

What Corporate Executives Are Looking For In Entry-Level Accountants For Today's Competitive Marketplace

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Abstract

A transition from the role of the traditional accountants of the past to that of financial managers is occurring. The educational process must change to provide an understanding of the needs of business. In addition to looking backward to see what is beyond the numbers, accountants should possess knowledge of what is going on in the global economy and provide forward thinking. They need analytical and communication skills that will enable them to be part of the management team necessary for the company to succeed in the global economy. This survey of approximately 100 accounting executives provides empirical confirmation of such comments.

Introduction

For several years following World War II, US businesses were the undisputed champions in the global marketplace. Today, businesses must increase product quality and productivity to maintain or achieve a competitive advantage. The role of accountants in this environment requires a shift from "number cruncher" to "business partner." Prior research in this area has concentrated on the accounting knowledge and skills necessary for careers in public and corporate accounting (Novin and Tucker 1993; Siegel and Sorensen 1994; and Siegel, Kolesza, and Sorensen 1997). In the global marketplace, personal traits such as leadership potential, the desire to assume responsibility, and the ability to work with those in the organization are highly valued among those in management positions (Pfeffer

1994). This is a study of corporate accounting and finance executives to determine how important the possession of similar personal traits and characteristics is for entry-level accountants.

Background and Hypotheses

The Hackett Group survey of 1000 large and medium size businesses indicates that only about half of current accounting and finance positions will be retained as re-engineering continues (Zarowin 1997). Since 1988, costs of the financing department have dropped from 37% of revenue to approximately 2% (Zarowin 1997). Even now, routine transaction processing is being taken over by computer systems. Traditional accounting programs have taught students to attend to detail and to concentrate on getting the books to balance. The stereotype of an accountant is that he or she is uncomfortable with

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change, wants to follow well-defined procedures, and dreads uncertainty. In a competitive environment, these attributes may be appropriate for high-level clerks, but they are not the skills required of professional accountants (Goldstein 1996). What businesses are seeking from accountants is sophisticated analysis, interpretation of data, and decision-making (Goldstein 1996).

For some time the need for change in education for the competitive business environment has been recognized, as documented in both the Bedford Committee Report (Bedford, 1986) and the report issued by the major public accounting firms, *Perspectives on Education* (1989). In *Perspectives* the major public accounting firms classified general skills that an individual must bring to public accounting practice in three categories, communication skills, intellectual skills, and interpersonal skills. They also characterized the large body of knowledge that an individual must have under these three categories: (1) general knowledge, (2) organizational and business knowledge, and (3) accounting and auditing knowledge. Included in their recommendations was a charge to the American Accounting Association (AAA) to take the leadership role in establishing a coordination committee (Accounting Education and Change Committee, AECC) to address issues that impact the educational process and to guide the academic community in re-engineering the curriculum. Novin and Tucker (1993) compiled information on the importance of various educational subjects for entry-level public accountants by surveying partners, principals, and sole practitioners included in the AICPA's mailing list. Their survey results indicate that a large majority of accounting practitioners consider written communication skill the most important attribute for success in public accounting.

The Siegel-Sorensen (1994) report identified, (1), a gap between the preparation of accounting students and expected preparation, suggesting accounting programs do not emphasize the appropriate accounting, knowledge, skills, and abilities (AKSAs) for management accountants, (2), a difference in the skills and

knowledge necessary for entry-level accountants in corporations vs. public accounting firms, and, (3), a belief that accounting programs place too much emphasis on public accounting and not enough emphasis on management accounting. In a subsequent study, Siegel, Kolesza, and Sorensen (1997) asked top corporate accounting executives to rank the activities they considered vital to their work. Important areas were understanding the business, leadership skills, familiarity with business processes, understanding the bottom line implications of day-to-day business and accounting decisions, and understanding customers. These executives were also asked to assess the competence of entry-level accountants in those same areas. On a five-point scale, all areas show a mean gap of .84 to 1.79.

With companies changing ownership approximately every three years, executives must have a solid set of skills and experience to survive changes in business ownership and management (Goldstein 1997). Entry-level accountants with the interest and ability to continue their education are expected to be valued. Even though business is calling for more breadth through increased liberal education courses, not increased specialized and technical accounting training (Nelson, Bailey, and Nelson 1998), many accounting programs are still emphasizing traditional accounting courses. Universities and colleges need to be cognizant of the educational demands of business, or corporate training programs may take over where academe falls short (Moore 1997).

