



**THE FUTURE OF
ACCOUNTING EDUCATION:**

Addressing the Competency Crisis

By Peter C. Brewer; James E. Sorensen, CPA, CGMA;
and David E. Stout

Have you ever stopped to think about how the accounting profession has changed since you graduated from college? Recent graduates can answer this question by reflecting on the last two or three years, whereas for other, more seasoned professionals, answering this question requires a bit more thought and memory searching. Indeed, we can all think of ways that the field of accounting is remarkably different today from the one we likely envisioned during our college days—regardless of which decade we each donned our cap and gown.

This gradual transformation of the accounting profession leads to two important questions related to competencies:


- ◆ Which competencies are important for success in accounting today?
- ◆ Were these competencies consciously developed as part of your accounting degree program?

We suspect that more than a few of you would answer “no” to the second question. Put another way, our profession may be facing—more so than at any time in the past—a “competency crisis,” that is, a gap between the competencies needed for professional success and those taught in our college classrooms today.

We propose a three-pronged strategy or “game plan” for overcoming this competency crisis and, in turn, better preparing accounting graduates for the challenging world they will face. First, all of us accountants need to understand the changes that have already taken place in our profession and, perhaps more importantly, anticipate the changes that are on the horizon. Second, we need to educate ourselves and future generations of accountants so that as a collective group we can deliver the expanding set of competencies demanded in today’s dynamic organizational contexts. Third, as professional organizations and as individuals, we need to think beyond ourselves by asking: How can I (or we) help the accounting profession address the competency crisis?

A Shift Toward Integrated Thinking

Many articles and white papers have been written that describe in detail the changes that have occurred in our profession over the last few decades, but, for our purposes, we’d like to distill these changes down to one crucial idea: How does the accounting function add value to an organization? Accountants have evolved from support-oriented personnel who hand off information to others who actually make decisions into *business partners* who “have a seat at the table” with managers across the orga-



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nization. Together, they formulate and plan strategies, then participate in collaborative decision-making processes that execute those strategies in a manner that adds stakeholder value. Said another way, accountants have evolved to become enterprise performance managers. This shift in our orientation from a support function to an enterprise performance management (EPM) role has enormous implications for defining the determinants of success within our profession, the most important of which involves becoming collaborators and “integrated thinkers.”

Take, for example, a common but important business-decision process: capital investment analysis. Certainly, technical knowledge regarding how to estimate relevant after-tax cash flows and how to apply discounted cash flow (DCF) decision models, such as net present value

(NPV), is of foundational—some might say *critical*—importance. But integrated thinkers draw on an understanding of organizational strategy coupled with a broader set of competencies (beyond what might be considered technical or foundational knowledge) when making these types of decisions. For example, they consider how *behavioral issues* may influence the capital investment decision-making process. Perhaps the financial estimates contained in the NPV analysis are too optimistic because the manager who prepared the numbers has a vested interest in seeing the project approved.

Decision makers also need to consider issues such as leasing vs. buying a capital asset and the corresponding impacts on the financial statements and ratios that are tracked by investors and lenders. What nonfinancial factors are associated with the proposed investment? Add in the tax consequences of capital investment decisions, coupled with the need to maintain internal control over any new business processes tied to these decisions, and the need to think in an integrated fashion across a variety of accounting competencies becomes apparent.

Furthermore, becoming a true business partner with managers across the organization requires more than simply integrating various accounting competencies. It also means thinking like a business manager or a chief executive officer (CEO). Returning to the capital budgeting example, an integrated thinker will ask questions such as:

- ◆ What regulatory risks may accompany the proposal?
- ◆ What social and environmental factors will we face if, for example, the proposal requires investing in overseas operations?
- ◆ What types of employee resistance may arise if we implement the proposal, and how will we overcome the root causes of any such resistance?
- ◆ Can, and how, should we value future options associated with the proposal, such as expanding or contracting the investment over time, as new information becomes available?
- ◆ Should we use debt or equity to fund the proposal?

In short, accountants have evolved to become integrated thinkers who enable EPM by partnering with managers across the organization to add value. Yet as EPM has gradually become the centerpiece of our profession's value proposition, accounting education hasn't done enough to embrace it. To overcome this gap, we'd like to further suggest that the concepts of competency integration and EPM need to come "front and center" as we move forward in educating the next generation of successful accounting practitioners.

