

## **Minority accounting students' socialization in AACSB-accredited minority colleges of business**

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### **ABSTRACT**

Nearly one-quarter of a century has elapsed since Williams et al. (1988, 62) pleaded for additional research concerning minorities and the accounting profession. Subsequently, a number of academic and practitioner research studies have been undertaken in an effort to recruit and retain minorities in the profession. One area that has not been addressed is the effectiveness of the socialization process on minority undergraduate accounting students. This research has tremendous implications, in that accounting programs which effectively socialize minority undergraduate accounting students to the norms of the profession may contribute to higher minority accountant new-hire retention rates, especially in public accounting.

The current research investigates whether the accounting curriculum in AACSB-accredited minority colleges of business effectively socialize senior minority undergraduate accounting students towards their responsibilities to the accounting profession. Clikeman and Henning's (2000) survey methodology is adapted to conduct this research. The sampling frame consists of accounting majors and nonaccounting business majors enrolled at a minority southeastern university in the United States. The results indicate that no statistically significant difference exists between senior and sophomore accounting students' perceptions of their responsibilities to financial statements with respect to misstatements, disclosures, cost-benefits, and CPA responsibility. These results persist for students with high grade point averages. Likewise, no significant difference exists between senior accounting and non-accounting business majors' perceptions of accountants' responsibility to financial statement users.

Future research may investigate the degree to which faculty experience (i.e. Big "N" experience, industry experience, faculty research interests, etc.) influences the socialization process of senior minority undergraduate accounting majors.

**Keywords:** Socialization, Accounting Curriculum, Minority Retention

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## INTRODUCTION

A central question facing the accounting profession is how to retain minority accountants in the profession. The American Institute of Certified Public Accountants (AICPA, hereafter) has long expressed interest regarding the integration of minorities into the profession (Ross and Traub 2008; Brotherton 2005; Hammond 2004, Craig 1987). Nonetheless, these efforts have yielded meager gains (James and Hill 2009, 211).

James and Hill (2009, 211) note that the AICPA continues to seek ways to improve diversity in the CPA profession. In order to advance this agenda, it is imperative that AACSB-accredited colleges of business provide accounting recruiters with minorities who not only excel academically, but also are socialized to their responsibilities to the accounting profession.<sup>1</sup> Bricker and Previts (1990) suggest that the schism between accounting practice and accounting education results in a less-than-smooth transition for students. The American Accounting Association believes that it is incumbent upon accounting education to impose upon future accounting practitioners both high ethical standards and “the commitment of a professional” (Bedford et al. 1986, 179). The greater understanding that minority accounting students attain regarding their responsibilities to the profession at the undergraduate level, the greater the likelihood that they will remain in the profession. Thus, it is imperative to understand the progression of senior undergraduate minority accounting majors towards the socialization of norms consistent with the accounting profession.

The current research investigates the effectiveness by which AACSB-accredited minority colleges of business socialize undergraduate minority accounting majors towards their responsibilities to the accounting profession. The results of the current research provide accounting professors with several expectation gaps that exist between senior minority accounting students and their expected responsibilities to financial statement users. Accounting professors who successfully bridge this gap by adjusting their curriculum to increase their students’ awareness of their responsibilities to the profession may expedite the AICPA’s goal of successfully integrating minorities into the accounting profession, as well as improve the retention of minorities in the accounting profession.

Seventy-six minority undergraduate students responded to a survey adapted from Clikeman and Henning (2000) in order to measure minority accounting students’ perceptions of the following attributes that are critical to understanding their responsibilities to financial statement users: willingness to misstate financial statement information, disclosure of sensitive information, cost benefit of disclosures, and responsibility of corporate managers. The results indicate that no significant difference exists between senior and sophomore accounting students’ perceptions of their responsibilities to financial statements on each of the major attributes. A separate analysis indicates that no significant difference exists between senior accounting and nonaccounting business majors’ perceptions of their responsibilities to financial statement users. These results persist for students with grade point averages of 3.00 or higher.

