Key Skills Accountancy Students are Lacking When They Enter the Profession: Results of a Series of Focus Groups with Employers

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Running Head: Key Skills Accountancy Students are Lacking When They Enter the Profession

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Abstract

Many in the accountancy profession have been calling for a closing of the skills gap for years. We have seen the identification of these gaps change over time, but we never seem to "get there" by integrating into our curricula all the competencies that students need when they enter our profession. This paper identifies skills gaps as defined by employers of accountancy majors. It also points out the clear relationship between the AACSB Accounting Standards and the results of this study as these standards focus on the broad knowledge areas, skills, and competencies employers consistently find that our students are lacking.

Our conclusion is that, while a skills gap exists, striving to fully close it might be the wrong goal in our rapidly changing environment. Rather we, as academics, should strive to emulate what we ask of our students: to develop a growth mindset that includes lifelong learning and agility.

I.   INTRODUCTION

During the spring and fall of 2021, the American Accounting Association (AAA) and the Association to Advance Collegiate Schools of Business (AACSB) conducted focus groups with a variety of employers to explore the skills gap between what employers are looking for and what accountancy graduates (referred to as "graduates" throughout the paper) display when they enter the profession. The focus groups were comprised of members of varying sized accounting firms and corporations. The participants had positions in the areas of Financial Reporting, Tax, IT Audit, Internal and External Audit, Data Analytics, Compliance, Consulting, Recruiting, and Learning and Development.

The major themes identified in the focus groups point to a need for a more well-rounded employee who can easily adapt to change and is not afraid of making mistakes. Key areas identified where graduates lack adequate skills upon job entry include the ability to: identify and assess risk, better understand how a business works, display intellectual curiosity, embrace learning, communicate effectively, manage their time, and display agility with new technologies. These findings should inform curriculum development as we prepare students for their future careers.

II. MOTIVATION

Many research studies over the years have noted the need for changes in curriculum to ensure the future success of our profession. This is certainly not a new topic. Zekany (2020) does a thorough job of reviewing the literature in this area.[i] However, the call for change continues and we are now in a time of fast-paced change that is difficult, if not impossible, to stay abreast of and integrate into the curriculum. Add to these needed changes that we have declining accounting enrollments and the appearance of an image problem with the profession among young would-be professionals entering the accountancy profession. These factors lead to concern for the future of our accountancy profession.

In addition to research articles and calls for greater focus on education, the Accounting Education Change Commission, formed in 1989 by the AAA and the then eight largest public accountancy firms, called for a reform of accountancy education.[ii] The Pathways Commission, sponsored by the AAA and the American Institute of CPAs, completed their initial discussions, and made recommendations, in 2012.[iii] One of their recommendations, Recommendation 4, charged the profession at large to "Develop curriculum models, engaging learning resources, and mechanisms for easily sharing them as well as enhancing faculty development opportunities in support of sustaining a robust curriculum". Especially relevant to this paper, The Pathways Commission specifically had the following four action items noted:

Action Item 4.1.1 to define the body of knowledge that is the foundation for accounting's curricula of the future.

Action Item 4.1.2 to define a signature pedagogy or suite of pedagogies that will support the learning approaches of a global diverse student body and technology in the curriculum.

Action Item 4.1.3 to connect the accounting body of knowledge to a map of competencies and related performance levels (e.g., Bloom's Taxonomy).

Action Item 4.1.6 to examine the current and emerging technologies in business.

Closing the gap between skills that students need to succeed and what they receive in their curriculum requires close interaction with practice to understand how to engage in the action items above. The Pathways Commission also addressed this in Recommendation 1, Objective 1.3 which is "Enhance the value of practitioner-educator exchanges". Increased interaction will lead to greater knowledge for faculty to better understand skills students are missing when they leave their programs.

Methodology

This research utilized verbal protocol analysis for the identification of skills gaps as defined by employers.

