offices of five of the Big Eight firms.

The highest ranking personnel administrator at each firm identified all graduates hired during calendar 1973 along with the highest degree earned at that time.¹ A maximum of 15 MBAs per firm and an equal number of BAs were then selected randomly. The maximum sample size of 15 MBAs per firm was established because few firm offices hired more than 15 MBAs at this time. Also, limiting the number of subjects per office ensured the data accumulation tasks would not be perceived as onerous, thus, allowing a broad representation of firms. Three of the firms hired fewer than 15 MBAs during the base year (1973). In these cases, all MBAs hired were included in the study and an equal sample of undergraduates was randomly selected.

Approximately half of the subjects

held MBA degrees ($n=54$) while the remaining subjects were undergraduate accounting majors ($n=56$). The objective of obtaining exactly equal sample sizes for each group was not achieved due to one selection error by a firm. This error was discovered after all data was gathered. Due to the significant cost of data accumulation and the fact the sample sizes are sufficiently large and essentially equal, it was decided to proceed the analysis with the sample as initially determined.

Subjects represented 46 U.S. universities, both public and private and of various sizes. Table 1 provides data on the geographic dispersion of subjects and universities sampled. As indicated, dispersion of subjects by degree status was about evenly divided. California universities provided 35 MBAs and 35 BAs, and other U.S. universities provided 19 MBAs and 21 BAs. Seven universities were represented by five or

¹ Data was not compiled on how many BAs later earned graduate degrees. Such later degrees may potentially confound the results.

more subjects.² Discussions with personnel administrators indicate the sample appears representative of new staff. There were no graduates of five-year professional schools of accounting in the sample, since in the base year of the study very few of these programs existed in the U.S. or had operated long enough to have produced graduates. Three Master of Science (MS) graduates in accounting were selected in the sample. These three are included with the MBA group in analyzing and reporting the results. All statistical tests were conducted with and without these MS staff with no important differences.

Data Gathering

Due to the exploratory nature of this study, a model and/or hypotheses as to expected performance differences between MBAs and BAs are not advanced. The focus instead is on gathering performance data and identifying differences present.

Personnel administrators were provided a standardized data gathering form to obtain demographic and performance data from personnel files on each subject over the nine-year-period.³ Personnel administrators also indicated the area of specialization that the individual had when *last* affiliated with the firm, i.e., audit, tax, or advisory services. To preserve confidentiality and privacy, personnel administrators established identification numbers for subjects and only they knew the names of the individuals.

The university granting the person's degree was dichotomously classified as either among the top 50 rated business schools (12 universities represented) or among "other" business schools (34 universities). The 50 highest-ranking U.S. universities were obtained by the overall quality rating provided by *The Gourman*

Report: A Rating of American and International Universities [1977, 1980]. For MBAs, rankings of the top MBA programs were consulted, while for undergraduates the ratings of business baccalaureate programs were used for coding purposes. *The Gourman Report* is a comprehensive, widely cited and recognized ranking service of universities along numerous factors such as overall quality ratings by discipline, library facilities, and faculty. This reference service is updated every two years with the latest undergraduate rankings in the fifth edition (1985) and the graduate rankings (1985) in the third edition.

Performance Measures

Three performance measures were used as dependent variables to compare MBAs and BAs while in public accounting; these measures are widely cited in the industrial psychology literature as performance indicators [Dunnette and Borman, 1979]. The first measure was *advancement to various staff levels* (semi-senior, senior, supervisor, and manager). Advancement was determined in three ways: (1) years to attain the level since joining the firm; (2) advancement as compared to the office "norm," expressed as a ratio:

$$\frac{\text{actual time to attain a staff level}}{\text{average time to attain a staff level}}$$

and (3) the percent of individuals achieving various staff levels.

2	<i>Number of Subjects</i>
University of California-Berkeley	10
University of California-Los Angeles	8
University of Southern California	8
Golden Gate College	7
Stanford University	5
Brigham Young University	5
University of San Francisco	5

³ A copy of the instrument is available from the author upon request.

To establish the "average" time to attain the various staff levels, personnel administrators from each office provided estimates from past firm statistics of the normal or usual time to reach each level. Estimates are intended to reflect the mean time to attain levels within the San Francisco office of each firm, although these time periods were also considered by personnel administrators to be representative of each firm nationwide. Thus, a ratio of less than 1.0 would indicate advancement at a faster rate than average.