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<sup>1</sup> Clikeman and Henning (2000) operationalize the construct socialization as defined by Merton and Rossi (1968), which states that “socialization is the process wherein a person begins adopting the attitudes and beliefs of a reference group”. Socialization towards accounting norms describes whether a person has adopted common beliefs that are withheld by a particular organization.

The results of this research present an area which the AICPA may address as a means of improving the low attrition rate of minority accountants in public accounting. The results may also be of use to professors who have direct contact with minority accounting students, in that it raises awareness of the possible hurdles that minorities face as entry-level accountants as well as their decision to remain in the accounting profession throughout their professional career.

The remainder of the paper is organized as follows. The next section provides a review of the socialization literature, followed by the hypotheses development. The third section discusses the methodology. The fourth section presents the research results. The final section concludes with an overview of the results, followed by a brief discussion of the limitations of the study and suggestions for future research.

## **LITERATURE REVIEW**

A void in the literature exists regarding minority accounting students' socialization towards the norms of the accounting profession. This section proceeds with an overview of socialization literature in academic disciplines other than accounting, followed by a review of the literature which addresses the socialization of new-hire accountants. This section concludes by identifying the research gap in academic and practitioner literature and the hypotheses presentation.

### **Socialization In Other Academic Disciplines**

Academic literature provides mixed results regarding the success that schools have in socializing their students towards the norms of the profession. Skoussen (1977) acknowledges schools' obligations to professionally socialize students towards norms of the profession. Reader (1957) finds that students who are treated as junior colleagues tend to perform better than those treated as "children on trial". Thielens (1967) and Ondrack (1975) provide empirical evidence regarding the change in students' attitudes toward values of the profession while the students are enrolled in law schools and nursing professional schools, respectively.

However, other research does not provide support regarding the effectiveness of the socialization process that occurs in formal education. Lovell (1964) reports that the socialization process that occurs in "total institutions" such as West Point only provide a slight impact upon the professional orientations and strategic perspectives expected of cadets. Watson (1963) provides evidence that a change in the curriculum of a law school program would not prove effective in socializing lawyers to the profession. He notes that the magnitude of professional responsibility cannot be learned in one course, so it must be viewed as a pervasive process. Likewise, Schein (1967) finds that socialization of management students toward desired management traits expressed by the Sloan Management School do not occur in the formal education process. Following student progressions through the two-year school, Schein's (1967) results indicate there were no significant changes in students' attitudes towards management traits taught by the school.

### **Socialization at the Accounting Firm Level**

Many research studies examine the effectiveness by which public accounting firms socialize new-hire accountants towards norms of the accounting profession. Dirsmith and

Covaleski (1985) find that the coupling of informal communication methods and mentoring is more effective in the socialization of new hires than informal communication alone. Fogarty (2000) suggests that the socialization of accounting recruits should be an integral part of a new hire's career, not an addendum to the orientation process. Fogarty's (1993) research addresses the socialization process used by public accounting firms to develop new hires' buy-in to the firm's beliefs, behaviors, and code of ethics. Using the cognitive development theory, Ponemon (1992) finds that new hires who achieve manager status or higher tend to converge on the firm's ideas regarding ethical reasoning, which may be reflective of the firm's bias to promote those with ethical views similar to the firm. Ponemon's (1993) Defining Issues Test suggests that a quadratic relationship exists between the ethical development of subjects and ethical behavior. However, Chatman (1991, 478) notes that socialization towards the norms and values of the firm may not be as strong, predominantly due to the standardization of formal training mandated by the accounting profession. Collectively, these studies demonstrate the urgency with which the academic accounting community must address the process of socializing accounting students prior to students entering the profession.