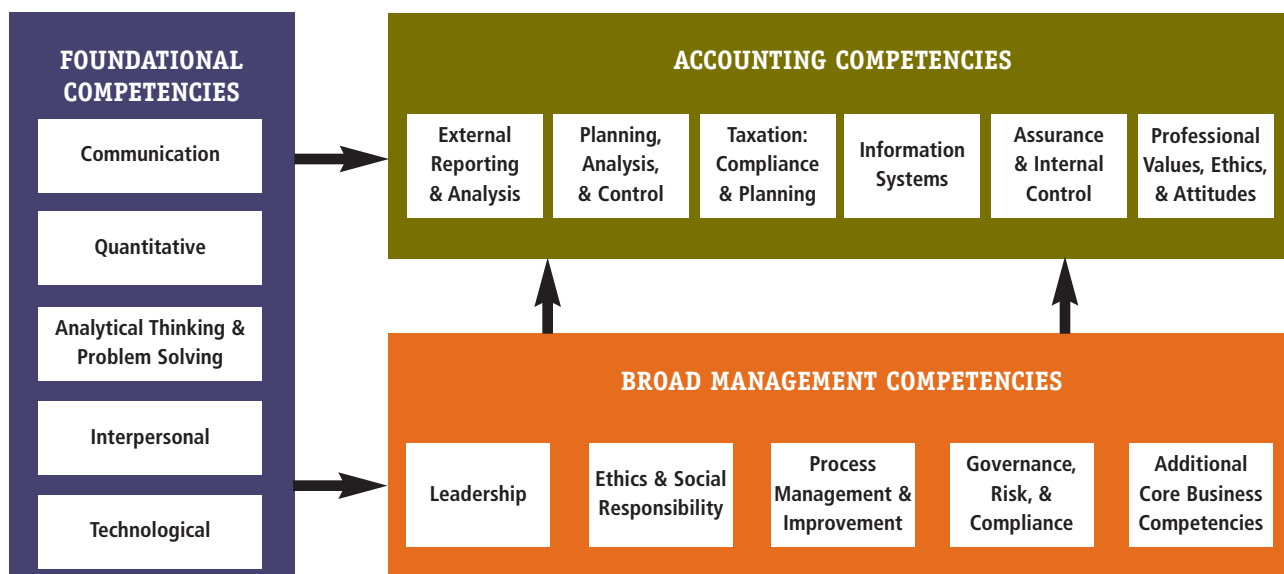
Accounting Education: No Longer on the Sidelines

Recently, a task force consisting of members of IMA® (Institute of Management Accountants) and members of the Management Accounting Section (MAS) of the American Accounting Association (AAA) addressed the competency issue: How should accounting education change, fundamentally, to help close the competencies gap? The efforts of the task force led to a recently published article that contains a proposed framework for accounting education, reproduced here as Figure 1. The framework is general in the sense that it's meant to apply to *all* accounting students, not subgroups based on career specialization such as tax, assurance services, corporate finance, and the like. It's based on the idea that accounting educators can better prepare students to deliver our profession's EPM value proposition through integrated competency-oriented curricula. (For more, see "Focusing Accounting Curricula on Students' Long-Run Careers: Recommendations for an Integrated Competency-Based Framework for Accounting Education" in the May 2014 edition of *Issues in Accounting Education*.)

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A glance at Figure 1 reveals three levels of competencies: *foundational competencies* (communication, ability to leverage technology, and analytical thinking and problem solving, among others), *broad management competencies* (including leadership, ethics and social responsibility, and process management and improvement), and *accounting competencies* (external reporting and analysis; planning, analysis, and control; taxation: compliance and planning; information systems; assurance and internal control; and professional values, ethics, and attitudes). Of critical importance to the framework is the assumption that the set of competencies contained in

Figure 1: Proposed Competencies-based Framework for Accounting Education



Source: Raef A. Lawson, Edward J. Blocher, Peter C. Brewer, Gary Cokins, James E. Sorensen, David E. Stout, Gary L. Sundem, Susan K. Wolcott, and Marc J.F. Wouters, "Focusing Accounting Curricula on Students' Long-Run Careers: Recommendations for an Integrated Competency-Based Framework for Accounting Education," *Issues in Accounting Education*, May 2014, p. 300.