Global competition is changing the requirements for success in corporate-level accounting and finance positions. This is well documented in studies of top-level positions. Some of these studies also suggest that entry-level accountants do not possess the requisite abilities and knowledge for high level positions in their companies. This study is intended to contribute to our understanding of the specific traits and characteristics that influence accounting and finance executives' decisions to offer employment to recent graduates of four-year colleges and universities. Stated in the null

form, the hypothesis that will be tested is the following:

H1: There is no difference among applicant characteristics or traits in the importance assigned to them by corporate accounting and finance executives.

Methodology

Approximately 100 corporate and finance executives in attendance at the Institute of Management Accountants 1997 Annual Conference voluntarily completed a survey entitled *Factors Influencing the Decision to Offer a Job Applicant an Entry-Level Accounting Position*. Participants completed the study at their convenience and turned it in by dropping it in a collection box at the conference. The survey instrument permitted anonymity. However, those wishing to discuss the survey with the authors or receive results from the survey were encouraged to do so. Only three respondents provided personal identifying information.

Study participants were instructed to indicate the importance given to an entry-level candidate's possession of 74 different qualifications or attributes that have been used in other surveys, primarily of CPAs (Ahadiat and Smith, 1994; Novin and Tucker, 1993; Novin, Fetyko, and Tucker, 1997; and Siegel and Sorensen, 1994). Entry-level was defined as someone with zero to two years experience in an accounting position. A five point Likert scale in which 1 indicated "not important at all" and 5 indicated "very important," with 2 through 4 indicating intermediate levels of importance, was used. Although their means and standard deviations are provided in Table 1, given the large number of questions, those questions with an average ranking below 2, "somewhat important," were dropped from the analysis. This resulted in 10 of the original 74 questions being eliminated

Analysis of variance (ANOVA) was used to determine if there were statistically significant differences in the importance assigned to

the 64 questions retained. Because differences among the responses were found, the questions were ranked by mean from high to low and separated into quartiles. This was done to find if there were common characteristics in the similarly ranked items. Using ANOVA, each quartile was compared to all others.

In addition, data on the subjects' professional backgrounds were collected. These data were used to determine the extent to which the respondents were involved in hiring entry-level accountants, the size of the companies that respondents worked for, and other information about hiring preferences. The findings are summarized below.

Results

Respondents to the survey were from twenty-two states. Seventy-four out of 103 responding were employed by "for-profit" entities, 13 were employed by "not-for-profit" entities, CPA firms employed 8, and 8 were in other categories. Ninety-three individuals answered the questions on sales revenue. Nine percent of the respondents were from companies with sales below \$5 million, 33 percent were from firms with between \$5 and \$50 million in sales, 25 percent were from firms with sales from \$50 to \$500 million, and 33 percent were from firms with sales over \$500 million. Of the 92 respondents to the question concerning a preferred major for an entry-level accountant, 81 indicated a preference for an accounting major, 7 preferred a finance major, 2 selected a management major, and 2 indicated no preference.

Because the survey was taken at a national conference of the IMA, it is not surprising that 95 of the respondents were IMA members. In addition, 43 were members of the AICPA, and 4 were members of the FEI. The percentage of respondents with CPAs (Certified Public Accountants) was 53 and the percentage with CMAs (Certified Managerial Accountants) was 51. These levels of certification are much higher than those of the IMA membership as a whole and of the respondents to the Siegel-

Sorensen (1994) survey. In response to the question involving their extent of involvement in making actual job offers, 23 percent were involved to some extent and 50 percent were highly involved. The percentage of respondents with advanced certification and the percentage who are involved in making job offers suggests that the subject pool was composed of high-level professionals who are hiring entry level-accountants.

After eliminating the 10 items on the survey that were rated below 2, "somewhat important," an ANOVA was performed on the remaining 64 items. This test resulted in a statistic of $F(63, 6074) = 37.09, p < .001$. This suggests that the respondents do regard the possession of some traits or characteristics to be more important than others in evaluating entry-level accounting applicants. However, it does not establish which traits those may be. When the questions were listed from highest to lowest mean and divided into quartiles (Table 1), an additional ANOVA was conducted. The test resulted in $F(3, 6214) = 721.14, p < .000$. Using Scheffe's post hoc tests all quartiles were significantly different from each other at $p < .05$. The mean value of the first quartile was 4.20, that of the second was 3.69, the third quartile had a mean of 3.20, and the fourth quartile mean was 2.60. On the basis of these tests, the null hypothesis of no difference among applicant characteristics or traits in the importance assigned to them by corporate accounting and finance executives may be rejected.