During the spring of 2021, the AAA and AACSB conducted three focus groups with a variety of employers to explore the skills gap between what employers are looking for and what accountancy graduates display when they enter the profession. An additional focus group was conducted during the fall of 2021 and similar conclusions were reached. There were twenty-three participants in the spring focus groups and eight participants in the fall focus group. Employers who participated were from varying sized accounting firms and corporations. Their positions were in the areas of Financial Reporting, Tax, IT Audit, Internal and External Audit, Data Analytics, Compliance, Consulting, Recruiting, and Learning and Development.

III. FOCUS GROUP RESULTS

The employers were asked set questions regarding gaps and open-ended questions. Results were similar across all focus groups. We have categorized the skills gaps into five categories as defined below and in Appendix I.

Identifying and Understanding Risk and How a Business Works

Graduates are unable to identify and assess the impact of risk. They do not really understand the types of risks that exist in a business and the level of risk that is acceptable to upper management. They need better judgment and decision-making skills to both identify and evaluate the risks and then determine how to control for them.

Graduates also lack an understanding of the business itself: How does the business make money? What are the process flows? They need to understand what the analytics are telling them and apply critical thinking to process flows. They lack the natural curiosity to ask questions about anomalies. They need to get to the root cause of an issue and determine if it is systemic.

The high performers are good system thinkers and can evaluate how their work fits into the bigger picture. Unfortunately, many are lacking in these areas.

Displaying Intellectual Curiosity and Embracing Learning

Graduates need a growth mindset and a sense of curiosity about what is behind the numbers. For example, most can follow an audit program but if they do not understand why they are performing certain steps, it is only half the story from an audit perspective.

Graduates can identify an issue, but they cannot understand the impact of using a real-world lens. In today's world, they are in the review mode much more often and need to know what to look for. They struggle with estimates, judgements, gathering the right information to make a decision, and the concept of materiality. They can use the Accounting Standards Codification and the Tax Code, but they are not as able to apply the rules in a broader context. The skill to effectively use research tools to solve a problem and reach a conclusion are also lacking.

Communicating Effectively

Communication skills vary in graduates. They need to work on relationship building (internally and externally), human and interpersonal skills and having the confidence to speak out. One participant noted that effective communication is the #1 requested skill development across all levels of their organization, not just at the entry level.

A major point of discussion was graduates' lack of ability to talk about data and information in a context relevant to their respective audience and in a concise and clear way. Graduates can present a set of slides, but they lack the ability to manage a group conversation. They need to know when to stop and listen, when to ask questions and what questions to ask. Confidence is also needed so that they are not afraid of delivering a difficult message or saying something wrong. They need to be forthcoming with what they do not know.

Graduates are often very linear and brief, with no story or background in how they present things. When your audiences are not accountants, they expect more such as relevant background information and the story. Graduates need to be able to explain the story in laymen's terms and in a visually appealing way.

Professional writing is also a major weakness in graduates. They often write the way they speak and do not consider their audience. One focus group participant stated that "spelling and grammar were nonexistent." They often do not know which form of communication to choose, such as writing an email vs. making a phone call.

Managing Time

Graduates need help prioritizing and organizing their workload and managing distractions. This extends to the management of their emails. They need to be more accountable both to themselves and their teams. They often have a checklist mentality, e.g., "tell me what I need to do," which prevents them from thinking critically. Employers want people who are not afraid of making mistakes. Companies are in a constant state of change and graduates fear change. They should look at change as an opportunity rather than something to fear and they should be prepared for the unknown.

Displaying Agility with new Technologies

The learning curve of technology has become compressed. The expectations and the level of work managed by graduates is constantly getting higher. They are presenting on more complex issues and working on higher risk issues earlier in their career. This creates more opportunities for graduates but also raises the bar. Graduates need to be comfortable using all data sources, not only those that are numerical.

Many graduates are missing fundamental knowledge of technology, such as: What is a database? What is semi-structured data? How does data move from one database to another? What is a cloud?

Although it is still important for graduates to be proficient using Excel, employers see a great deal of variance in their capabilities in this area, depending on the accounting program they graduated from with their degree. Some must haves are the ability to do v-lookups, advanced filtering, charting, and pivots.