The second performance measure examined was *turnover* as reflected by: (1) time with the firm; and (2) percent of subjects still with the firm at the end of the nine-year test period. Finally, the third performance indicator was *annual salary increases* computed as follows:

$$\frac{\text{salary } (t+1) - \text{salary } (t)}{\text{salary } (t)}$$

where t = year of interest.

This measure implicitly assumes that salary adjustments are based on a review and evaluation of performance for the prior year. In addition to data collected on the three performance measures, demographic profiles of subjects and absolute salary data were also gathered.

RESULTS

Demographic Data

MBAs and BAs possessed similar demographic profiles except for significant differences ($p \leq .05$) on three variables: age, grade point average (GPA), and university ranking. As expected, MBAs tended to be older and have higher GPAs than BAs. The mean age of MBAs was 26.0 years with a GPA of 3.5 as compared to 24.4 years of age and a GPA of 3.3 for BAs. The proportion of MBAs hired from highly-rated schools

(52 percent) was significantly greater ($\chi^2 = 15.94$, $p = .003$) than that of BAs (16 percent). Discussions with personnel administrators indicated that it is a common practice to conduct recruiting efforts at a broader range of schools at the undergraduate level. Other demographic data collected, for which there were no significant differences found, included sex, accounting and non-accounting work experience, military experience, marital status, and children.

Sixteen of the MBAs also had undergraduate accounting degrees. To determine whether these individuals may have confounded the results, all analyses were repeated excluding them. The findings were basically the same as with all subjects included.

Subjects in the sample were initially hired into the audit area. To increase sample size, all staff were included in the study regardless of later area of specialization. Of the 110 subjects, only 15 eventually concentrated outside of audit (about evenly split between MBAs and BAs): 13 in tax and two in advisory services. The data were analyzed with and without these individuals; the findings and conclusions did not change. Thus, the results reported include all subjects.

Performance Comparisons of MBAs and BAs

Results comparing MBA and BA performance are reported in Tables 2 through 4. MBAs and undergraduates were compared on each of the three performance indicators. The statistical tests used reflect the underlying measurement scale of each performance variable. Time to achieve staff levels, annual salary increases, and time with the firm are measured on ratio scales and, thus, parametric t -tests were used to compare MBAs and BAs. Percent still with the firm and percent reaching various staff

TABLE 2
ADVANCEMENT WITHIN THE FIRM

	BAs		MBAs		Statistical Tests	
	Mean	Standard Deviation	Mean	Standard Deviation	Probability	
<i>Years to achieve staff level</i>						
Semi-senior	(n=51) 1.06	.28	(n=45) .97	.27	$t=1.65$.10
Senior	(n=36) 2.29	.58	(n=40) 2.17	.72	$t= .76$	NS
Supervisor	(n=19) 3.89	.70	(n=21) 3.48	.58	$t=2.05$.05
Manager	(n=12) 5.67	.81	(n=14) 5.54	.72	$t= .43$	NS
<i>Advancement as compared to firm norm*</i>						
To semi-senior	.93	.24	.90	.28	$t= .58$	NS
To senior	1.03	.35	.93	.32	$t=1.12$	NS
To supervisor	1.14	.29	.97	.20	$t=2.05$.05
To manager	.96	.13	.96	.15	$t= .10$	NS
<i>Percent of hires achieving staff levels**</i>						
Semi-senior	91%		83%		$\chi^2= .87$	NS
Senior	64%		56%		$\chi^2= .55$	NS
Supervisor	34%		39%		$\chi^2= .12$	NS
Manager	21%		26%		$\chi^2= .11$	NS

Note: Only probability levels of $p \leq .10$ are shown.

* Mean values represent a ratio of actual time/firm average time. Thus, values over 1.0 indicate greater time than the firm norm was necessary to reach a certain position.

** Percentages relate to the original number of individuals hired in each group.

levels reflect nominal scales and accordingly nonparametric chi-square tests were utilized.