### **Socialization at the Undergraduate Academic Level**

Academic and practitioner literature is scarce regarding the socialization process of accounting students prior to entering the profession. This research stream commonly focuses on socialization at the undergraduate level as well as in the accounting curriculum. The AICPA (1978) expressed concerns that faculty members without professional experience and research interests of use to accounting practitioners is detrimental to development of students' professional identities and their attitudes to accounting problems in practice. Nautz (1972) expressed concerns that accounting curricula that only stresses the formalized aspects of accounting may ultimately impede the judgment ability of future accountants. Sommerfeld proposed that students may become more socialized towards the ethical expectations of the profession by restructuring undergraduate student's coursework (Bedford 1977, 57-59). These results appear to be in concert with Mayer-Sommer and Loeb (1981), who noted the inadequacies of the professional accounting socialization process. Their research identified faculty orientations (i.e. sound theory of practice, a collegial attitude, a cosmopolitan outlook) as well as faculties' ability to structure students' classroom experience as factors that may achieve more favorable results regarding the socialization of accounting students.

### **Hypotheses Development**

Clikeman and Henning (2000) surveyed senior accounting and nonaccounting students in order to investigate whether the professional socialization process occurs prior to students being hired as professional accountants. The results of their study indicate that senior accounting students are statistically more likely than nonaccounting business majors to be concerned with the needs of financial statement users.

According to the AICPA Code of Professional Conduct, accountants are expected to develop professional attitudes consistent with the profession in order to fulfill their responsibilities to financial statement users (AICPA 1992). This socialization begins at the undergraduate level. St. Pierre et al. (1990) and Jeffrey (1993) find that accounting students

score more favorably than nonaccounting business majors on Defining Issues Tests regarding moral development.

All AACSB-accredited schools are expected to develop an accounting curriculum that conforms to AACSB standards. The curriculum should prepare students to uphold the duties of a professional accountant. While the curriculum may be in concert with AACSB standards, it is possible that students do not effectively apply learned knowledge to situations in which they should value the needs of financial statement users above the needs of corporate management.

Students' views towards accountants' responsibility regarding earnings management is a common source of disagreement among financial statement users and corporate managers (Clikeman and Henning 2000). Clikeman and Henning (2000) also suggest that other major sources of difference exist between corporate managers and financial statement users, including the intentional misstatement of financial statements, disclosure of sensitive information, the cost-benefit of gathering and publishing information in financial statements, and CPAs' responsibilities to shareholders. The present research posits that senior minority students who are socialized towards the ethical norms of the accounting profession at the undergraduate level should be more aligned with the norms of the accounting profession than sophomore accounting students and senior nonaccounting business majors. The null hypotheses which tests this theory is as follows:

**H1:** No significant difference exists between minority undergraduate senior and sophomore accounting majors with respect to their perceptions of accountants' responsibilities regarding the [H1a] misstatement of the financial statements, [H1b] the disclosure of sensitive information, [H1c] the costs and benefits of financial reporting, and [H1d] responsibilities of management.

**H2:** No significant difference exists between senior minority accounting majors and other senior nonaccounting minority business majors with respect to their perceptions of accountants' responsibilities regarding the [H2a] misstatement of the financial statements, [H2b] the disclosure of sensitive information, [H2c] the costs and benefits of financial reporting, and [H2d] responsibilities of management.

## **METHODOLOGY**

Seventy-six undergraduate business students from a public AACSB-accredited business school in the Southeastern United States submitted usable surveys. All senior students were enrolled in a senior capstone course. All sophomore students were enrolled in principles of accounting, a required course for all business majors. Several students opted not to participate in the study, and six students who completed the survey did not complete the demographic section. Table 1 provides an overview of the demographics collected in the study.

### **Instrument**

A field survey was adapted from Clikeman and Henning (2000) in order to investigate sophomore and senior accounting and nonaccounting perceptions of their responsibilities to

financial statement users on four attributes. The survey consisted of eleven statements that comprise the four attributes. The statements which constitute each attribute are as follows:

- (1) Misstatements: This category assesses the willingness of students to purposely exclude and/or misstate financial information. (Statements 1, 5, 7, and 9)
- (2) Disclosures: This category assesses whether or not additional disclosures should be included in the financial statements. (Statements 4, 8, and 11)
- (3) Cost–Benefit: This category assesses the cost benefits of including additional disclosures. (Statements 3 and 6)
- (4) Responsibility: This category assesses the student’s opinion of the responsibility of management to outsider users of the financial statements. (Statements 2 and 10)

