Constituents in Conflict: Serving External Stakeholders

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Accounting education has been criticized for several years and calls for its change have been extensive. This study obtains the viewpoints of two important constituent groups for higher education accounting programs: (1) public accountants and (2) non-public accountants, regarding the importance of topics to be covered in accounting courses. Of 22 course topics, statistically significant differences for 16 were found between the two groups. Implications for accounting educators are discussed.

INTRODUCTION

Ideally, business school faculty deal with their external constituents in a positive manner. For many members of the faculty, practitioners of their respective disciplines represent a large percentage of vocal external stakeholders. In the case of accounting, practitioners have voiced what they feel are justifiable concerns about the quality of accounting graduates provided by universities and colleges. These individuals are the constituents that hire accounting graduates and consequently they have certain expectations regarding knowledge that students should have acquired during their academic careers. Many accounting practitioners have expressed their frustration with the topics covered in courses offered to accounting undergraduates and feel justified in voicing their opinions about what their new-hires' educational experience should entail. According to Nelson (1995), this group has issued fervent calls for accounting education changes since the "inception of university programs" (p. 63), citing various deficiencies in graduates.

Accounting programs have been especially inundated in the past two and a half decades with studies and position papers addressing the quality of education available for accounting students and recommending changes in the approach to providing it. The 1980s and 1990s saw the release of the Bedford Committee's Report (1986), followed by the (then) Big 8 accounting firms' issuance of their White Paper, "Perspectives on Accounting Education," the creation of the Accounting Education Change commission (AECC), the creation and growth of the American Accounting Association's Teaching and Curriculum Section and the release of joint study results from the Institute of Management Accountants and the Financial Executives Institute in 1994 (Siegel and Sorensen).

During the same period of time, in 1988, the American Institute of Certified Public Accountant's (AICPA) membership amended their bylaws making 150 semester hours of education a requirement for all new members of their professional organization after the year 2000. When this bylaw change was made, only two states (Florida and Hawaii) required 150 hours of education for a candidate to sit for the

CPA exam, but subsequent to the AICPA's action, many states and jurisdictions modified their requirements to agree with the AICPA's expectations. Since then, the District of Columbia, Guam, Puerto Rico and 45 states have either implemented revised accountancy laws requiring 150 hours of education to sit for the CPA exam, or have enacted the law and it will take effect in the near future. Ten years later, the AICPA (1998) issued their top five issues for the public accounting profession in their Vision Project, also offering guidance for changes in higher education for aspiring CPAs.

Academic accountants have addressed some of the issues raised, but with varying degrees of success. However, in 2000 Albrecht and Sack (A&S) published their seminal study reporting that, in general, accounting education had not changed substantively in response to the demands of accounting practitioners and expressing concern about the future of accounting programs. Their work spawned a flurry of studies about accounting education and was expected to mobilize accounting educators to make necessary changes in accounting curricula. In fact, Johnson and Halabi (2009) determined that A&S was cited in 29.3% of published research papers during the seven-year period between the beginning of 2001 and the end of 2007. During the same time period, inadequate accounting education was partially blamed for the Enron, Equity Funding, WorldCom, Sunbeam, Arthur Andersen and HealthSouth debacles (Russell and Smith, 2003).

Adding to the controversy, in 2002 Gabbin decried the continued resistance of accounting educators to change and noted little improvement in accounting programs. He also feared that the academic community's resistance to change had contributed toward the loss of top students to other business disciplines. However, as a result of the accounting scandals in recent years as well as the passage of Sarbanes-Oxley, neither the dire predictions of A&S nor Gabbin came to fruition, partially because the need for high quality accountants actually increased (Hargadon and Fuller, 2007; Brausch, 2009).

Others have also expressed concern that accounting programs across the country have geared their accounting curricula solely for students interested in public accounting and excluded a focus on students who are more interested in the non-public accounting arena (Tatikonda, 2004). However, there does not seem to be a great deal of consensus about the courses that should be completed in order to ensure success in the non-public accounting arena (see, for example, Frecka et al., 2004; Cheng, 2007; and Hurt, 2007). Accounting educators thus face the dilemma of devising a curriculum that satisfies the needs of students wishing to sit for the CPA exam, especially for those in the numerous 150-hour states, as well as the needs of those students wishing to pursue an accounting career path that does not include the public arena. Resource limitations, especially with many states cutting higher education budgets, prevent many accounting programs from offering more than a limited number of accounting classes, thus being unable to fully satisfy the needs of both groups. The purpose of this paper is to report the findings of a study examining the viewpoints of public accounting and non-public accounting professionals regarding course topics that students should successfully master prior to graduation. Perspectives of practicing accountants, both in public accounting and in other areas of accounting, were gathered in order to gain insight into this question.

