

## Accounting Accreditation: Value Added Or Waste Of Resources?

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*In a forthcoming paper Everard, Edmonds, and St. Pierre (2014) question whether the AACSB has achieved its mission of recognizing excellence in business education and whether it has shown continuous improvement in its efforts since the change to a mission driven focus. In this paper, the authors expand on this topic and address the value of accounting accreditation from the perspective of the market it serves, whether accounting accreditation has diminished in value because of the quality of the programs being accredited, and whether accounting accreditation is an idea that has run its course. We conclude that since the move to a mission driven focus, the AACSB has diminished its brand, has failed in its ability to differentiate quality accounting programs in the higher education market, and has not met its objective of continuous improvement for the organization itself. Unless changes are made in the organization, its value in the higher education marketplace will diminish over time and the brand could become irrelevant.*

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### Introduction

The Association to Advance Collegiate Schools of Business - International (AACSB) is considered the gold standard in accreditation for business schools in the U.S. and around the world. Founded in 1916, the organization dominates the business school accreditation landscape by its size with over 600 business schools in 38 countries achieving AACSB accreditation and an additional 175 schools achieving separate accounting accreditation. The primary mission of the organization is to recognize excellence in business education and signal excellence to the market. The rationale for the existence of the organization is that accreditation adds credibility to a school and the accreditation brand allows the market to differentiate between top tier and non- top tier programs. Unfortunately, Everard, Edmonds, and St. Pierre (2014) empirically demonstrate that the AACSB has fallen short in its mission and has failed to improve in this regard since the inception of the mission driven focus in 1993. This alleged failure with business accreditation leads to a question about whether the AACSB has achieved its mission with regards to accounting accreditation and whether it has provided market differentiation and market value to programs with accounting accreditation. If we find that this is not the case, then is it time to reconsider the value of accounting accreditation in terms of direct and indirect costs to the program and value added in the market place?

### Background

During the early 1990s the AACSB made a major change in the accreditation process by moving from a more objective evaluation approach for awarding and maintaining accreditation to a mission driven approach. It is not clear from the literature what drove this move, but one can hypothesize that the change was initiated because of competition from another accreditation body or a need to increase revenues by increasing the number of schools accredited, or from a desire to increase the power of the organization. Regardless of the motivation, the change was approved and the first schools were accredited under the new approach in 1993. The mission driven approach is applied to accreditation at both the college and accounting program levels.

Bitter, Stryker and Jens (1999) addressed the issue of why more schools had not applied for and received separate accounting accreditation. They concluded that schools that had business but not accounting accreditation had not applied because the costs of accounting accreditation were too high compared to any benefits. The costs included faculty and administrative time spent on the process in addition to the monetary costs of maintaining accounting accreditation such as annual dues and the costs of attending conferences to remain current on AACSB rules and interpretations. Bitter et al. (1999) also

found that schools without accounting accreditation still valued accreditation and thought that it would enhance their reputation.

Trapnell (2007), representing the AACSB, provided impetus for the examination of the value of accounting accreditation to schools that have achieved this designation when he discussed the positive attributes of accreditation. He described the value of accreditation in phrases such as “schools are constantly seeking recognition and differentiation in order to effectively compete for top students and faculty - AACSB accreditation is clearly a major recognition that contributes to the stature of a business school and assists with differentiation”- “earning AACSB accreditation is an important statement to key constituencies of the quality of the business school” and “stands as an externally validated hallmark of excellence”. Students can use the AACSB brand since “AACSB accreditation can be a decision criterion assisting students in narrowing the landscape of management education to schools that have earned this international recognition”. For employers, Trapnell states “AACSB accreditation is an indicator of school quality”. In all of these comments the critical component is the ability of the accreditation process to help third parties differentiate high quality institutions and high quality programs from those of lesser quality. In this paper we specifically address whether the accreditation brand truly differentiates quality programs in the market and whether the AACSB meets the primary objective stated for its existence.