Figure 1 would be developed and integrated over time through a blend of formal education (including continuing education), training, and job experience.

What levels of integration—on the road to developing integrated thinkers in accounting—are possible? First, as shown in Figure 2, accounting educators can integrate within a single accounting competency. So, referring back to our capital budgeting discussion, teaching computational models such as NPV analysis, coupled with a review of various behavioral issues associated with capital investment decisions, would be an example of integrating within the Planning, Analysis, and Control competency listed in Figure 1.

Second, professors can integrate across accounting competencies. For example, expanding capital budgeting discussions to include financial statement impacts, tax consequences, and internal control issues integrates topical coverage across the External Reporting and Analysis, Taxation: Compliance and Planning, and Assurance and Internal Control competencies shown in Figure 1.

Third, accounting curricula can incorporate a broader set of management competencies, as shown in Figure 2. For example, evaluating capital investment proposals from the perspectives of change management (Leadership), social and environmental issues (Ethics and Social

Responsibility), regulatory concerns (Governance, Risk, and Compliance), and capital structure (Additional Core Business Competencies) brings a CEO's perspective to the decision-making process.

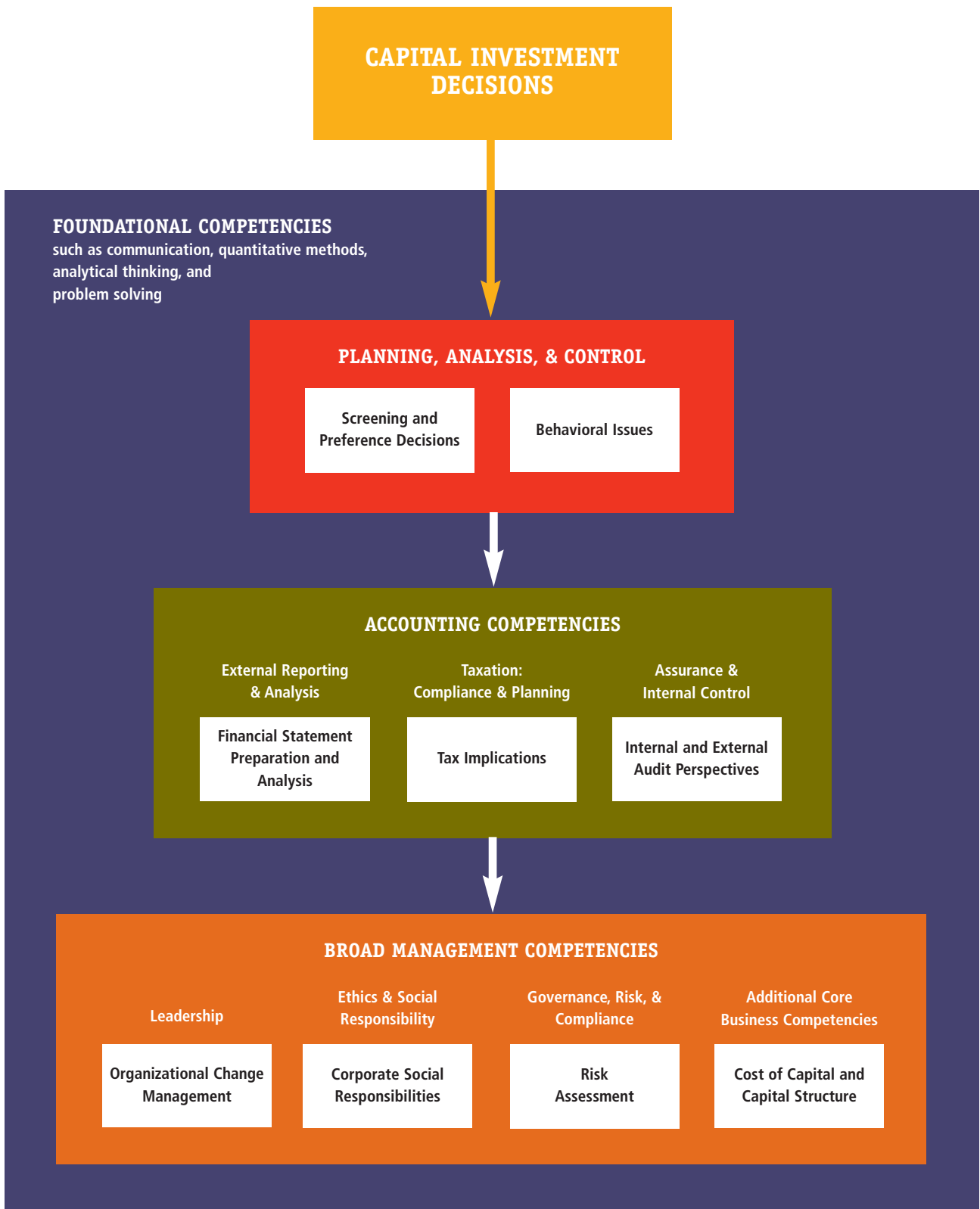
Fourth, accounting curricula should include foundational competencies, such as proficiency with spreadsheets and written and oral communication. In the context of capital budgeting, this may include asking students to use Microsoft Excel to perform a sensitivity analysis and then to present their findings to the entire class.

