AACSB Accreditation: Symbol Of Excellence Or March Toward Mediocrity?

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ABSTRACT

Accreditation by the Association to Advance Collegiate Schools of Business (AACSB) is supposed to be a symbol of excellence for business schools. However, the recent increase in the number of accredited schools and the creation of AACSB's "professionally qualified" (PQ) designation for faculty raises some concern in the academic community. Why has the AACSB increased the number of accredited institutions by over 75% since 1996? What is the purpose of the PQ designation? Does accreditation by the AACSB promote quality in business education or has accreditation become just a marketing tool? This paper argues that the AACSB needs to reconsider its mission and divide accredited institutions into tiers or classes based on criteria such as the types of degrees granted, research productivity, and financial resources.

Keywords: AACSB, academically qualified, professionally qualified

Is accreditation by the Association to Advance Collegiate Schools of Business (AACSB) a marketing tool that can be purchased or truly a brand of excellence for a college or university? Looking at recent changes to accreditation standards, it appears that the quality of the institutions accredited has deteriorated over the last decade. This shifting of accreditation standards has turned what was once a hallmark of excellence into a commodity for sale. If you think this criticism is harsh, allow us to analyze some of the changes in AACSB accreditation standards.

BACKGROUND

The AACSB was formed in 1916 by 17 distinguished institutions including the University of Chicago, Harvard and Yale. Traditionally the mission of the AACSB has been to set standards for accreditation to ensure quality in schools of business. Some of these standards have been quantifiable and others merely anecdotal. Typically, those in business education have considered quality based on several measures. Examples of measurable quality guidelines included the number of terminally-qualified faculty, the percentage of student credit hours taught by full-time faculty, and the percentage of student credit hours taught by doctorally-qualified faculty. Other criteria have included faculty research productivity, innovations in the use of technologies and teaching methods, and formal evidence of staying current in the profession. Other measures used to evaluate programs included the marketability of graduates, perceptions of student quality by employers, and reputation of the program in the professional community.

To meet AACSB standards, faculty members were evaluated on a "three-legged stool." Professors were expected to show excellence in the areas of teaching, research, and service. The chance of being accredited without excellence in each of these areas was quite slim, and it was generally acknowledged that publications were the "coin of the realm." Under this system it was understood that the quality of the faculty was foremost in the accreditation process. While other items came into vogue periodically (such as use of technology, coverage of ethics, and the internationalization of the curriculum), it was well known that a program with inadequate doctoral coverage of classes or a lack of research output would not receive accreditation.

The AACSB revised its standards in 1991 after being criticized throughout the 1980s for setting overly-stringent accreditation standards. A common complaint was that applying a uniform standard to all business programs was unfair to smaller universities. For example, to compare regional universities to elite private and public universities, which generally have better financial resources to support faculty research, placed an unfair burden on smaller and less well-funded programs. Another criticism of the standards was that business schools were spending excessive resources on meeting the accreditation standards instead of the needs of the business community and their student clients.

In response to the criticisms of the AACSB, a new accrediting body formed— the Association of Collegiate Business Schools and Programs (ACBSP). Created in 1988, the ACBSP was to fulfill a need for specialized accreditation by institutions of higher education with business schools and programs, specifically by providing for business education accreditation based on the mission of the institution and the respective department or school. This accreditation acknowledged and emphasized quality in teaching and learning outcomes.

As a defense mechanism, AACSB revised their standards in 1991 to incorporate the mission of the university. Under these updated standards, an institution seeking accreditation was able to tailor their accreditation criteria to reflect the mission of their institution. A common outcome of this mission-driven criterion was for institutions to place more emphasis on teaching and less on research productivity. This required the accreditation review process to look at antidotal and often unproven teaching output measures such as student exit interviews and surveys of alumni and employers.

In a mission-driven accreditation standard, the particular college sets its own standards reflecting the mission of the institution. The college also determines whether or not they have been successful in meeting their standards and working toward the fulfillment of their mission. The result, of course, is that a college may be tempted to set a very low standard that it will undoubtedly meet.

Allowing each university to establish its own standards calls into question the legitimacy of those standards and how well they actually measure quality. What are the long-term implications of having no uniform standards? What is the impact of not having a commonly defined "seal of quality" bestowed on a university by being accredited? In a business world of Total Quality Management (TQM) and International Standards Organization (ISO) standards, it seems ironic that business schools do not want a minimum uniform standard of quality.

In a 2000 article, Yunker theorized that one reason for the 1991 revised standards was that the AACSB was becoming increasingly concerned that it might be held legally liable for the denial of accreditation. He also hypothesized that the AACSB's main incentive was to increase the number of dues-paying member institutions. Yunker's conjecture on increasing AACSB's financial resources seems to have come to fruition. At the end of the 1995-1996 academic year, there were 326 accredited institutions; by July of 2007, there were 551 accredited institutions. Should these numbers lead us to believe that there are now 225 more top flight business schools that have sprung up in the last 11 years?