Employers need graduates who are ready to learn the next tool. Graduates should have the right level of confidence to share ideas for process improvement via technology. They need to embrace technology and be able to deal with unstructured problems.

Graduates do not need to master a specific data visualization technology but should have experience with some type of data visualization technology. The key point is that the specific technology is less important than an agile mindset toward embracing the use of technology in their work. Employers expect graduates to embrace technology upskilling, both at work and on their own.

Consistent themes were evident in all focus groups conducted. These major themes point to a need for a more well-rounded employee who can easily adapt to change and is not afraid of making mistakes. The focus group participants made it clear that in today's business environment, there is more of a need for a generalist than a specialist and that employees are operating at a higher level much earlier in their careers. Specialization will come later.

Key areas identified where graduates lack adequate skills upon job entry include the ability to: identify and assess risk, better understand how a business works, display intellectual curiosity, embrace learning, communicate effectively, manage their time, and display agility with new technologies. A summary of these key areas can be found in Appendix I to this paper.

IV. AACSB CONSIDERATIONS FOR ACCOUNTING CURRICULUM AND COMPETENCIES

AACSB International issued its first set of AACSB accounting standards in 1980 and has had six major revisions since then (1983, 1991, 2000, 2004, 2013, and 2018), often following revisions of the AACSB business accreditation standards. While the 1991 standards were prescriptive in both topical coverage and expected general education knowledge and skills, the 2000 accounting standards eliminated references to specific courses by degree level and focused more on broad knowledge areas and skills and competencies that accountants graduating from an AACSB-accredited accounting program were expected to demonstrate.

Since 2000, the accounting standards have maintained a focus on skills, with technology knowledge and skills for accountants (standard A7) becoming a requirement with the 2013 standards. The 2018 accounting standards have evolved through annual updates to be far more principles-based and outcomes-focused, in alignment with the 2020 business standards. Today 192 schools, primarily located in the United States, hold supplemental AACSB accounting accreditation, and undergo a peer review visit every five years to reaffirm their accredited status. This accreditation is viewed as "supplemental" because it is an extension of the school's business accreditation, and the school must meet six supplemental accounting accreditation standards in addition to meeting the nine business accreditation standards.

From the AACSB 2020 standards, the expectations for accounting curriculum content for undergraduate and master's degrees in accountancy are as follows:

Bachelor's Degrees in Accounting:
- The ability to identify issues and develop questions, apply appropriate analyses, interpret results, and communicate conclusions.
- The roles accountants play in society to provide and ensure the integrity of financial, managerial, and other information.
- The ethical and regulatory environment for accountants.
- The critical thinking and analytical skills that support professional skepticism, risk assessment, and assurance of accounting information.
- Internal controls and security.
- Recording, analysis and interpretation of historical and prospective financial and non-financial information.
- Project and engagement management.
- Tax policy, strategy and compliance for individuals and enterprises.
- International accounting issues and practices, including roles and responsibilities played by accountants in a global context.

Master's Degrees in Accounting (i.e., specialized master's programs including Master of Accountancy, Master of Science in Accountancy, and Master of Taxation):

- More integrative, intensive learning than undergraduate education offers, including more advanced and in-depth learning in topics related to the accounting discipline and its context for business.
- Expanded understanding of professional responsibilities of accountants, including the ethical and professional standards of the accounting profession.
- Understanding of the strategic role accounting plays in business organizations and society.
- Advanced development of critical and analytical thinking skills in support of professional skepticism, as well as sound decision making and good judgment in uncertain circumstances.
- Integration of knowledge across fields and understanding of the accounting discipline from multiple perspectives.
- Approaches to framing problems and developing creative solutions to accounting issues using appropriate technology.
- Application of specialized knowledge of accounting and business in a global context.