Working to Fix the Problem

At this point, although you may agree with us that there's a competency crisis within the accounting profession, you may be wondering: What does this have to do with me? What can my organization do to help address this so-called competency crisis? The answer: a lot! Figures 3 and 4 summarize how practice partners and academic partners can help the accounting profession overcome the competency crisis. That said, let's take a closer look at the role of practice partners first.

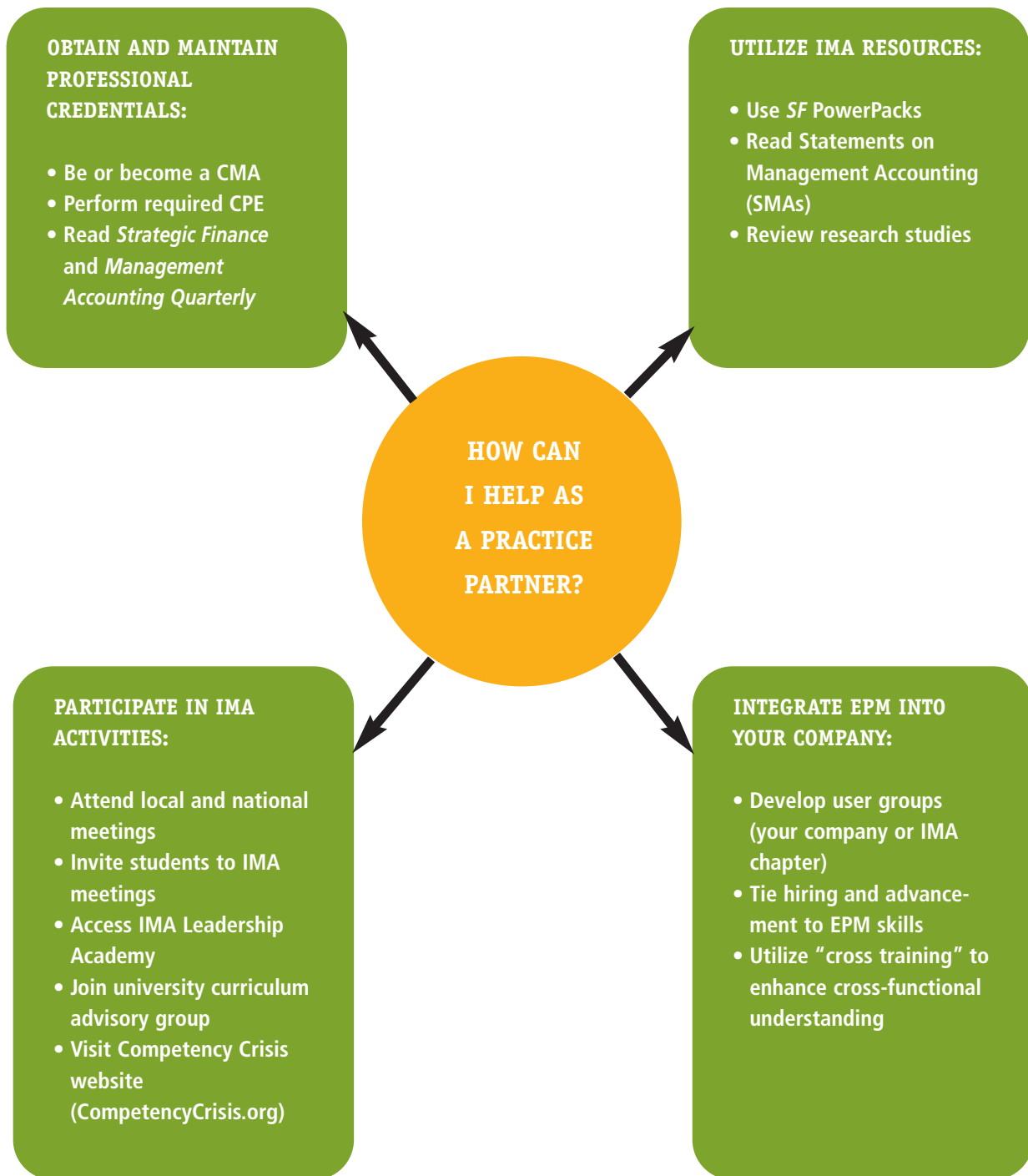
A practice partner should be or become a CMA® (Certified Management Accountant), maintain professional certification by completing required Continuing Profes-