A common theme of those items in the first quartile is that they are related to the candidate's expected ability to contribute to the organization's success. General management potential seems to be more highly valued than specific education in accounting. As in the survey Practice Analysis of Management Accounting (1996), work ethic is the highest rated item with a mean of 4.54. Other traits in this quartile are interpersonal skills, mean 4.49. The ability to handle time pressure, mean 4.26, the desire for responsibility, mean 4.24, and adaptability, mean 4.05, are qualities sought in entry-level

personnel, regardless of their functional area. Oral communication skills, grammar, and written communication skills are highly rated, with respective means of 4.42, 4.19, and 4.09. Although technical knowledge of accounting and finance is among the items in the first quartile, it is twelfth from the top, with a mean of 4.07.

The second quartile includes general management potential and traditional measures of accounting students' qualifications for entry-level accounting positions. Among the highly rated items in this quartile are computer skills, mean of 3.96. The ability to set goals is also highly rated, mean 3.81. Work experience, either full time, part time, or internships in accounting/finance is regarded as important. The accounting GPA, mean 3.76, is toward the top of the second quartile. The willingness and capacity for continuous learning have a mean of 3.66. The overall GPA, mean 3.48, is the last item in the second quartile.

The mean values in the third quarter range from 3.40 to 3.00. The highest rated item is management or leadership in employment related activities. Recommendations from previous employers fall into this quartile. The 3.00 mean was in response to the question, "If an independent, national certification program were available that provided assurances of the attainment of knowledge, skills, and abilities associated with entry-level management accounting and finance positions, it would be considered." Seven of the sixteen questions in the third quartile are related to either the candidate's academic background or the quality of the school from which the applicant's degree is earned. The third quartile includes grades in specific courses, leadership in extracurricular activities, academic interests beyond accounting, and the ability to discuss current trends in accounting or finance. The academic reputations of the university and AACSB accreditation are also in the third quartile.

The fourth quartile relates to indicators of knowledge of accounting subject matter and personal interests and background. It includes

TABLE I
Ranking of Employer Preferences

<u>First Quartile</u>	<u>Mean</u>	<u>Std. Dev.</u>
Work ethic	4.54	.61
Ability to work with those inside organization	4.49	.60
Logical thinking	4.46	.68
Oral communication ability	4.42	.66
Ability to manage time pressure	4.26	.77
Desire for responsibility	4.24	.76
Use of good grammar	4.19	.69
Relaxed manner	4.11	.74
Ability to work independently	4.11	.85
Deal with conflicts in a positive manner	4.10	.78
Written communication ability	4.09	.77
Technical knowledge of accounting/finance	4.07	.77
Initiative	4.06	.80
Adaptability	4.05	.81
Ability to work with those outside the organization	4.04	.96
Team building skills	3.99	.80
<u>Second Quartile</u>		
Personal integrity	3.98	1.09
Computer skills	3.96	.93
Full time experience - accounting/finance	3.85	1.01
Ability to set goals	3.81	.87
Ability to deal with ambiguity	3.78	.92
Accounting grade point average	3.76	1.00
Internship - accounting/finance	3.74	.94
Part time experience - accounting/finance	3.72	1.00
Ability to deal with cultural differences	3.67	1.00
Desire for continuous learning	3.66	.95
Dress and grooming	3.64	.91
Social manners	3.64	.80
Examples of going beyond the minimum requirements	3.61	.92
Ability to relate skills to goals of company	3.53	.95
Assertiveness	3.49	.87
Overall grade point average	3.48	.90
<u>Third Quartile</u>		
Management/Leadership experience	3.40	.97
Grades in specific courses	3.38	1.10
Specialty but also generalist	3.34	1.13
Full time work experience in any occupation	3.29	1.15
Academic reputation of university	3.28	1.11
Leadership in extra curricular activities	3.27	1.07