METHOD

The A&S study referenced above created a great deal of turmoil within the accounting education community, resulting in several studies attempting to replicate or repudiate their findings and addressing the issues they raised. This study was also based on their questionnaire. Other surveys that used the A&S approach include Burnett (2003), who surveyed West Texas CPAs and employers regarding their ranking of specific skills desired of new accounting hires and Ulrich, Michenzi, and Blouch (2003), who performed a nationwide survey of public accounting firms to determine specific skills (as identified by the AECC, 1990) they desired of entry-level accountants, and their assessment of how well academic accounting developed those skills. Madison et al. (2008) also based their survey about required knowledge and skills of accounting graduates on A&S while Cory (2009) used the A&S questionnaire as the basis for her investigation of course topics that practicing CPAs believed were essential in accounting education and their preference as to what kind of degree should be earned by accounting graduates.

Finally, as recently as 2011, Cory and Huttenhoff based their investigation of the educational interests of non-public accountants on the A&S study.

Local external constituents currently practicing accounting should be well-informed about the course topics that should be included in accounting programs to ensure success in their respective fields. Lending further support to this approach, A&S indicate that each accounting program has the responsibility of determining the needs of its own key stakeholders, incorporating internal and external environments that are unique to each. Finally, the mission-based emphasis for achieving AACSB accreditation reinforces the concept that curricula must consider constraints and opportunities that may be specific to a particular business program.

Surveying local accounting professionals regarding perceptions as to the importance of completed course topics needed for their new-hires should provide valuable insight into the curriculum required of accounting programs in the local area. The results presented by Burnett (2003) are probably limited to the West Texas employment environment, and Ulrich et al.'s (2003) use of a nationwide sample makes it difficult to extrapolate their results with strong promise of being effective locally. Neither the Burnett nor the Ulrich *et al*. studies distinguished between accountants employed in public accounting and those employed in nonpublic accounting careers. Cory (2009) reported results of her study about course topics and degree preference, but limited the analysis of responses from her survey participants to only those currently practicing public accounting. Similarly, Cory and Huttenhoff (2011) based their analysis solely on responses from non-public accountants. This study compares perspectives of both groups of external stakeholders.

Practicing public and non-public accountants represent members of the group to survey in this particular instance. However, in the case of public accountants, the size of the public accounting firm was of importance. For example, the A&S (2000) study has been criticized for concentrating on the concerns of large public accounting firms and only the views of large research universities. Many accounting students do not matriculate in large, research institutions and only a small proportion of graduates will be employed in Big Four firms. Alternatively, because small firms are the predominant form of public accounting practice, as reported by Huefner (1998), samples drawn from CPA membership lists will likely be primarily composed of members practicing in small firms. Similar issues may arise with non-public accountants. Therefore, size of company where the non-public accountant is employed is also of interest.

The survey was distributed to 2,300 individuals who were either members of a large, regional CPA society in south Texas, members of the Institute of Management Accountants in the same area, or employers who had interviewed on a south Texas university campus during the previous three years. A total of 464 usable surveys was returned, which is a response rate of approximately 19%. This rate is comparable to that reported in similar studies (20% for A&S (2000), 27.7% and 21.75 for Burnett (2003), 27.2% for Ulrich et al. (2003) and 16% for Sedki et al. (2003)). Approximately 46% of the surveys were completed by individuals currently practicing public accounting and 54% by individuals who were employed in the non-public accounting arena.

The sample is limited to a geographic area, but the respondents should provide a broad viewpoint of accounting education. Analysis of firm size for the public accounting respondents indicated the median number of full-time employees was 11, but 46 of these respondents reported being employed with firms with at least 50 employees. The median company size for non-public accountants was 155 full-time employees, but 45 worked for companies that employed at least 100 on a full-time basis. Respondents were also asked to indicate the most recent year in which they had been enrolled in a college or university course. The median year was 1987, which indicated that the typical respondent should have sufficient employment experience in order to express an opinion as to the topics in courses to which recent accounting graduates should be exposed.