Figure 2: Curriculum Integration in Accounting: Capital Investment Decision Analysis



Source: Raef A. Lawson, Edward J. Blocher, Peter C. Brewer, et al. "Thoughts on Competency Integration in Accounting Education," Unpublished Working Paper, June 2014.

Figure 3: Practice Partner Action List



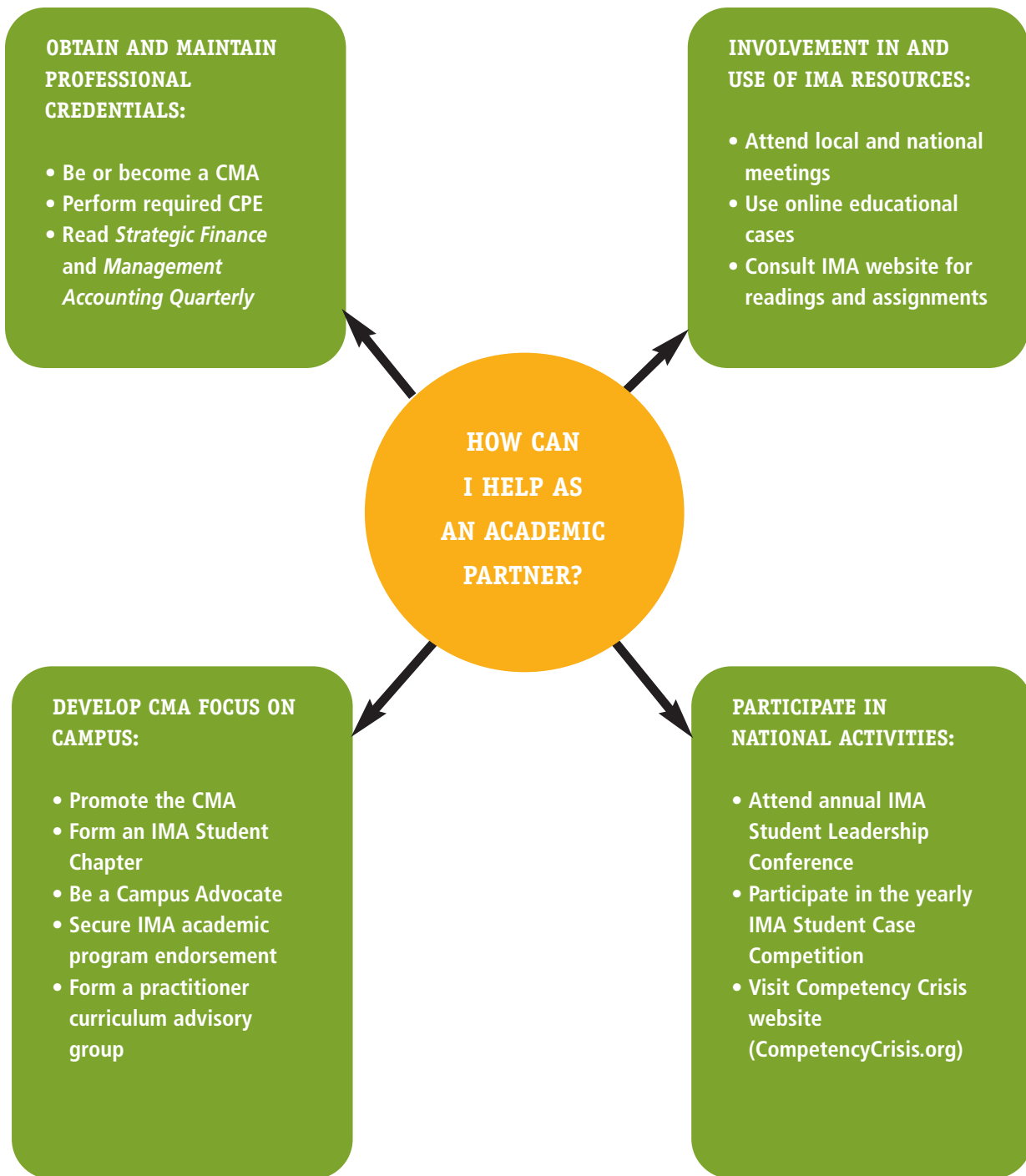
sional Education (CPE) hours, and regularly read the IMA publications *Strategic Finance* and *Management Accounting Quarterly*.