## RESULTS <sup>2</sup>

Independent samples t-tests were employed to examine the mean differences measured in the study. The research of interest is whether the accounting curriculum at minority colleges of businesses effectively socializes senior accountants towards their responsibilities to the accounting profession. Two primary analyses are provided in this section. First, senior accounting students’ perceptions are compared to sophomore accounting students’ perceptions in order to assess the effectiveness of the accounting curriculum. The other critical analysis examines whether senior accounting students’ perceptions of their responsibility to financial statement users are significantly higher than other senior nonaccounting business majors. The mean responses to each statement as well as the four major attributes are presented in Table 2.

An initial comparison of sophomore accounting and nonaccounting business majors’ perceptions of the four attributes is conducted in order to establish a baseline concerning when the socialization process begins. Consistent with Clikeman and Henning (2000), no significant difference exists between their perceptions of the four major attributes. These results are also consistent with Schein (1967), who finds that socialization of management students toward desired management traits expressed by the Sloan Management School did not occur in the formal education process.

An analysis of each individual statement reveals that a significant difference exists between sophomore business and non-business accountant majors for statement three only ( $p = 0.095$ ). All other analyses are consistent with Clikeman and Henning (2000, 9), whose results suggests that no evidence exists that accounting and nonaccounting students begin their education with different attitudes about their responsibilities to financial statement users.

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<sup>2</sup> The data was analyzed using SPSS. The following pre-analysis procedures were performed in order to prepare the data for use in SPSS. First, negatively worded statements on the questionnaire (statements 3, 5, 6, 7, 9, 10) were reverse-coded in order to ensure that all items are scored so that high scores indicate high levels of agreement. Secondly, total scores were calculated for each of the four latent constructs identified by Clikeman and Henning (2000).

## **Test of H1 (Accounting Student Socialization Between Sophomore and Senior Year)**

Hypothesis one examines whether a statistically significant difference exists between senior and sophomore accounting students' perceptions of their responsibility towards financial statement users on four latent attributes. Hypothesis one cannot be rejected at conventional levels of significance for any of the four attributes.

A degree of practical significance may be attained by comparing the direction of the scores in the current research to those in Clikeman and Henning (2000).<sup>3</sup> Interestingly, only the total disclosure score in the current research is in the same direction as that in the Clikeman and Henning (2000) study.<sup>4</sup> This suggests that opportunities may exist for minority accounting programs to increase their socialization practices in the accounting curriculum.

An additional analysis investigates whether significant differences exist among individual elements of each latent construct. Statistical tests indicate a statistically significant difference for the mean responses of statement eight, which examines senior and sophomore accounting majors' level of agreement regarding the disclosure of operating budgets and earnings forecasts in the financial statements (mean = 5.083 and mean = 4.778, respectively;  $p = 0.088$ ). However, the direction of these results are opposite of the students in Clikeman and Henning's (2000) research.

Accounting students' assessment of statement three—which investigates perceptions as to whether financial statement users are overburdened by accounting rules—are statistically lower for seniors compared to sophomores (mean = 2.917 and mean = 3.778, respectively;  $p = 0.040$ ). Finally, senior accounting majors are less likely than sophomore accounting majors to believe that CPAs are more responsible for protecting outside investors than managers (mean = 1.193 and mean = 2.147, respectively;  $p = 0.074$ ). The direction of the means is in the same direction as the responses of students surveyed in the Clikeman and Henning (2000) study.<sup>5</sup>

Collectively, these results suggest that while the accounting curriculums of minority college of businesses are in concert with AACSB standards, a greater emphasis may need to be placed on students' ethical responsibilities to financial statement users at the undergraduate level.

## **Test of H2 (Socialization of Senior Accounting Students versus Non Accounting Students)**

Hypothesis two examines senior minority accounting majors and other senior nonaccounting minority business majors' perceptions of their responsibility towards financial statement users. Hypothesis two cannot be rejected at the conventional levels of significance for any of the four attributes.