## Research Method

In the forthcoming paper by Everard et al., the authors argued that since the change in standards and policy to a mission driven approach, the AACSB has reduced its credibility and the credibility of the process itself by accrediting schools that would not have been accredited under the previous - more objective - standards. This result, in turn, could have an effect on both students and parents attempting to differentiate the quality of programs on the input side and on recruiters attempting to differentiate the quality of programs on the output side.

We extend that study and focus on the separate accounting accreditation process. Our contention is that the problems noted for the business school accreditation may also be present in the accounting accreditation process. We utilize the same methodology but focus only on accounting accreditation.

In order to examine the quality of the 168 U.S. programs (we exclude the seven foreign programs due to a lack of ranking information) that have achieved accounting accreditation, we had to address a major evaluation issue. We were unable to find a publication that ranked or evaluated the entire population of accredited accounting programs, since most publications only emphasize the top 50 accounting programs around the country. As in the Everard et al. study, we used a ranking that focused on the entire university rather than on the accounting program. We believe this is not unusual, however, since few disciplines have extensive program rankings available for third parties to evaluate a specific program, forcing third parties to use the quality of the university as a proxy for the quality of any specific program. We utilized the same U. S. News & World Report (2012) rankings of universities because it offers more objective ranking criteria than the other published reports, is widely used by both faculty and administrators when discussing the ranking of universities, and is the most widely publicized and popular ranking publication. The criteria used by the U.S. News and World Report ranking include graduation and retention rates, faculty resources, student selectivity, financial resources, graduation rates, undergraduate academic reputation, and peer assessment (other deans of admissions, presidents and provosts). The quantitative nature of this publication’s ranking helps to explain the minimal movement of universities in the rankings from year to year.

The problem faced when using a ranking of a university versus a specific program concerns the possibility that a non-tier one university could have a tier one level accounting program. We tested this possibility by comparing a ranking of the top 50 accounting programs (U.S. News and World Report, 2012) to the classification of their universities as tier one or non-tier one. Every accounting program listed in the top 50 was part of a tier one institution. More importantly, we also addressed this concern by being extremely generous in our classification of tier one versus non-tier one universities, allowing a program that is ranked higher than its university to still be classified as a tier one program.

The approach used to classify each accredited program was to determine where the university was ranked in the categories used by the U.S. News & World Report 2012 Edition of Best Colleges (2012). The categories that were used in the rankings were developed by the Carnegie Foundation for the Advancement of Teaching (2006). Universities were classified as National Universities, National Liberal Arts Colleges, Regional Universities, and Regional Colleges. We decided to use the same number of schools in our Tier One classification as had been included in both the Tier One and Tier Two categories in previous editions of the U.S. News & World Report (prior editions used a four tier classification scheme). This decision was made in order to remove any potential bias against the AACSB process that might be present if the Tier One classification was too narrowly defined and to make certain that the AACSB was given the benefit of the doubt when discussing the quality of the mission driven schools. Given this decision, our results may actually be understating the credibility problem, but we leave that possibility to the readers to determine. The 2011 edition of the U.S. News & World Report ranked more schools than previous editions, which provided an opportunity to include the entire list of AACSB accredited accounting programs in our study.

The list of schools with accounting accreditation and the dates of initially achieving this accreditation were gathered from AACSB data sources available to third parties. Each school with accounting accreditation, both before and after the change in 1993, was categorized as Tier One or Non-Tier One based on where it fell in the 2012 U.S. News ranking of the university. As noted, we used the Carnegie classifications provided by U.S. News but expanded the definition of Tier One schools to include both the Tier One and Tier Two classifications used in previous U.S. News rankings. To reiterate, this removes any issues of bias against the AACSB and is generous to the point where our conclusions could actually be understated in their true effect. Schools were considered to be Tier One in each category as follows:

**National Universities** - 128 schools were included in our classification of Tier One programs from the 2012 U.S. News edition. Prior to 2011, 50 schools were considered Tier One, and Tier One and Tier Two together included 119 schools.

