

The Value of Certification and Professional Experience

Perceptions of Accounting Faculty and Business School Deans

By David J. Emerson and Kenneth J. Smith

IN BRIEF

Undergraduate accounting programs have a mandate to prepare students to successfully sit for the CPA exam, yet relatively few faculty members within those programs possess the CPA credential themselves. This disparity has long been a topic of discussion within the profession. The authors surveyed the perceptions of accounting faculty and business school deans on the subject, shedding light on the reasons behind taking or not taking the credential, as well as the practice of schools providing incentives to faculty members who elect to do so.

The value of certification and professional experience in accounting faculty has been the subject of extensive debate in both the academic and practitioner accounting communities for years. In a *CPA Journal* article, “The Prevalence of CPAs in the Accounting Academy” (September 2017, <http://bit.ly/2KBkESB>), Charles Jordan and Stanley Clark found that only 56% of faculty at institutions accredited by the Association to Advance Collegiate Schools of Business (AACSB) were CPAs. In a similar analysis, the present authors evaluated data gathered from James R. Hasselback’s *Accounting Faculty Directory*, CPAverify, LinkedIn, faculty websites, and direct email solicitations, and found that 72% of faculty who earned their doctoral degrees between 1994 and 1998 hold the CPA credential. Beginning with the 1999–2003 graduation cohort, however, the proportion of graduates with CPAs in each successive five-year period (i.e., 2004–2008 and 2009–2013) drops from 67% to 50% to 51%, respectively. In addition, many individuals in all four graduation cohorts have let their licenses expire or otherwise become inactive.

Scholars have attributed this trend to a growing emphasis at colleges and universities that faculty attain academic qualifications, such as a PhD degree and a portfolio of peer-reviewed academic journal publications. This trend has progressed to the stage where the attainment of basic indicators of professional competence, such as practical experience and professional certification, has arguably



regressed to secondary importance. As noted by Timothy Fogarty and William Black in a September 2014 article (“Further Tales of the Schism: U.S. Accounting Faculty and Practice Credentials,” *Journal of Accounting Education*, <http://bit.ly/2MqLpe5>), these developments suggest that the faculty incentive systems operating at U.S. colleges and universities may be discouraging faculty from pursuing or maintaining the CPA credential.

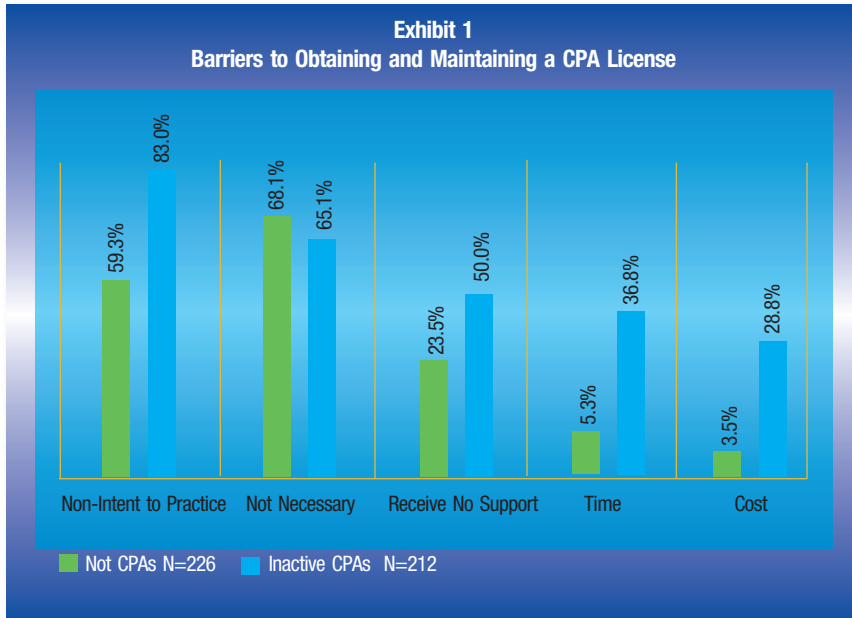
This article reports on the authors’ effort to better understand the issues surrounding faculty motivations with respect to obtaining and maintaining an active CPA license through surveys of the perceptions of active accounting faculty and deans of business schools in the United States.