As indicated in Table 2, MBAs generally advanced more rapidly within the firm with significant differences present in the time to reach semi-senior ($p = .10$) and supervisor ($p = .05$). Also, MBAs exceeded the firm norm in advancement to all levels and proceeded significantly more quickly than BAs in achieving supervisor ($p = .05$). Thus, MBAs reached higher levels of responsibility more rapidly than BAs. Finally, although differences were not statistically

significant ($p > .10$), a lower percentage of MBAs reached the semi-senior and senior levels than BAs in the earlier career stages but then higher percentages of MBAs later achieved the key supervisor and manager levels; e.g., 26 percent of MBAs attained manager vs. 21 percent for BAs. These findings suggest that attrition may be greater for MBAs than BAs at the lower staff levels but after this initial period the pattern reverses at higher levels.

Table 3 indicates that turnover (as measured by time with the firm and percentage still with the firm at the end of

TABLE 3
STAFF TURNOVER

	BAs (n=56)		MBAs (n=54)		Statistical Tests	
	Mean	Standard Deviation	Mean	Standard Deviation	t	Probability
Years with the firm	3.56	2.29	3.76	2.54	t = .66	NS
Percent of hires still with the firm in 1981	13%		16%		$\chi^2 = .19$	NS

Note: Only probability levels of $p \leq .10$ are shown.

TABLE 4
ANNUAL SALARY INCREASES (PERCENT)

Year	BAs			MBAs			Statistical Tests	
	n	Mean	Standard Deviation	n	Mean	Standard Deviation	t	Probability
1973	23	10.04%	5.45%	16	5.38%	3.56%	2.89	.007
1974	42	11.98%	5.32%	44	11.00%	5.26%	.76	NS
1975	40	10.18%	4.27%	38	9.56%	4.22%	.57	NS
1976	24	9.38%	4.98%	25	8.00%	2.56%	1.25	NS
1977	16	10.63%	4.72%	16	10.69%	3.96%	.04	NS
1978	15	10.33%	5.74%	13	10.31%	3.70%	.01	NS
1979	11	14.46%	3.21%	12	11.83%	2.89%	2.06	.05
1980	8	13.25%	5.99%	11	12.82%	5.55%	.16	NS

Note: Only probability levels of $p \leq .10$ are shown.

the test period) was not significantly different across groups.⁴ However, MBAs on average stayed with the firm slightly longer than BAs (3.76 years vs. 3.56 years), and more MBAs were still with the firm at the end of the nine-year test period (16 percent compared to 13 percent).

As shown in Table 4, annual percentage salary increases varied little across groups. BAs generally had greater mean percentage salary increases over the study period, especially in the first year ($p = .007$).

⁴ Turnover experience may vary by firm. To test whether there is a significant confounding firm effect present, the following analyses were performed:

Dependent Variable	Test
years with firm	Two way ANOVA—firm (1-5) & degree (BA or MBA) One way ANOVA—firms
percent of hires still with firm in 1981	Chi-square—BA vs. MBA by firm Chi-square—firms

None of the tests showed any significant firm effects ($p \leq .10$), thus supporting the aggregate findings. Additionally, similar chi-square tests were also conducted for "percent of hires achieving staff levels" with no significant firm effects present.

TABLE 5
BASE PAY DATA

Year	BAs			MBAs			Statistical Tests	
	n	Mean	Standard Deviation	n	Mean	Standard Deviation	t-Statistic	Probability
1973	27	\$11,100	\$1,194	17	\$12,753	\$1,016	4.73	.0001
1974	46	11,886	1,096	51	13,367	1,259	6.15	.0001
1975	47	13,650	1,402	46	15,241	1,580	5.14	.0001
1976	40	15,608	1,725	39	17,174	1,892	3.85	.0001
1977	29	17,300	2,069	25	19,910	1,966	4.73	.0001
1978	18	20,283	2,082	17	22,839	2,354	3.41	.0002
1979	16	23,369	2,871	13	26,762	2,481	3.36	.0002
1980	11	29,141	2,866	13	31,354	3,098	1.80	.085
1981	9	33,556	2,465	12	36,183	2,690	2.29	.033

To evaluate the relative salary costs of BAs versus MBAs, Table 5 presents mean base pay data for the two groups. Base pay rather than total compensation is examined, since the latter includes overtime compensation, which can vary substantially across firms and is a confounding factor. As Table 5 illustrates, MBAs were paid significantly higher salaries than BAs (on average, about \$2,200 or 12 percent more annually).⁵

MBAs From Top Rated Schools

As discussed earlier, the business school affiliation of each subject was categorized as either among the top 50 rated business programs or among other programs. An additional research question is whether MBAs graduating from highly rated business schools perform differently than other MBAs and undergraduates. Of the 54 MBAs included in the study, 28 were from the top rated schools (MBA-TR) and 26 were affiliated with other universities (MBA-O). One-way ANOVA or chi-square tests were performed to compare these three groups. Table 6 compares the two MBA groups and BAs on the three perfor-

mance measures described earlier. For significant differences found in the ANOVA analyses ($p < .10$), Scheffe paired comparison tests were later conducted.

