4-2003

Members in Education, April 2003

American Institute of Certified Public Accountants (AICPA)

Members in
Education

April 2003

AICPA

American Institute Of Certified Public Accountants

Highlights

New Program Initiatives of the Faculty Development Task Force

By Cheryl L. Allen

Three years ago I was honored to accept an appointment to the Minority Initiatives Committee (MIC) of the AICPA. The objective of the MIC is to actively integrate minorities into the accounting profession to become CPAs and to enhance their upward mobility. The 14 member MIC consists of representatives from academe, government, industry, leading accounting firms, and minority-owned accounting firms. Five task forces are charged with carrying out the mission of the MIC.

One such task force is the Faculty Development Task Force, which develops programs specifically related to the development of minority accounting faculty. A long-standing function of the task force has been to provide financial assistance to qualified minority PhD candidates who are pursuing terminal degrees in accounting. Other programs focus on and address issues surrounding tenure and continuing professional education for minority faculty members. MIC members from the academic community are naturally assigned to the faculty development task force. The initial challenge to the task force was to objectively evaluate existing programs to ensure they were still relevant. The second challenge to the task force was to consider pursuing new approaches that best reflect the mission of the faculty development task force in the new millennium.

The key program of the faculty development task force is to increase the number of PhD's in the classroom at Historically Black Colleges and Universities (HBCUs). The PhD fellowship program has provided the financial support to many of the pre-PhD accounting faculty. To its credit, 76% of the PhD fellowship recipients have earned a PhD in accounting.

The faculty development task force has revisited its mission. We acknowledge that minority accounting faculty continue to play an important role in preparing minority students for the profession. Further, minority accounting professors with CPAs and PhD's serve as role models who can positively influence the career decisions of a college student. We further acknowledge that the development needs related to minority faculty have evolved since the MIC was formed. Therefore, we recognize that it is imperative we expand our programs to ensure the continued growth and development of minority accounting faculty. Accordingly, we resolved to propose faculty development programs that focus on the retention of minority faculty who are CPAs and have earned a PhD in accounting.

Regarding our current programs, the PhD fellowships will continue. The Faculty Summer Seminar (FSS) will be transformed to address the research development needs of minority accounting faculty. We further concluded that the newly proposed Faculty Diversity and Initiatives Section of the American Accounting Association (AAA) provided the necessary link to enable the transition of participants from the FSS to the AAA. As a result, in Aug. 2001, Bea Sanders, AICPA Director of Academic and Career Development, and George Willie, chair of the MIC, met with the leadership of the American Accounting Association to discuss the committee's desire to direct faculty displaced from the FSS to the annual AAA conference, and to express support of the newly proposed minority section of the AAA. As a result, Ida Robinson-Backmon, chair of the AAA Faculty Diversity and Initiatives Section, and I began coordinating the transition. The transition culminated at the 2002 annual conference of the AAA in San Antonio, Texas, when a

continued on page G2

continued from page G1—**New Program Initiatives**

group of minority faculty was invited to be AICPA delegates of the AAA. Additionally, a group of faculty and current PhD fellows was sponsored to attend a special CPE session designed to address the research and teaching development needs of minority faculty.

To address new approaches that better reflect the mission of the faculty development task force, three new initiatives have been launched:

- *Best Paper Award:* To encourage minority accounting faculty to conduct scholarly research, the task force initiated the Best Paper Award. The MIC approved a grant for up to four $500 awards to qualified minority faculty who presented their research at a peer-reviewed conference during the year Sep. 2001 to Aug. 2002. Congratulations to the following recipients: Ruth Epps, Gabriel G. Ramirez, and Ronald S. Stoltzfus; Paquita Davis-Friday and Elizabeth A. Gordon; and Kevin James.
- *A "Cluster School" approach of the University Outreach Programs:* The task force realized that certain key elements of the FSS are lost in the "mainstream transition." Issues specific to HBCUs still exist. The cluster school approach brings together selected HBCUs and former participating FSS institutions from the same geographical area with the intent to fill the void left by the FSS. Faculty and students from the selected institutions are invited to a host school for presentations and interaction with AICPA committee members and staff.