Table 1 continued

Oral recommendations - of employers	3.25	1.13
Volunteer experience	3.24	1.10
General part time work experience	3.23	1.10
Written recommendations of employers	3.16	1.12
AACSB accreditation of college	3.12	1.40
Appearance	3.20	1.05
Written recommendations of employers	3.16	1.12
AACSB accreditation of college	3.12	1.40
Academic interests beyond accounting	3.11	.96
Ability to discuss current trends in accounting and finance	3.11	1.01
Clarifying questions not needed from interviewer	3.02	1.01
National certification of entry level accountants (if available)	3.00	1.10
<u>Fourth Quartile</u>		
Significant time in volunteer experience	2.93	1.02
Awards	2.91	1.11
Ability to identify parties served by job	2.88	1.14
CPA, Certified Public Accountant	2.83	1.28
Identify business clients	2.83	1.10
Faculty recommendations	2.82	1.13
Group oriented activities	2.77	1.06
Participation on extracurricular activity	2.74	.97
Class standing	2.74	1.16
Written recommendations of faculty	2.72	1.07
CMA, Certified Management Accountant	2.69	1.30
Willingness to travel	2.61	1.15
Hobbies that indicate variety of interest	2.46	.99
CFM, Certified Financial Manager	2.12	1.25
Solitary activities	2.05	.81
Verbal score - SAT, ACT	2.04	1.28
Quantitative - SAT, ACT	1.95	1.18
Composite - SAT	1.95	1.17
Ability to relocate	1.94	1.19
CIA, Certified Internal Auditor	1.85	1.10
GMAT Composite	1.82	1.11
GMAT Verbal	1.74	1.09
Other certification	1.74	1.13
Quantitative score - GMAT	1.71	1.02
Military service	1.71	1.05
Fluency in 2 or more languages	1.61	.93

both oral and written recommendations by faculty. Professional certification as a CPA or CMA and class standing are in the fourth quartile. Given the emphasis business colleges have put on team work, it was surprising to find that group oriented activities and participation in extracurricular activities received mean ratings of 2.77 and 2.74, respectively. Volunteer experience involving a significant amount of time and hobbies that indicate a variety of interests had means, respectively, of 2.93 and 2.46. Willingness to travel had a mean of 2.61.

Conclusions and Limitations


This study raises the question of whether business colleges, and accounting departments in particular, are preparing students for the work environment of the future. Although technical knowledge of accounting and finance is in the first quartile, it is the twelfth item from the top and is the only strictly accounting measure in the first quartile. General notions of the candidate's ability to contribute to the success of the organization dominated the first quartile. Accounting GPA and overall GPA are the only academic measures in the second quartile. Technical knowledge, accounting GPA and overall GPA are given much more weight in universities and colleges than they are in corporate hiring practices. An accounting degree may provide a credential that a potential employee has attained a basic level of competence. In addition to the degree, traits that predict management success are those that are sought in entry-level accountants. These are the traits that those in positions of business leadership must all possess in the competitive global economy. As the AECC (1990) has emphasized, to better serve our students and the business community, accounting educators need to adapt their curricula.

Some limitations of the study are that the sample may not be representative of the population as a whole. Ninety-five percent of the respondents to this survey were members of the IMA. The survey was conducted at an IMA annual meeting, which is attended by regional

and local chapter members and only a few non-office holders. The percentage of respondents with professional certifications was higher than that of financial executives in the population as a whole (Siegel 1994). These characteristics may reduce the extent to which the survey results are indicative of the views of other corporate executives. However, the study does confirm anecdotal evidence of the need for a broader range of skills and abilities among those in managerial accounting positions (Zarowin 1997; Goldstein 1997).

Suggestions for Future Research

Based on this and other studies, it appears that corporate accountants are giving leadership, oral communication, and other qualitative traits a great deal of weight in evaluating college graduates for entry-level managerial accounting positions. Future research directed toward learning what in-house training entry-level accountants receive might be useful. One would expect that training is either in areas in which the new employees are deficient or in areas that require specialized knowledge that universities are not expected to impart. This type of research should require surveys of a cross-section of corporate accountants. Supplementing this research, one might conduct structured interviews of accounting executives in which they were asked to discuss their reasons for the type of training they provide to new accounting employees. Studying the responses of accounting faculty to the changing needs of corporations for entry-level personnel is another avenue of research that may prove interesting and informative. Questions that might be raised include, "What is the extent to which accounting faculty agree that they should be teaching in the areas that corporate accountants value?" Another avenue of research would be to conduct a detailed analysis of the curricula of accounting departments that have received grants from the AECC. The curricula could be evaluated with respect to the types of skills and knowledge promoted and whether these are consistent with corporate accountants' expectations. As time passes, the knowledge and skill base that gradu-

ates need to succeed in business will change. Future research may be directed toward determining how accounting departments could keep abreast of these changes as opposed to doing too little, too late. 

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Notes