In addition, there are a number of excellent resources that deal with topics covered in this article and that IMA makes available to its members.

Strategic Finance PowerPacks

(www.imanet.org/SFPowerPacks): These are resources focused on contemporary topics, similar to those discussed earlier. Current offerings include Risk Management, Strategic Planning, IT Skills & Software, and Internal Controls. Each PowerPack includes a combina-

Figure 4: Academic Partner Action List



tion of resources, such as research studies, articles, and links to webinars.

Statements on Management Accounting (SMAs)
 (www.imanet.org/resources_and_publications/research_studies_resources/statements_on_management_account-

ing.aspx): SMAs represent monographs classified into one of the following six categories: Leadership Strategies and Ethics; Technology Enablement; Strategic Cost Management; Business Performance Management; Finance Governance, Risk, and Compliance; and the Practice of Management Accounting. Multiple items are available

within each category. For example, the Practice of Management Accounting category includes (among other items) the *Definition of Management Accounting* and *Implementing Shared Service Centers*.

Research Studies

(www.ima.net.org/resources_and_publications/Research_Studies_and_Resources/All_reports.aspx): The “Thought Leadership” section of IMA’s website includes research covering a broad range of issues classified into seven categories. For example, under the “Global Business Environment” category, the following two research reports are available: “Key Differences Between IFRS and U.S. GAAP: Impact on Financial Reporting” and “Costing Methodologies and Cost Management Practices in the People’s Republic of China.”

IMA Leadership Academy

(www.ima.net.org/programs_events/leadership_academy.aspx): As described on the IMA website, this program is designed to assess a member’s leadership status, enhance that individual’s skills (principally through monthly webinars), and recognize leadership achievements. These benefits are free to members.

How You Can Make a Bigger Impact

In addition to attending local, regional, and national IMA meetings, consider inviting a small group of students to each chapter meeting. This could be a wonderful (and relatively low-cost) option for mentoring aspiring accountants and finance professionals, providing networking opportunities, and introducing students to cutting-edge issues regarding the practice of management accounting. Joining a university accounting advisory group may be another way to influence the development of EPM in that institution’s curriculum design.

Other methods to enhance EPM in your organization include (1) forming user groups within your company, your local IMA chapter, or your industry to review and share EPM experiences; (2) encouraging advancement in the firm to be linked to EPM proficiency; (3) focusing your company’s recruiting efforts on candidates who display a background in and/or understanding of EPM; and (4) organizing cross training within your company to enhance a mutual understanding of each other’s respective roles.

Finally, visit the Competency Crisis™ website (<http://competencycrisis.org>) set up by IMA to unite the accounting and finance constituencies—professionals,

students, employers, academics, and professors—and explore competency issues through the lens of each stakeholder group. The site is designed to “encourage a discourse, spur action, and create a community dedicated to resolving the serious crisis of competency present in the profession.” Special sections of the website are devoted to educators, students, and employers/professionals.

Our Partners in Education


Much like a practice partner, an academic partner should be or become a CMA, maintain professional accreditation by completing CPE hours, and regularly read IMA’s publications.