CHANGING STANDARDS

A major change in AACSB accreditation standards is the distinction between Academically Qualified (AQ) and Professionally Qualified (PQ) faculty. Prior to the 2004 revisions, there was no PQ designation. The AACSB requires that 50 percent of the faculty for schools with undergraduate business programs be AQ and 90 percent must be either AQ or PQ. The individual colleges and universities define their own criteria for determining whether a faculty member is AQ or PQ for their institution. The standards state that institutions with graduate degree programs should exceed the percentage of AQ faculty required for schools with no graduate programs but provides no minimum percentage. The lack of uniform standards obviously leads to discrepancies between schools. For example, one school may require numerous publications in top tier journals for a faculty member to be considered

AQ while others may only require one article in a lower tier journal to maintain AQ status. Some schools may determine that an instructor must have been an officer in a Fortune 1,000 company in order to qualify as PQ, while another school may consider someone who recently graduated from their own MBA program and has no relevant work experience as PQ.

The AACSB separately accredits schools of accountancy. One of the AACSB's requirements for institutions that hold separate accounting accreditation demonstrates this discrepancy. The standards states that the faculty as a whole must included a sufficient number of individuals with professional accounting credentials, qualifications, or certifications to be consistent with the academic unit's mission. Some institutions may require their PQ accounting faculty to have 10 years relevant work experience and possess professional accounting certifications such as the Certified Public Accountant (CPA) or Certified Management Accountant (CMA), while others may only require a Masters of Accounting degree to be considered PQ. The AACSB states that the burden of justification regarding professionally qualified faculty rests with the school seeking accreditation and the AACSB provides no minimum standard to be professionally qualified.

What is the purpose of this revision to the standards? Do the new standards truly reflect a better quality product or are the standards a further reaction to the threat of the ACBSP? Are the standards a response to the increasing number of international universities, which tend to have more faculty that do not possess a doctoral degree? Do the changes represent a decrease in the availability of terminally-qualified faculty for U.S. institutions and a way to keep the cost of such faculty from spiraling upward?

The authors would argue that the decline in the number of terminally-qualified faculty and its impact on small regional and private universities are the driving forces behind the recent changes. The shortage of business Ph.D.s has forced some institutions to hire faculty that do not possess a terminal degree in order to fully staff their business colleges. Without the change in accreditation standards, the business schools lacking financial resources to compete for Ph.D. faculty would no longer seek accreditation or, if already accredited, would lose their accreditation and no longer pay annual accreditation fees to the AACSB. These fees can be substantial. For example, accredited educational institutions currently pay $3,800 in annual dues, while accredited institutions that have both business and separate accounting accreditation pay $6,500 per year in accreditation fees. Institutions in candidacy for both business and accounting accreditation pay $20,800 in initial accreditation and pre-accreditation application fees (www.aacsb.edu/accreditation/fees.asp). As the financial fee structure indicates, the AACSB revenue stream is much larger due to its accreditation fee structure rather than depending solely on member dues.

This change in accreditation standards has financial repercussions for both colleges and terminally-qualified faculty members. First, the cost of hiring faculty will decrease for colleges as it is much cheaper to hire someone with an MBA than someone with a Ph.D. in a business discipline. Second, by increasing the potential supply of faculty (all MBAs vs. previously all Ph.D.s) the salary-growth rate of faculty with a doctoral degree will stagnant as Ph.D's are replaced with less costly non-Ph.D. faculty.. If in fact the purpose of accreditation is to set a minimum standard of quality for business schools, then how can AACSB set up inconsistent policies for determining whether a faculty member is AQ or PQ? The lack of minimum standards, in reality, may be a by-product of the shortage of terminally-qualified professors and prevents schools from losing their accreditation.

Concerns over the shortage of doctorally-prepared faculty led the AACSB to form the Doctoral Faculty Commission (DFC) to advise the AACSB's International Board of Directors. In September 2003, the DFC issued a report entitled "Sustaining Scholarship." This report stated: "Unless decisive action is taken to reverse declines in business doctoral education, academic business schools, universities, and society will be faced with an inevitable erosion in the quality of business education and research". In the same report, the DFC concluded: "Doctorally trained individuals are the most essential element in assuring the continued rigor of business education in research conducted in academic, business, and public policy institutions. Ensuring adequate supply must, therefore, be a primary concern from an industry-level perspective".

In a potential further erosion of quality in business programs, the AACSB has endorsed the "Post-Doctoral Bridge to Business Programs" that prepares doctoral faculty from academic disciplines outside of business for faculty positions in business fields. The AACSB states that these programs facilitate the transition of these scholars to more quickly pursue faculty positions in management education. Currently there are only four U.S. institutions (University of Florida, University of Toledo, Tulane University, and Virginia Polytechnic Institute and State University) and Grenoble Ecole de Management in France that are offering the bridge program. These individual programs will vary in length and delivery method (i.e. residence vs. distance learning) at each institution.