**National Liberal Arts Colleges** - 104 schools were included in our classification of Tier One programs from the 2012 U.S. News edition. Prior to 2011, 42 schools were considered Tier One, and Tier One and Tier Two together included 78 schools.

**Regional Universities** - 50 schools were included in our classification of Tier One programs for each of the four regions (200 total); prior to the 2011 edition the Tier One classification for each region was as follows: North - 36 schools; South - 29 schools; Midwest - 31 schools; West - 23 schools (119 total).

**Regional Colleges** - 50 schools were included in our classification of Tier One programs for each of the four regions (200 total); prior to the 2011 edition the Tier One classification for each region was as follows: North - 27 schools; South - 33 schools; Midwest - 34 schools; West - 16 schools (110 total).

In summary, we included 632 universities in our Tier One classification scheme versus a more stringent definition in prior U.S. News & World Report rankings of Tier One schools that included only 321 universities. This approach allowed for more schools to be considered Tier One in this study, weighted any results in favor of the AACSB, and could potentially bias the results toward supporting the mission-driven focus of the AACSB. We assumed all four Carnegie classification schemes were equal in the quality of their Tier One programs since they are differentiated in the Carnegie scheme not by quality but by focus of the programs. National Universities have undergraduate, masters and doctoral programs; National Liberal Arts Colleges are focused on the liberal arts rather than professional programs; and Regional Colleges and Regional Universities focus on masters or undergraduate degrees but still are well known, highly reputable schools.

## Results

Our findings are presented for two time periods; from 1983 to 1993 (accounting accreditation began in 1983) and from 1993 to the current date. This approach allows us to examine accreditation both before and after the AACSB change to a mission driven focus.

Each program receiving accounting accreditation prior to 1993 was included in the first time period. We classified each of the 92 U.S. programs receiving accounting accreditation before the change to a mission driven focus by matching its university to either the Tier One or Non-Tier One categories noted above. This first phase resulted in 65 programs being considered Tier One and 27 programs classified as Non - Tier One (71% Tier One, 29% Non - Tier One). It is surprising that the percentages are not higher for the Tier One category given our generous classification scheme and the fact that accounting accreditation is perceived to be more rigorous in its implementation than accreditation at the college level (Bitter, et.al. 1999). This rigor should have resulted in a higher rejection rate for accounting programs that did not meet the quality standards. It is possible that the pressure placed on the AACSB to accredit programs by the AAA and the AICPA (Bitter, et. al. 1999) resulted in the AACSB granting accreditation to some Non -Tier One programs because of the need to show positive results to outside parties. There is also a possibility that the teams involved with the visitation process were not completely comfortable with the new accreditation standards for accounting programs and this on the job training resulted in Non Tier One schools receiving accreditation. However, as a counter point one might have predicted that the first schools receiving this accreditation would have been from the top schools in the country in order to set a positive tone and precedent for the new accreditation.

As explained in the Everard et al. paper, the expectations are that after the move to a less objective set of standards in 1993 with the mission driven focus, the number of Tier One accredited accounting programs would decrease and the Non Tier One programs receiving accreditation would increase due to the change to less objective standards. This contention held true in the earlier paper by Everard et al. and we did not expect any change in that finding here. After 1993 the percentage of Tier One schools receiving initial accounting accreditation dropped to 68% with 32% Non - Tier One schools achieving accounting accreditation from 1993 - 2012. To determine if the trend continued over the entire 1993-2012 time period, we examined the programs accredited for the last eleven years, 2002-2012. Twenty four U.S. accounting programs received initial accounting accreditation over that period with 14 being classified as Tier One and ten classified as Non -Tier One (58% Tier One, 42% Non -Tier One). This result means that only 68% of the programs accredited since the change to a mission driven focus in 1993 were in the top 632 schools in the country, and over the last eleven years only 58% of the programs accredited were in the top 632 schools in the country. The percentage change itself is disturbing, and given the generosity of our classification this trend should be a major concern. The movement toward more Non -Tier One programs being accredited mirrors the findings of Everard et al. and raises similar concerns about the quality and continuing improvement of the accounting accreditation process.