Credentialing and Accreditation

The decline in credentialed faculty is occurring concurrently with extensive changes to the Uniform CPA Examination and the accounting profession in general. The current format of the CPA exam is intended to evaluate candidates’ critical thinking and analytical ability and is expressly focused on the knowledge and skills that a newly licensed CPA must possess to be successful. Successful professionals, however, also need soft skills such as business acumen, leadership, communication, and organization. While experienced professionals do not hold a monopoly on such skills, it can be argued that credentialed and experienced faculty are differentially positioned to provide guidance on the knowledge, skills, and

abilities needed to pass the exam and succeed in the workplace.

It has been argued that credentialed faculty do not provide value to academic programs seeking prestige through contributions to the quantitative academic literature. Accounting is a highly applied discipline, however, that attracts students with an intense career focus and the expressed goal of attaining certification. Faculty who are familiar with the process have been shown to correlate with higher CPA exam scores and pass rates (Dennis Blin, Stephen Perreault, and Ziaochuan Zheng, “Do Accounting Faculty Characteristics Impact CPA Exam Performance? An Investigation of Nearly 700,000 Examinations,” *Issues in Accounting Education*, August 2016, <http://bit.ly/2vpVJMI>; Kenneth Smith and



David Emerson, “An Analysis of Professional Competence Indicator Possession among U.S. Accounting Faculty,” *Issues in Accounting Education*, May 2017, <http://bit.ly/2vs46Yh>. Moreover, in a study designed to understand why academics rate some accounting programs more favorably than others, Timothy Fogarty, Aleksandra Zimmerman, and Vernon Richardson (“What Do We Mean by Accounting Program Quality? A Decomposition of Accounting Faculty Opinions,” *Journal of Accounting Education*, June 2016, <http://bit.ly/2Kzcl3S>) found that high CPA exam pass rates achieved by a program were positively associated with its ranking. These findings make the decline in the proportion of credentialed faculty all the more troubling.

It is worth noting that separate AACSB accounting accreditation arose as a direct challenge by the AICPA, which desired a specific metric of program quality as an indication of readiness of program graduates to enter the profession. In the late 1970s, after several years of negotiation and subsequent inaction by the AACSB, the AICPA, in partnership with the American Accounting Association (AAA), notified the business school deans on the

AACSB Accreditation Council that if they were unwilling to accredit accounting programs separately, the AICPA and AAA would do so themselves. In fact, the AICPA–AAA partnership created the Accounting Accreditation Council (AAC), whose standards included a requirement that 60% of faculty have relevant professional accounting experience. In response, the AACSB began separate accreditation of accounting programs in 1981, and the AAC never became an active entity.

In line with the above-referenced AAC requirement, the new AACSB standards included a requirement for a substantial proportion (40–60%) of faculty to have professional experience, over the express objections of many members. This requirement has been relaxed in subsequent revisions, and the current Standard A8 simply states that an accounting academic unit’s faculty should include a “sufficient number” of individuals with professional accounting credentials and professional experience appropriate with their mission—without mandating a specific minimum proportion. Standard A8 further states that the accounting academic unit should provide support for the maintenance of those certifications and licenses.

While having the CPA credential is certainly not a prerequisite for effective teaching, it is undeniable that it can inform teaching. Professors provide students with the tools they will use in the workplace through their firsthand knowledge of the accounting profession’s rules and practices. Credentialed teachers are arguably in a better position to prepare the next generation of accountants than their noncredentialed peers due to their ability to synthesize and integrate theory, concepts, and rules with realistic application in practice.

Methodology and Results

The authors surveyed approximately 27% of the 18,930 active, full-time accounting faculty teaching at four-year universities throughout the United States during the 2015/2016 academic year. The survey asked faculty the following questions:

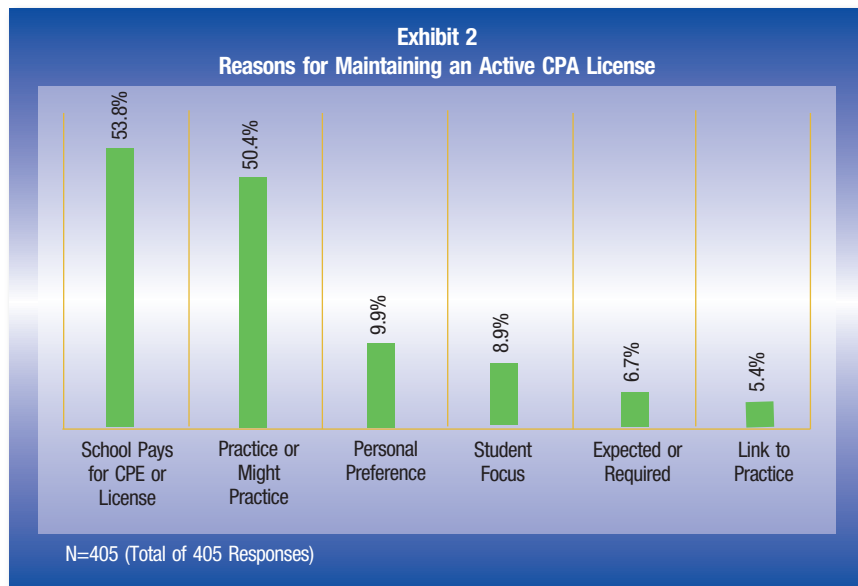
- Had they ever held a CPA license, and if so, was their license active?
- Why had they either maintained their active status or allowed it to lapse?
- If the individual had never held a license, why this was the case?
- Were incentives provided for faculty to obtain and maintain an active CPA license—if yes, what kind; if no, why not?