Since these bridge programs will not begin until the summer of 2008, the verdict on their effectiveness is still a number of years away. However, questions are already being raised even before these programs begin. For example, would someone transitioning from a Ph.D. in Mathematics to teach Accounting be required to take the minimum number of accounting classes to sit for the CPA exam (usually 24 hours above the principles level) or would they only concentrate in statistical methods to conduct accounting research? Will the bridge program crank out only "quant jocks" or individuals that can both conduct research and teach the practical application of the business field?

IMPACT OF CHANGING STANDARDS

The major effects of these changing standards are probably very dismal for terminally-qualified faculty in business disciplines as well as the quality of education for the student. The problem with the AACSB's solution is that it tries to countermand the basic laws of supply and demand. In order to avoid a wage spiral for the decreasing number of Ph.D.s, the standards attempt to decrease the demand side rather than increase the supply side.

The reason for the current lack of supply is that the salary of Ph.D. faculty does not exceed the opportunity cost associated with getting a Ph.D. As wages of business graduates have skyrocketed, the salary of Ph.D.s has not kept pace. The 2005-2006 AACSB salary survey shows that the average nine-month salary for new doctorates for faculty of all ranks and disciplines was $94,500. This compares to an average salary of $92,300 and a first year signing bonus of $17,600 for newly-minted MBAs in 2006 (Global MBA Graduate Survey sponsored by the Graduate Management Admission Council). Thus a new Ph.D. makes less than a new MBA even if one adds summer teaching or research support to the total. The AACSB's decision to require only 50% of the faculty to be AQ and the creation of the bridge programs will work to diminish potential faculty salary increases that would allow faculty members to at least recapture the equity premium that existed for new business Ph.D.s when compared to new MBA graduates.

The next question is what will be the effect of these standard changes on research? As the number of terminally-qualified faculty with business doctorates decreases, logically the number of journal articles will decrease. Will the decrease in research productivity cause a decrease in journal quality as the editorial peer review standards are relaxed because of the reduced number of article submissions from which to choose? What will be the long-term effect of having fewer research articles on business topics?

The long-term effect of the reduced standards and standards based on mission could come back to haunt the AACSB. The AACSB could find itself in a position similar to that of the Joint Commission on Hospital Accreditation. A recent *Wall Street Journal OP-ED* piece reported that an April 2007 study found that 25% of California Hospitals deemed unsanitary by state investigators had been accredited within the previous year. While unsanitary conditions in our nation's hospitals are far more serious than lax business accreditation standards, the black-eye that the AACSB and business schools could receive due to questionable standards would take many years to heal.

RECOMMENDATIONS

It is our recommendation that the AACSB establish three categories of accredited institutions and establish standards for each category. Just as the NCAA categorizes institutions into Division I, II, and III for athletics based on the number of programs sponsored, scholarships given and, in some cases attendance, the AACSB must establish criteria to separate business schools into different categories. While a logical choice would divide institutions between doctoral, masters and bachelor programs, other combinations are possible. For example, classifications could be based on average SAT scores, overall student size of the business school, quality and quantity of research productivity, and/or average expenditure per business student. For each category of business school, specific minimums should be placed on the percentage of terminally-qualified faculty and types and quantities of academic research that must be conducted to maintain AQ status. A clearer definition of PQ should also be designated for each category.

CONCLUSIONS

Without question, seeking or maintaining AACSB accreditation is a worthy endeavor. The peer-review process allows not only the institution being reviewed to learn and improve but allows the peer review team to take best practices back to their university. Benchmarking against peer and aspirant institutions and seeking continuous improvement are hallmarks of business excellence. However, the AACSB's current practice of granting the same accreditation stamp based on the institution's mission gives the false impression that Southwest State University has achieved the same standards as Flagship State University or Ivy League University. To have individual institutions define their own standards but receive the same accreditation stamp is misleading at best and quite possibly academically dishonest.

If students select a university with AACSB accreditation, they should not be confused as to whether that institution's standards are the same as that of another AACSB accredited institution. AACSB should clearly define to the consumer (future students and employers) that there is a distinction between differently accredited schools. The best way of doing this is by having classifications for accreditation based on the type of institution and their merits. Additionally, establishing faculty qualifications for AQ and PQ within each category of accreditation further assures the market that the institution has met a national standard of excellence instead of a contrived local standard created by that institution.

The current practice of AACSB accreditation based on mission and lack of uniform AQ/PQ standards seems to meet the goal of the AACSB of having a wider franchise, but it does little to promote the reputation of a quality brand. Instead, current accreditation practices promote the reputation as the seller of discounted goods.

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