During the spring of 2002, workshops were hosted by Howard University in Washington, D.C., and Morehouse College in Atlanta. Another "cluster school" presentation will take place during the spring of 2003 at Southern University in Baton Rouge, La.

- *Competitive Grant Awards:* The MIC approved a grant for up to $5,000 to qualified minority faculty to conduct research that is supportive of the committee's objectives and programs. The MIC will provide this research assistance as projects are identified that relate to the research needs of the committee.

Through the MIC the profession has addressed major voids. We can measure where we are today relative to 30 years ago when the MIC was first established. However, we cannot measure where we would be today had the MIC not been established. The MIC programs have been and remain an integral piece to the profession's efforts to attract qualified minority students to the accounting profession. The MIC continues to support programs that develop the teaching and research skills of minority accounting faculty to ensure that their accounting programs remain competitive, thus providing minority students access to the best and brightest.

Cheryl L. Allen is an Assistant Professor of Accounting, Morehouse College, Atlanta, and chair of the Faculty Development Task Force of the MIC.

The Evolving Business Reporting Model and Use of Performance Measurement Methodology

By Joyce Keller, PhD, CPA

Business owners want to do more than just report historical financial transactions; they are looking for advice that will help them better manage their business and at ways to measure their performance against additional, non-financial criteria and standards in order to show a more complete picture of their value. At the same time, recent developments in the marketplace such as the Sarbanes-Oxley Act have demonstrated the need for an enhanced business reporting model that provides a more complete view of a business beyond traditional financial reports. The current reporting model is too focused on things that have happened and cannot be changed and ignores the future events that a company can work to change in order to create value. For a number of years, a growing number of organizations and thought leaders have issued challenges to the current model. The following excerpt, which illustrates the concerns about the current model, is from the SEC-inspired Garten Task Force's report, "Strengthening Financial Markets: Do Investors Have the Information They Need?" (May 2001):

> Since value is driven by a company's expected future profits and cash flow, investors are interested primarily in information that will help them project both, such as intangible assets, operating performance measures, business model descriptions, market information and forward looking data…. *The current reporting system…focuses primarily on historical financial transactions. This system provides limited guidance about the other information that investors need.*

The Garten report makes two fairly straightforward recommendations:

1. Create a new framework for supplemental reporting of intangible assets and operating performance measures; and

2. Create an environment that encourages innovation in disclosures.

In its call for more innovative disclosures, the report recommends "the Securities and Exchange Commission support the establishment of a group of experts representing investors, companies, accountants and legal experts to examine ways to create an environment more conducive to disclosures…."

Recently, the AICPA convened a special committee to explore the evolving business reporting model that will focus on the key elements of this framework. Over the coming months, that process will include collaboration with key stakeholders on how this framework should evolve.

Larger businesses have been taking their own steps to disseminate more relevant, non-required, non-financial information to their

Published for AICPA members in education. Except where otherwise copyrighted, reproduction of the material in this *CPA Letter* supplement is encouraged and permitted if source acknowledgement is made and a copy of the reproduction is sent to the editor. Opinions expressed in this supplement do not necessarily reflect policy of the AICPA. Article submissions are welcome and should be directed to the supplement editor.

Joe Bittner, supplement editor
212/596–6282; jbittner@aicpa.org

Ellen J. Goldstein, *CPA Letter* editor
212/596–6112; egoldstein@aicpa.org

investors and other key stakeholders. They are beginning to use performance measurement methodologies as part of their overall business reporting process. For example, chemical companies are now using triple bottom line reporting to demonstrate their commitment to profits and social and environmental issues. Skandia has been working with the idea of a "Business Navigator" that outlines the value of the information and knowledge within the company. Still other companies use the "Balanced Scorecard" as a means to balance financial reports with the non-financial information that also affects the company's results. Further, as reported by PricewaterhouseCoopers in an Apr. 22, 2002, report, "Top executives at multinational companies consider non-financial performance measures, such as product and service quality and customer satisfaction and loyalty, more important than current financial results in creating long-term shareholder value." (*Management Barometer,* PricewaterhouseCoopers).