Academic members of IMA can pursue and actively promote the CMA program at their respective institutions. IMA’s website contains helpful resources, including an exam content overview, content specification outlines for each of the two parts of the CMA exam, and learning outcome statements. The current exam covers some of the professional competencies represented in Figure 1. A summary of changes to exam content, which will be effective in January 2015, is provided on the IMA website in News & Media Relations, which is located under “About IMA.” (See the press release dated March 24, 2014.) Other helpful resources include “ICMA Announces CMA Exam Content Changes” in the April 2014 issue of *Strategic Finance*, as well as “Management Accounting Career Readiness: Shaping YOUR Curriculum” on p. 38 in this issue.

These forthcoming changes are based on the most recent IMA study of the knowledge and skills needed by management accountants from the view of CFOs, controllers, and other accounting/finance professionals from around the world.

Also consider taking a group of your students to the IMA Student Leadership Conference held each November. The Conference provides excellent networking opportunities for you, your students, and practicing professionals. Students can learn firsthand from Conference presenters the challenges and opportunities facing finance and accounting professionals today.

Moreover, if your institution doesn’t currently have an IMA Student Chapter, consider forming one! One of the authors of this article, David Stout, reinstated the student chapter at his school (Youngstown State University) after traveling with a group of his students to the IMA Student Leadership Conference in Cleveland, Ohio. Through an IMA Student Chapter on campus, students are able to work closely with a sponsoring local IMA



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chapter and bring to campus speakers who are experts in a wide range of topics, including those discussed earlier in this article. Each year, student chapters compete for an Award of Excellence (AOE) and recognition as an Outstanding Student Chapter. In addition, IMA student members are able to engage in networking activities, leadership training, mentoring, and community service programs—all through their local chapter.

You also might consider volunteering to serve as a Campus Advocate. In this role, you'll represent IMA in all major matters of interest to your students (scholarship opportunities, starting a student chapter, mentoring, and the like) and to your institution (for example, leveraging IMA resources to advance the relevancy of the accounting curriculum, use of educational case studies published in the *IMA Educational Case Journal*, and access to IMA's ethics curriculum).

And if you haven't yet done this, ask IMA to endorse your accounting program (information is available at www.imanet.org/educator_resources/index.aspx). This program is designed to identify business curricula that meet the quality educational standards required to prepare students to earn the CMA designation. Endorsement

is based on an analysis of the curriculum and topics covered on the two-part CMA exam. Currently, 12 programs have been endorsed.

Finally, if your school has an IMA Student Chapter, consider participating in the annual IMA Student Case Competition, where students are asked to propose a solution to a real-world problem. (Cases are solicited each year by Raef Lawson, IMA VP of Research and Policy and IMA Professor-in-Residence.) Finalists make their presentations at IMA's Annual Conference & Exposition before a set of judges consisting of accounting faculty members and practitioners. Each year a new case is published in the August issue of *Strategic Finance* for students to use for that year's competition. (See p. 71 for the 2015 case.)

Working Together

In this article we have summarized the changes that have affected the accounting profession and provided a competencies-based framework for guiding accounting educators in responding productively to those changes. As a management accountant, you know that implementing change in any organization, let alone within an entire profession, never comes easily. To be successful in overcoming our profession's competency crisis, IMA's practice and academic partners will need to assume leadership roles in defining enterprise performance management as the cornerstone of the accounting profession's value proposition. **SF**

Peter C. Brewer, Ph.D., is a lecturer at Wake Forest University. Prior to joining the faculty at Wake Forest, he was an accounting professor at Miami University in Oxford, Ohio, for 19 years. You can reach Pete at (336) 758-4122 or brewerpc@wfu.edu.

James E. Sorensen, CPA, CGMA, Ph.D., is professor of accountancy and holds the titles of Evelyn and Jay G. Piccinati Endowed Professorship for Teaching Excellence, John J. Gilbert Endowed Professor of Accountancy, and University Scholar/Teacher in the School of Accountancy, Daniels College of Business, University of Denver, Denver, Colo. He is also a member of IMA's Denver-Centennial Chapter. You can reach Jim at (303) 871-2028 or jsorensen@du.edu.

David E. Stout, Ph.D., is the Andrews Endowed Chair and Professor of Accounting at Youngstown State University in Youngstown, Ohio. He is a member of IMA's Akron Chapter. You can contact David at (330) 965-9504 or destout@ysu.edu.

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