The authors also wanted to identify institutional enticements that might potentially reverse the observed decline in the number of active CPAs among U.S. accounting faculty. To facilitate this objective, approximately 85% of the 826 U.S. business school deans listed in *Hasselback’s 2015–2016 Accounting Faculty Directory* were surveyed as to whether such incentives were currently offered at their school, and if so, the nature of those inducements. Regardless of their answers, the authors then requested input on which incentives they felt they could support in the future, as well as whether there were reasons they would oppose incentives and what those barriers might be.

The surveys were distributed between April 25 and June 13 of 2016; responses were received from 843 faculty and 129 deans. Among the faculty responses, 405 came from active CPAs and 212 from formerly active CPAs; an additional 227 individuals reported holding a different specialized certification (e.g., CMA, CIA, CFE). In all, 86% came from AACSB-accredited business schools, and 45% came from schools whose accounting programs possessed separate AACSB accounting accreditation. The deans' responses included 19 accountants, 17 of whom were CPAs; of these, nine held active licenses. Seventy-two percent of responding deans serve at schools with AACSB business accreditation, and 28% were from schools holding a separate AACSB accounting accreditation.

Exhibit 1 displays the impediments to obtaining or maintaining a CPA from a faculty perspective. As reported by over 68% of the 226 noncertified faculty respondents, the most frequently cited reason for never becoming certified is that it is not believed to be necessary for a career in academia. Furthermore, 59% state that they have no desire to go into practice. Other influential factors include the absence of support from their employer institution (24%), lack of requisite coursework or experience to obtain certification (12%), and time (5%) or cost constraints (4%). With respect to time, one respondent wrote, "I thought I would have time to prepare and sit for it during grad school; I was mistaken." Also noteworthy is that nearly 13% indicated they have an alternative professional focus: "I started in private accounting and obtained my CMA."

With regard to barriers to maintaining an active license, among the 212 faculty members who let their licenses lapse, 83% cited their lack of intent to practice as the primary cause. The second most frequently cited reason is the lack of relevance for academics, reported by 65% in this group. An illustrative



comment from one respondent stated: "Publications are more important and a better use of time than maintaining an active CPA." Interestingly, 50% of inactive CPAs reported a lack of institutional support as a contributing factor in their decision to let their licenses lapse, in contrast to the above-noted 24% of noncertified faculty. Inactive CPAs also cited time (37%) and cost (29%) as important factors in their decision to allow their licenses to revert to inactive status: "I don't have the time and energy

(41%) or subsidizing their license fees (44%). The second most frequently cited reason for maintaining an active license is that the faculty member is either currently in practice (18%) or wishes to keep that option open for the future (33%). Nearly 10% indicate that it is a personal preference ("my school does not support my licensing, but I view it as a responsibility to my students and profession"), while 9% see it as a signal of credibility in the classroom ("I think it is important for future CPAs to learn