Respondents were asked to indicate, from the standpoint of their organization's business, how important it was that newly hired professional staff members had completed courses that included 22 different topics. Respondents were asked to rank each topic on a four-point scale, with one indicating "not important (no courses)," two indicating "somewhat important (part of a course)," three indicating

"moderately important (one college course)," and four indicating "very important (more than one course)." A fifth column was available if the respondent did not know the importance of the topic. The responses were coded according to the column chosen and any response in the "Do Not Know" column was eliminated from analysis.

RESULTS

The mean average for both groups for each of the 22 topics is shown in the second and third columns of Table 1. Keeping in mind that a rating of "3" indicates that the topic is moderately important and one college course should be devoted to it, 10 of the 22 topics in the public accountants' column had a mean of at least 3 and 9 of the topics in the non-public accountants' column had a mean of at least 3. However, only 6 topics had a mean of at least 3 for both groups. The lowest mean for the public accountant group was associated with operations supply-chain management (2.0510, e.g., "somewhat important") and the lowest mean for the non-public accountant group was associated with personal income tax topics (2.0833, e.g., "somewhat important"). Differences between several mean averages between the two groups were also apparent. Therefore, t-scores were computed to determine whether the difference in the means for each topic was significantly different between the two groups. T-scores are shown in the third column of Table 1 and their level of significance is shown in the last column. For the 22 topics, the means of 16 were significantly different between the two groups, but they were in basic agreement on the remaining six. For example, both groups agreed that basic financial accounting topics (e.g., intermediate accounting), which has the highest mean score for both groups, were very important, deserving of more than on course (mean averages of 3.9180 for public accountants and 3.8919 for non-public accountants). They also agreed on the importance of business strategy, economics, ethics, cost/managerial accounting and Sarbanes-Oxley.

Notably, however, public accountants felt much more strongly about the importance of (1) auditing, (2) business law, (3) advanced financial topics (e.g. consolidations and partnerships), (4) financial accounting research (FASB or AICPA databases), (5) international business, (6) personal income tax topics, (7) corporate tax topics (8) fraud examination and (9) tax research than did the non-public accountants. Conversely, the non-public accountants felt much more strongly about the importance of (1) electronic commerce, (2) finance, (3) internal auditing, (4) information systems, (5) operations supply-chain management, (6) organizational behavior/human resource management and (7) and statistics/quantitative methods.

Of course, using t-tests for differences in the rating for each of 22 topics is a univariate analysis. In order to further analyze the data, discriminant analysis was used to determine whether group membership could be reliably predicted. Discriminant analysis uses a linear function in order to predict group membership, rather than analyzing each individual variable for differences between groups. The model classified 40 public accountants and 50 non-public accountants. As shown in Table 2, the results of discriminate analysis strongly support the results of the t-tests. The model correctly classified public accountants with 90% accuracy and non-public accountants with 92% accuracy. This is strong evidence of differences between the two groups in their perceptions of the importance of these topics in accounting education.

There may be several reasons for these differences in the perception of importance of these 16 topics between the two groups. For example, certain accounting topics are emphasized in different certification examinations. Income tax topics are tested on the CPA examination, the certification necessary for success in public accounting. However, finance is more heavily emphasized on the certified management accountant (CMA) examination, which is a certification that many non-public accountants aspire to attain. Further, public accountants perform the audit function and it is logical that public accountants place more emphasis on that topic than do the non-public accountants. However, reasons for these differences are not as important as the differences themselves.