The results for MBAs from highly rated schools are similar to those already reported with a few very notable exceptions. MBAs from highly rated schools advanced more rapidly to manager

⁵ In addition to the three principal performance measures described, *subjective performance ratings* were prepared by personnel administrators, who were asked to examine prior completed evaluation forms, and semi-annually assess the relative quintile ranking the staff member would receive when compared to other individuals with similar experience (top 20 percent of staff, second 20 percent, etc.).

Since these ratings represent perceptions data and are drawn from secondary sources (not actual raters on the job), ratings data were considered as indirect measures of performance.

Results on this performance measure revealed only one significant difference in ratings over the nine-year period; MBAs showed higher ratings in the first half of year three ($p \leq .05$; $\chi^2 = 6.77$). However, MBAs displayed a higher percentage of ratings in the top 20 percent category in 11 of the 17 periods tested. On average, about 50 percent (23 percent) of MBAs and 40 percent (29 percent) of BAs were in the top (lower three) quintile(s). The ratings reported very few subjects in the lower three quintile categories, suggestive of the normal leniency ("grade inflation") in ratings found prevalent in public accounting [Wright, 1986].

TABLE 6
MBA PERFORMANCE BY UNIVERSITY AFFILIATION

Performance Variable	MBA Top 50 Universities		MBA Other Universities		BAs		Statistical Tests
	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	
(1) ADVANCEMENT							
<i>a. Years to achieve staff level</i>							
Semi-senior	(n=24) .92	.24	(n=21) 1.02	.29	(n=51) 1.06	.28	F= 2.23 NS
Senior	(n=16) 2.15	.77	(n=24) 2.18	.69	(n=36) 2.29	.58	F= .30 NS
Supervisor	(n=13) 3.50	.65	(n=8) 3.44	.49	(n=19) 3.89	.70	F= 2.11 NS
Manager	(n=11) 5.32	.60	(n=3) 6.33	.58	(n=12) 5.67	.81	F= 2.55 .10
<i>b. Comparison to norm</i>							
Semi-senior	.89	.25	.92	.31	.93	.24	F= .26 NS
Senior	.86	.21	1.02	.39	1.03	.35	F= 1.67 NS
Supervisor	.92	.15	1.06	.24	1.14	.29	F= 2.92 .07
Manager	.99	.15	.84	.15	.96	.13	F= 1.30 NS
<i>c. Percent achieving staff levels*</i>							
Semi-senior	86%		81%		91%		$\chi^2 = .92$ NS
Senior	57%		54%		64%		$\chi^2 = .84$ NS
Supervisor	46%		31%		34%		$\chi^2 = 6.06$.08
Manager	39%		12%		21%		$\chi^2 = 12.34$.04
(2) TURNOVER							
<i>a. Years with the firm</i>							
	4.43	2.86	3.04	1.97	3.56	2.29	F= 2.41 .09
<i>b. Percent still with the firm*</i>							
	29%		8%		13%		$\chi^2 = 5.26$.001

TABLE 6—Continued

Performance Variable	MBA Top 50 Universities		MBA Other Universities		BAs		Statistical Tests
	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	
(3) ANNUAL SALARY INCREASE							
1973	5.00%	3.46%	5.75%	3.85%	10.04%	5.45%	F = 4.45 .019
1974	9.26%	5.30%	12.90%	4.60%	11.98%	5.32%	F = 3.13 .049
1975	9.40%	4.74%	9.72%	3.69%	10.18%	4.27%	F = .23 NS
1976	7.27%	2.25%	9.10%	2.69%	9.38%	4.98%	F = 1.41 NS
1977	9.75%	3.79%	13.50%	3.42%	10.63%	4.72%	F = 1.16 NS
1978	10.80%	3.91%	8.67%	2.89%	10.33%	5.74%	F = .21 NS
1979	12.00%	3.12%	11.33%	2.52%	14.46%	3.21%	F = 2.09 NS
1980	11.22%	5.26%	17.00%	1.41%	13.25%	5.99%	F = .99 NS

Note: Only probability levels of $p \leq .10$ are shown.