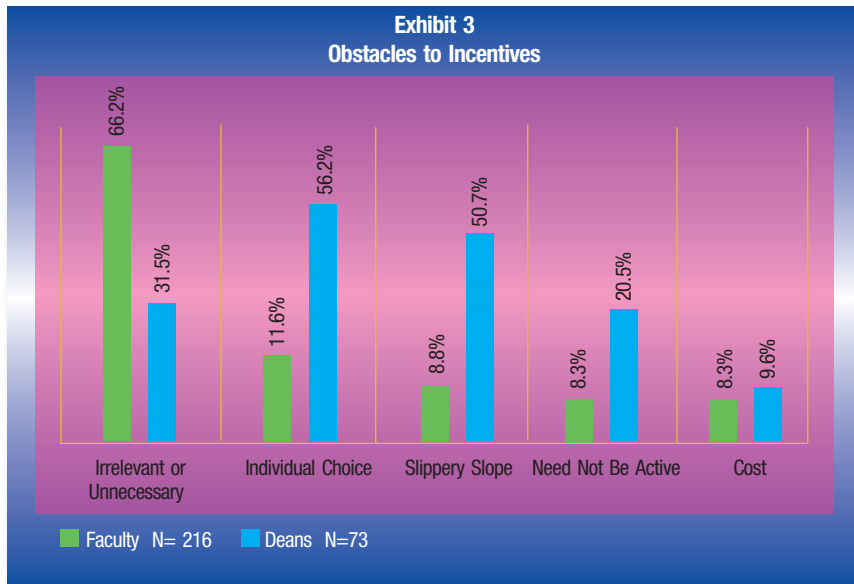
Interestingly, 50% of inactive CPAs reported a lack of institutional support as a contributing factor in their decision to let their licenses lapse.

to maintain and track the CPEs [continuing professional education]."

Exhibit 2 illustrates incentives reported by active CPAs to maintain their licenses. Nearly 54% of faculty who maintain an active license reported that they do so in part because their institution supports them by paying their costs for CPE

from current ones with relevant practical experience"). An additional 7% indicated that maintenance of an active license is either expected or required by their university, while 5% reported that they do so to have a link to practice.

Exhibit 3 reports the rationale of the 26% of faculty (216 respondents) who



believe that incentives are *not* appropriate. As illustrated, most rationales are related to the perceived relevance of the CPA certificate, specifically that it is irrelevant or unnecessary for academics (66%) (“professors are not practitioners”). Twelve percent believe that holding a CPA is an individual choice, and that the individual should pay the asso-

let their licenses lapse, while 119 have never been certified. Only 31 of the 405 currently active CPAs said that incentives should not be provided, and only 9 of those reported that they are currently receiving support.

Exhibit 3 also summarizes the concerns reported by the 19 deans who support incentives and the 54 who do not.

The most frequently cited reservations include the belief that holding a CPA is an individual choice and the concern that incentives represent a slippery slope.

ciated costs (“I think that the individual should be responsible for earning and maintaining the certification. They should have enough ‘pride’ to have the certification given that they are most likely teaching the material that many students will need to know for the CPA Exam”). Only 8% cited cost as an objection, and the same number asserted that it is not necessary to maintain an active status. Not surprisingly, out of this group of respondents, 66 are individuals who have

The most frequently cited reservations include the belief that holding a CPA is an individual choice (56%) and the concern that incentives represent a slippery slope (51%) that might lead to requirements to support other professional certifications as well. Other reported reservations included the belief that faculty members do not need to hold an active license (21%) and that certification is not necessary for an academic (18%). Only 10% cited cost as an argument

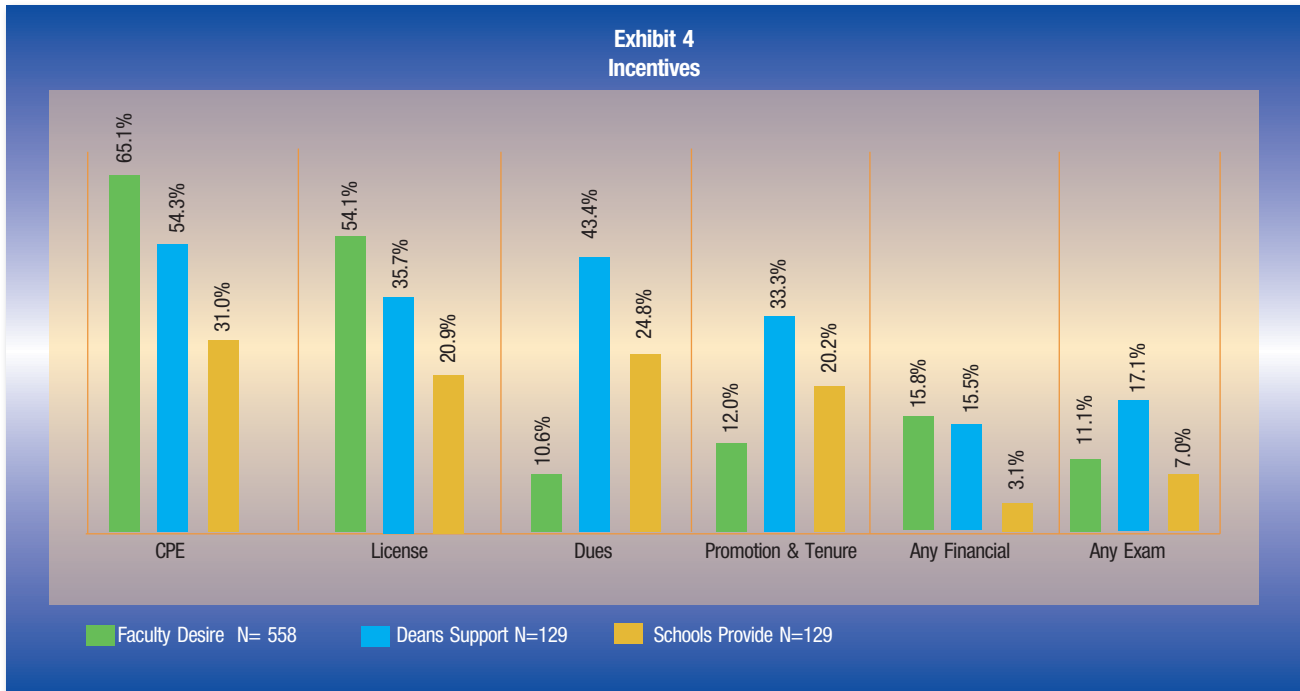
against providing incentives to help faculty obtain or maintain CPA status.