While performance measurement methodologies are being adopted by larger companies and the "Big 4" accounting firms as a means of providing additional, non-financial information to the investing public, it is by no means an exclusive concept to large, publicly-owned companies. In recent years, performance measurement methods have also been used by many smaller, privately-owned companies and by CPAs who are engaged or employed by these companies. While a small, private business may not be concerned with providing additional non-financial measures to investors, it is interested in utilizing performance measurement to improve employee performance, streamline production, cut overhead costs, attract new business, differentiate itself from competitors or illustrate the value of its services.

An example is Medco, a hypothetical privately owned medical information Web site that derives its main source of revenue through advertisements from drug companies and medical instrument manufacturers. Medco wants to encourage more advertising on its site by illustrating to current and potential advertisers the value prospective customers derive from the ads. By working with its CPA firm, Medco has been able to develop a series of performance measures that can gauge the effectiveness of the advertising. Performance measures such as number of Web hits, time spent by visitors on each Web page, number of different pages viewed by the average visitor and number of repeat visits are all measured. By measuring this data, Medco might be able to demonstrate to current and potential advertisers that there are over 40,000 daily hits on the site, with 48% repeat visitors, with each visitor viewing an average of eight different pages per visit and averaging four minutes of viewing per page. By gathering this non-financial information through the use of various performance measures, Medco is able to define and illustrate what visitors see as "attractive." Since Medco is not selling anything to its customers—it is simply providing free information through a Web interface—it needs to demonstrate value to its advertisers. Non-financial performance measures give advertisers a more complete view of what the Medco site is worth to them.

One of the important benefits of performance measurement methodology is its versatility for CPAs—both small and large CPA firms can use elements of the methodology in some capacity. Although the entire methodology is a comprehensive grouping of processes such as "Balanced Scorecard" and "Performance View," smaller CPA firms can specialize in a particular area and grow their service offerings as they see fit. Many CPAs in the future will likely use performance measurement in some form.

Before that happens, performance measurement must be included in the curricula for accounting students. CPAs in academia have the opportunity to educate tomorrow's CPAs about the benefits of performance measurement as the foundation for the business reporting model of the future. Today's students need to realize the future of the accounting profession rests with information much different from the historical, financial reports of today. Accounting and business students need to understand the link between financial and non-financial measures of performance, emphasizing the need for simultaneous parsimony and effectiveness of measures in reflecting a company's progress in meeting its strategic goals. Today's instructors have the opportunity to equip their students with skills related to using a more effective business reporting model. Such early exposure will increase their likelihood of success as CPAs and trusted business advisors to companies like Medco.

Joyce Keller, PhD, CPA, is a Professor of Accounting at St. Edwards University, Austin, Texas.

Skills Development in Accounting Education

Accounting education is frequently criticized for emphasizing content mastery while ignoring the development of critical skills. The study conducted by W. Steve Albrecht and Robert J. Sack (A&S), *Accounting Education: Charting the Course Through a Perilous Future,* considered content and pedagogy and provided opinions of accounting educators and practitioners concerning skills development. This study, *Skills Development,* is a continuation of the work of that study. The focus is to determine if the skills seen as most important by accounting faculty and accounting practitioners are the same skills deemed important by today's business students.

Analysis of Top-Ranked Skills

Pre-business and business majors at a regional university were surveyed; the students were divided into two groups: accounting majors and non-accounting business majors. The students were asked to rate the importance of various skills. The responses were compared to the responses of accounting faculty and practitioners as reported by the A&S study. The data was ranked and analyzed to find relevant differences in the responses of the four groups.

The respondents' ranking of the top nine skills collectively are:

- Written communications
- Oral communications
- Analytical/critical thinking
- Decision-making
- Interpersonal skills
- Teamwork
- Computer technology
- Leadership
- Professional demeanor

The group as a whole considered written communications and oral communications to be the most important skills. While all respondents were fairly equal in their judgment of oral communications, there was a wide variation in the rankings of written communication skills. The practitioners, professors, and accounting majors considered it the most or second most needed skill. Other business majors considered written communication to be the sixth most important. Many students are of the "dot com" generation and consider e-mail the standard means of written communication. Professionals on the other hand are more accustomed to standard business reports and audit opinions, and accounting students may have been influenced by their professors who stress the importance of written communication.