## Discussion

The number of accounting programs achieving separate accounting accreditation is approximately twenty five percent of the total business schools with accreditation. The lack of significant interest in separate accounting accreditation may be a cost issue, given the direct costs of the accreditation process and the costs of faculty and resources to maintain accreditation. The quality of the programs being accredited since the change to the mission driven focus, even with our doubling the number of Tier One programs by expanding our definition of this group, may have damaged the reputation of the entire accounting accreditation process and reduced the credibility of accounting accreditation and the organization itself. As noted in Everard et al., the easing of the implementation of the standards and acceptance of Non -Tier One programs may be driven by the revenue needs of the AACSB or the desire to dominate the accreditation landscape by increasing the number of AACSB accredited programs. Regardless of the reason, the reduction in the quality of the programs receiving accounting accreditation drives the discussion toward the potential loss of benefits from a market perspective. It also raises a

critical question concerning the validity of the AACSB argument that being accredited sends a signal to the market that the program is differentiated by its excellence.

This market effect may also be evaluated from the perspective of recruiters for accounting students. Based upon anecdotal recruiting information from the Big 4 firms, whether a program has separate accounting accreditation does not drive the decision to recruit at a particular school nor does it create a situation where only accredited programs are considered prime sources of students. The fact that many of the Non -Tier One accredited programs do not have a Big 4 recruiting presence should send a signal to the AACSB that the brand may not carry the significance it believes, especially in the “output” market noted by Trapnell (2007).

Although the external benefits may not prove worth the costs involved, accounting accreditation may provide internal value to a program. Given the rules in play to maintain accreditation, administrators are limited in what they can do with an accredited accounting program when it comes to staffing and resources allocated to the program. Deans do not want to suffer the loss of accreditation, whether at the college or accounting program level, especially during their terms in office. This result could well be the major benefit of accreditation to the accounting program, especially in a time of reduced financial support for universities and a desire on the part of deans to minimize costs wherever possible. The possible replacement of full time PHD level accounting faculty with less costly adjuncts or instructors with Masters Degrees and certification is more difficult to do if the program has separate accreditation versus simply being a part of the college accreditation structure, where the replacement effects can be offset by the rest of the business faculty. This is, however, an indirect benefit and not one publicized by the AACSB.

The maintenance review process has not provided a check on initial accreditation decisions by the AACSB. Our research indicates that no school has lost either business or separate accounting accreditation subsequent to the initial awarding of accreditation. This fact places even greater importance on the initial accreditation process since it appears that once a program is granted accreditation, it will remain accredited for as long as it desires. In essence every college that has received AACSB accreditation and every accounting program that has received separate AACSB accounting accreditation (over 675 business schools and 175 accounting programs worldwide) has - according to the AACSB - shown initial excellence and high quality and has continuously improved during subsequent maintenance reviews. This fact alone should raise questions about the accreditation process, the value of the continuous improvement objective, and the value added by the AACSB brand itself, especially given the number of Non -Tier One programs receiving accreditation.

## Conclusion

Although the AACSB continues to promote its organization and the value of accreditation in terms of differentiating schools and programs in terms of excellence, the results of this study puts the claims into question. Even with our generous definition of Tier One versus Non -Tier One programs, it is clear that the quality of programs receiving accounting accreditation after the change to a mission driven focus in 1993 has decreased. The programs accredited over the last eleven years have magnified this trend and cause one to question the value of the brand and the organization itself. Since no school or program has lost accreditation after the initial process, it is not evident that the AACSB will even acknowledge, let alone address, the concerns noted here or in the earlier paper by Everard et al. The “market” will eventually reflect the issues presented in this paper and, unless changes are made in both the rigor of the standards and their implementation, the brand could well become irrelevant in a market where differentiation of quality programs is a necessity.

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