TABLE 1
MEANS AND T-TESTS

Topic	Means, Public Accountants	Means, Non-Public Accountants	T-test for Difference	Level of Significance
Auditing/Assurance services	3.5960	3.1373	6.10	<.0001
Business Law	3.1843	3.0000	2.82	.0051
Business strategy	2.9072	3.0043	-1.25	*
Economics	2.7525	2.8541	-1.27	*
Electronic commerce	2.6082	2.7885	-2.19	.0293
Ethics	3.4603	3.4667	-0.09	*
Finance	3.2328	3.5000	-4.15	<.0001
Basic financial accounting topics (e.g. intermediate accounting)	3.9180	3.8919	0.80	*
Advanced Financial accounting topics (e.g. consolidations, partnership)	3.7128	3.2857	6.34	<.0001
Financial accounting research (e.g. FASB or AICPA databases)	3.2632	2.9022	4.66	<.0001
Internal Auditing	2.5596	2.8884	-3.86	.0001
International business	2.2205	2.0302	2.30	.0219
Information Systems	2.9227	3.1853	-3.52	.0005
Cost/managerial Accounting	2.9031	3.0175	-1.62	*
Operations Supply-chain management	2.0510	2.2900	-2.94	.0034
Organizational behavior/Human resource management	2.3367	2.6567	-4.05	<.0001
Statistics/Quantitative methods	2.5381	2.7350	-2.57	.0107
Personal income tax topics	3.5683	2.0833	17.76	<.0001
Corporate tax topics	3.6066	2.6300	11.77	<.0001
Fraud Examination	2.7474	2.5536	2.30	.0221
Tax research	3.2757	2.1897	12.82	<.0001
Sarbanes-Oxley	2.7647	2.7568	0.08	*

*Not statistically significant

TABLE 2
DISCRIMINANT ANALYSIS RESULTS

	Actually Public Accountants	Actually Non-Public Accountants
Classified as Public Accountants	90%	10%
Classified as Non-Public Accountants	8%	92%
Totals	100%	100%

Given the size and restricted budgets of most universities in today's economic environment, it may not be feasible to offer accounting degrees with dual tracks. In other words, a college or university offering an educational track for aspiring CPAs that requires courses emphasizing the topics of importance to public accountants and also offering a separate educational track emphasizing the topics of importance to aspiring non-public accountants may not be possible.

CONCLUSION

Implications for accounting educators are immense, especially because the debate over accounting curricula has continued for decades and it seems it will continue for the foreseeable future. First, like all business school faculty, academic accountants are expected to respond to the needs and concerns of their constituents and stakeholders. However, results indicate that satisfying the demands of both public and non-public accountants may be difficult. Thus, many practitioners may not be satisfied with curricular changes initiated by accounting faculty because external stakeholders do not have uniform expectations about topics to be covered in courses. The most notable differences, where p values were <.0001, are the greater importance placed on auditing, advanced financial accounting topics, financial accounting research and tax (personal, corporate and research) topics for public accountants and the emphasis on finance and organization behavior/human resource management by the non-public accountants.

Second, preparing students for a successful professional career should be paramount for accounting faculty. It may be impossible to ensure that students are exposed to topics of importance, as defined by those currently practicing in their respective field, prior to graduation. For example, if accounting graduates enter the non-public accounting arena, but have been prepared primary for the public accounting profession, they may be at a serious disadvantage as they begin their professional careers. Thus, many internal constituents would not be served.

Third, external constituents often rely on accounting programs to provide the essential foundation for new-hires to pass necessary certification examinations. Again, in many cases, this is another difficulty for accounting faculty to address due to the differences in testing emphasis on various certification exams. Further, it is doubtful that focusing simply on course topics that will be tested for a selected certification would benefit the students as preparation for a successful professional career.

Fourth, few would claim that even extensive exposure to only these 22 topics would guarantee graduates success in any accounting career. There are additional skill sets, other topics and knowledge that are essential to their success.

Fifth, results associated with basic financial accounting topics (e.g. intermediate accounting) clearly indicate agreement between these two groups as to the level of its importance. Therefore, accounting faculty should be careful about suggesting changes in coverage for this topic. Additionally, many intermediate accounting textbooks have recently integrated information about international financial reporting standards (IFRS), which may serve as the first in-depth exposure to them for many accounting students. As the U.S. moves towards universal adoption of IFRS, this accounting topic will certainly increase in importance, for both public and non-public accountants.

Finally, this study has some limitations that should be addressed. Responses were obtained from individuals in only one geographical area, which may make findings difficult to generalize to a wider population. Only 22 course topics were listed on the survey, but additional course topic information could have been gathered with the research instrument. Further, information about additional skills and knowledge necessary for a successful accounting career could be gathered. However, these short-comings can certainly be the seeds for future research.

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