V. THE ROLE OF ASSURANCE OF LEARNING

From the expectations above listed in the accounting accreditation standards, AACSB-accredited programs are expected to develop competencies which are periodically assessed, and which are reflective of the expectations in the standards and the school's own mission, goals, and expected strategies. Schools provide direct and indirect measurements to demonstrate that their stated competency goals have been achieved or what steps the school is taking if competency goals are not being met. The school's curriculum must also be updated regularly as a result of the assurance of learning process. Peer review teams assess a school's assurance of learning program and whether their competencies appear reasonable and are measured regularly and that the loop is closed from assessment to curriculum revision. In this way, we ensure currency and relevancy of both curriculum and the tools and pedagogies embedded in the curriculum.

AACSB-accredited accounting programs are also expected to integrate real-world business strategies, business acumen, privacy and security concerns, ethical issues, information systems and processes and data management and data analytics tools. Graduates are intended to demonstrate these competencies and the associated risks and opportunities. The accounting standards further expect that accredited schools with master's degrees are expected to demonstrate a higher level of competency than schools with only an undergraduate program.

Conclusion

The findings of these focus groups should be used by accounting departments to better prepare graduates for their future careers. They indicate the importance of a mindset that emphasizes growth and lifelong learning. Too often, we resist the need to change what we teach because we have "no room for new items in our curriculum". This study points out the importance of teaching what we teach differently, with a focus on the broad knowledge areas and skills and competencies that accountants graduating from an AACSB-accredited accounting program are expected to demonstrate through assurance of learning and maintaining currency in their curriculum.

The skills needed in our profession are constantly changing and this study points to the need for continuous improvement in our curriculum that allows us to be agile as these changes occur. We need to be outcomes-focused and incorporate the competencies identified in this paper into our curricula. This will only be feasible if we continue to closely monitor the changes in the practice environment. This can be accomplished through our practitioner networks, including department advisory boards. We must ask our faculty to do as we ask our students: always have a growth mindset, be agile, and know your career will include life-long learning. The ability to change our curriculum and then use that for a longer period of time is a thing of the past. While we may never "get there" as it relates to having a perfect curriculum due to the fast pace of change in our profession, continuous improvement of our curriculum is a must to ensure our students are ready for their career.

Appendix I

Key Skills that Students are Missing when they enter the Accounting Profession

1. **Identifying and Understanding Risk and how a Business Works**
  a. Assess the impact of risk and the level of risk acceptable to management.
  b. Determine how to control for risk.
  c. Understand the way a business makes money and its' process flows.
  d. Get to the root cause of an issue and determine if it is systemic.

2. **Displaying Intellectual Curiosity and Embracing Learning**
  a. Apply a sense of curiosity to what is behind the numbers.
  b. Understand the impact of an issue using a real-world lens.
  c. Use research tools to effectively solve a problem.

3. **Communicating Effectively**
  a. Have confidence so that you are not afraid of making mistakes/delivering a difficult message.
  b. Know when to ask questions, what questions to ask and when to listen
  c. Talk about data and information in a context relative to your audience; be able to tell a story.
  d. Use professionalism in writing and know which form of communication to use.

4. **Managing Time**
  a. Prioritize and organize workload, including emails.
  b. Think critically about your work.
  c. Embrace change as an opportunity.

5. **Displaying Agility with New Technologies**
  a. Utilize all data sources, not only those that are numerical.
  b. Acquire knowledge of fundamental technology concepts.
  c. Become proficient in Excel.
  d. Acquire knowledge of a data visualization technology; the specific technology is less important than an agile mindset.
  e. Embrace technology upskilling at work and on your own time.

[i] Zekany, Kay E. Curricular Study of AACSB Accounting Programs: What Core Accounting Courses are Required to Earn an Accounting Generalist Degree? *THE ACCOUNTING EDUCATORS' JOURNAL* Volume XXX 2020 pp. 137-156.
[ii] Accounting Education Change Commission. 1990. AECC Urges Priority for Teaching in Higher Education. *Issues in Accounting Education.* Vol. 6 Issue 2, 330-331
[iii] The Pathways Commission: Charting a National Strategy for the Next Generation of Accountants, July 2012.