Among the full sample of 843 respondents, 74% indicated that their schools should provide incentives to those who obtain or maintain an active CPA license. As to which specific incentives should be provided, responses ranged from a single word (e.g., “money”) to multiparagraph suggestions. *Exhibit 4* summarizes these responses. The most popular were payment of CPE costs (65%), license fees (54%), financial incentives (16%), and association—e.g., AAA, AICPA—dues (11%); consideration in promotion and tenure decisions (12%); and exam costs (11%). Many respondents provided insightful comments, including the following:

Because maintaining an active CPA license (not an expired/inactive one) requires additional training in the profession, which is time consuming, I believe that some form of incentive such as additional research support would be a wise investment. There are so many technical accounting changes in the profession, as well as technology changes which affect the way that CPAs do their jobs, that training the next generation of CPAs requires that faculty be up-to-date. Currently there seems to be little incentive (read: motivation) for research-driven faculty to maintain this essential professional qualification.

The survey of deans reveals that nearly 92% concurred with the statement that accounting faculty possessing an active CPA license adds value to their accounting program; 58% expressed support for providing incentives, while only 33% indicated that their schools currently provide faculty incentives to obtain or maintain an active CPA license. As shown in *Exhibit 4*, there is support for a number of incentives, including payment for CPE (54%), payment of dues (43%), consideration in promotion and tenure decisions (33%), payment of CPA license fees

Exhibit 4
Incentives



(36%), and payment of exam-related costs (17%). Only 16% of deans support providing financial rewards. Unfortunately, the level of support actually provided is significantly less than the hypothetical levels reported above. For example, only 31% of schools provide support for CPE, 21% for licenses, 25% for dues, 7% for exam costs, and 3% for other financial rewards. In addition, only 20% offer promotion and tenure consideration for faculty who acquire or maintain the CPA credential.

Recommendations

The Pathways Commission, the AACSB, and others have recognized the need for a closer relationship between academia and practice. One way to enhance this relationship is to increase the number of accounting faculty who have taken and passed the CPA exam and have subsequently maintained an active license. The above survey of accounting faculty and business school deans indicates that this goal can be realized if schools provide faculty with appropriate incentives for license acquisition and maintenance. Specific recommendations include subsidi-

zing CPE costs, licensing fees, and dues to professional organizations, as well as making certification a positive factor in promotion, tenure, and merit pay evaluations. In other words, schools need to align faculty expectations and rewards systems to motivate faculty toward this goal.

possess AACSB accounting accreditation are expected to have a sufficient number of credentialed faculty. Finally, holding an active CPA license allows faculty to “walk the talk” with students they are encouraging to take and pass the CPA exam. □

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The data indicate that cost is not overriding concern. Perhaps a more difficult proposition is overcoming the perception that the CPA credential is not necessary for an academic. While it may not be necessary for all faculty, as advocated by Jordan and Clark, the authors argue that it is highly desirable, particularly among faculty who teach a regulated area such as auditing. Moreover, as noted above, schools that

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An infographic of the data described in this article appeared in the September 2017 Journal of Accountancy.

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