Analytical and critical thinking skills show a wide disparity. Professors and practitioners rated this a top skill, but it was considered fourth by accounting students and seventh by other business majors. This result among professionals is expected given the emphasis put on this topic by the interviewees in the A&S study. The non-accounting students may not have been exposed to as many situations that do not have "right or wrong" answers. Therefore, they may believe that specific content knowledge is more important than critical thinking.

Another surprising result was the attitude toward decision-making. The student groups tended to think this skill was much more important than the professional group. The non-accounting business students considered decision-making to be the most important skill, and accounting students rated this skill third. Practitioners ranked this skill fifth, while faculty ranked the skill sixth. The surprising part of these rankings is that it seems to contradict the statements given in the A&S study.

Interpersonal skills is an area where there was general agreement that it was one of the important, but not necessarily the most important, skill.

Teamwork is a skill that had a wide disparity of responses between groups. The professional groups were fairly closely-aligned, but practitioners felt it was more important than professors. The extremes were located in the student results. Accounting majors considered it rather unimportant, giving it a ninth-place ranking. Business majors on the other hand ranked it fourth. Perhaps one reason for this disparity may be the way classes are typically taught in many institutions. Business majors are exposed to a number of classes requiring team projects, while accounting majors are not as often involved in team projects in their major. This response may also be conditioned by the fact that a goal of accounting majors is to pass professional exams that are given on an individual rather than a group basis. This discrepancy between accounting and business majors may also be addressed by looking at a comparison of the two groups' responses to the questions of analytical and critical thinking versus group work. It might be assumed based on the responses that business majors feel that work should be done in groups; therefore, an individual's ability to analyze is not as important since another member of the group might have more analytical skills. Accounting majors, on the other hand, rank teamwork considerably lower and may therefore feel a greater need for the individual to analyze problems.

Computer technology may be the most interesting phenomena in the data observed. Computer technology is ranked as the fourth most important skill by practitioners and professors. Students, on the other hand, list computer technology considerably lower in the rankings. Accounting students find technology a mid-level skill, and business majors rank it as a lower-level skill. While at first glance it may seem strange for younger people to rank computer technology so much lower than the professionals, it may be a case of casual acceptance. That is, to professionals, computer skills were learned separately at an older age. For most students, however, computer skills have been acquired over their lifetime, and it seems no more important than penmanship or answering the telephone.

Leadership skills were also an area where there was a large disparity in responses, specifically between accounting professors and business students. Practitioners and accounting students were in agreement that leadership was a mid-level skill. Professors, on the other hand, rated leadership a lower-level skill and business majors considered it to be the third most important skill. This may be due to the fact that non-accounting students may feel that for career advancement they need more leadership skills, since they do not have clearly defined standards or professional certifications to spawn advancement.

With the exception of accounting majors, professional demeanor was ranked a mid-level skill. The accounting students considered this to be one of the five most important skills. Perhaps the reason is that accounting faculty tend to emphasize appearance and professional conduct in their classes and in accounting association and Beta Alpha Psi meetings. Other majors, the largest number of which are marketing and management majors, may tend to regard this as less important because their disciplines put more emphasize on interpersonal skills.

Conclusion

There was a distinct difference between accounting majors and non-accounting majors in the skills they deemed to be important. Surprisingly, the gap between accounting faculty, practitioners, and accounting students is very narrow. These three groups recognize many of the same skills as being important. Since accounting students agree to the importance of many of the same skills as do professionals, the issue of skills development may not lie with student interest or academic content.

Based on the close proximity of rankings for many of the skills by the three groups—accounting majors, accounting professors, and accounting practitioners—accounting practitioners may not realize that what they are getting is precisely what they are asking for in today's college graduates.

When the rankings of practitioners were compared to the rankings of accounting students, the two groups were very much in agreement, with variations by only two or fewer positions. It can be inferred from these data that professionals are getting, for the most part, students who have similar views of which skills are the most important for success. However, *accounting practitioners are not satisfied with the level of development of the skills.* Therefore, accounting professors should consider putting more of their efforts into incorporating skills development into their curriculum. The data indicates that students know which skills are important, and will therefore be receptive to activities that help them enhance those skills.

This article is a capsule of a study by Bill Francisco, Abbie Gail Parham, and Ann Kelly, of Georgia Southern University, Statesboro, Ga. The entire article is located at www.aicpa.org/members/div/career/edu/index.htm.