* Percentages relate to the original number of individuals hired in each group.

($p = .10$), indicating movement to the functional management levels of the firm primarily responsible for engagement planning, oversight, and client relations. These subjects also advanced more rapidly to supervisor when compared to the firm average than others, which seems to account for the significant difference reported in Table 3 indicating MBAs overall reach supervisor earlier than BAs. The MBA-TR group also revealed significantly lower turnover rates than BAs or MBA-O staff. Over 29 percent of the MBA-TR employees were still with the firm at the end of the test period, compared to 13 percent of the BAs and only eight percent of MBA-O group. On average, MBAs from the top ranked schools stayed with the firm longer and a higher percentage reached the supervisor and manager levels. These results suggest a performance advantage for MBAs from highly rated schools. However, by further dividing the MBAs into two groups, the sample size for each group is rather small.

DISCUSSION AND CONCLUSIONS

Even though CPA firms have hired many MBAs in recent years, little is known about the relative performance of MBAs in public accounting as compared to undergraduate accounting majors. This study found no significant differences between MBAs and BAs in turnover and percentage salary increases. However, MBAs displayed more rapid advancement (especially to supervisor) than BAs, perhaps justifying the higher salary costs incurred.

A noteworthy finding was that MBAs graduating from highly rated schools advanced more rapidly and demonstrated significantly lower turnover rates than BAs or other MBAs. Study of BAs from

top rated schools is needed to determine the effect of schools' ratings.

Some would argue that the comparative advantages of MBAs are their higher-level, long-range skills such as leadership and analytical capabilities, which are reflected at the manager and partner levels and not the technical skills required in the lower staff levels examined in this study. Thus, the somewhat comparable performance found here may be viewed positively, indicating that MBAs can effectively compete in the earlier career stages. MBAs are then poised to assume managerial positions.

Although it is not possible to discern reasons for the frequent lack of significant differences between MBAs and BAs in two of the three performance measures studied here, alternative explanations may be explored. One explanation may be that there are key success attributes in CPA firms that are not directly related to educational background, such as aggressiveness and leadership skills. These attributes are personality factors that may not be related to university training, but stem primarily from socio-economic variables. For example, the Graduate Management Admissions Council has sanctioned a series of research studies since the 1960's examining factors predicting success in the MBA Program and later business careers. As part of this continuing program, in a comprehensive study of career progress seven years after graduation, Crooks and Rock [1979] found that personality, leadership, and motivational attributes were more important in predicting performance than achievement and aptitude measures such as grades or scores on the ATGSB Test (Aptitude Test for Graduate Studies in Business). Little is known about the relation between success in public accounting and various personality factors

and/or professional/organizational attitudes. To the extent that such factors may systematically vary between MBAs and BAs, this may explain the performance differences identified here.

There are a number of limitations in the scope of this study that should be recognized. These limitations affect the generalizability of the findings but also represent opportunities for future research. The performance of newly hired accountants was traced over a nine-year period (1973–81). As discussed, this period may be insufficient to identify vital differences in the performance of MBAs vs. BAs at the partner level.

The time period examined may also present potential problems. Changes in the accounting profession as well as MBA programs in recent years might affect the comparative performance of MBAs vs. BAs. Additionally, through greater experience with MBAs, CPA firms may be developing and training MBAs further than in the “early” years of initial hiring of MBAs.

The comparative performance of graduates of five-year accounting programs was not addressed in this study. Such programs were not examined because in the base year they were too new and few in number to provide reasonable numbers of graduates for analysis over a sufficient time period to assess performance patterns.

A final consideration is that during the test period graduates of five-year programs or MSs could have been hired and may have affected the performance (advancement, etc.) of the subjects studied here. Such individuals were not controlled for and may have confounded the results. However, discussions with personnel administrators suggest such graduates were few in number and, thus, do not appear to have had a significant confounding effect in this study. Also, staff hired at a later time would not likely be in direct competition with the subjects studied here, who were employed earlier.

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