Only the results regarding the total disclosure score are consistent with Clikeman and Henning's (2000) research. While the direction of the total disclosure scores trend in the same

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<sup>3</sup>The following total scores represent the findings from Clikeman and Henning (2000) and the current research, respectively: Total Misstatement Score: 23.76 versus 14.58; Total Disclosure Score: 13.37 versus 15.25; Cost Benefit Score 10.57 versus 7.33; Total Responsibility Score 10.47 versus 8.00.

<sup>4</sup> No significant difference noted based on GPA for each of the total scores ( $p < 0.10$ ).

<sup>5</sup> This analysis was also performed for senior and sophomore students reporting a GPA of 3.00 or higher. Statement ten, which examines perceptions of CPAs' responsibility for protecting outside investors, was significantly different for sophomore and senior accounting majors (mean = 4.000 and mean = 4.200, respectively;  $p = 0.006$ ). No significant difference is reported for the other statements.

direction, neither study reports a statistically significant difference in perceptions of financial statement disclosure. Consistent with Clikeman and Henning (2000, 11), these results are indicative of the fact that nonaccounting students believe more strongly than accounting students that companies are overwhelmed with complex financial reporting responsibilities, even in the post-Sarbanes Oxley era.

An analysis of the individual statements finds that statement ten (CPA responsibility for protecting financial statement users) is marginally significant in the current study. Consistent with Clikeman and Henning (2000), senior accounting majors in the current store are less likely than senior nonaccounting majors to believe that CPAs are more responsible for protecting outside investors (mean = 1.193 and mean = 3.718, respectively;  $p = 0.104$ ). This significant difference persists for senior accounting and nonaccounting students with grade point averages of 3.00 or higher ( $p = 0.094$ ). The direction for each of these analyses trends in the expected direction.

## **IMPLICATIONS, LIMITATIONS, AND SUGGESTIONS FOR FUTURE RESEARCH**

The purpose of this research was to empirically examine whether minority senior accounting majors were more socialized to the norms of the accounting profession than other minority nonaccounting business majors. The results indicate that no significant difference exists between senior minority accounting majors and senior minority nonaccounting majors' perceptions of accountants' responsibility to financial statement users on the following attributes: financial statement misstatements, the disclosure of sensitive information in the financial statements, the cost-benefit of preparing financial statements, and the responsibility of CPAs and management. These results persist for students with grade point averages of 3.00 or higher. Similar results exist in the analysis of senior and sophomore minority students' perceptions of the same attributes.

The major implication of this study is that an opportunity exists for the accounting curriculum to socialize minority accounting majors' towards their professional responsibilities throughout their matriculation in the accounting program. A higher degree of socialization towards the norms of the profession at the senior level may translate to higher rates of minority retention in the accounting profession, thus contributing to the AICPA's mission to diversify the accounting profession.

### **Limitations**

One limitation of this study relates to the data gathering technique. All students may not have been present of the day the survey was conducted, which may have led to a smaller sample size, thus limiting the generalizability of the results.

### **Future Research**

Future research may investigate the degree to which faculty experience (i.e. Big "N" experience, Non-Big "N" experience, industry experience, faculty research interests, etc.) influences the socialization process of senior minority accounting students. Another area of research is to conduct a longitudinal study to examine the effect of unfavorable socialization on their success in the early and later stages of their accounting career.



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**Table 1**  
**Demographics (n = 76)**

<u>Demographic</u>	<u>Sophomore</u>	<u>Senior</u>
Major		
Accounting	9	12
Non Accounting Major	<u>16</u>	<u>39</u>
Total	25	51
Accounting Courses Taken		
None	4	0
One	11	10
More Than One	<u>10</u>	<u>41</u>
Total	25	51
GPA		
3.50 – 4.00	4	6
3.00 – 3.49	9	15
2.99 Or Below	<u>12</u>	<u>30</u>
Total	25	51

**TABLE 2<sup>a</sup>**  
**Mean Responses to Financial Reporting Questions by Class**

	Sophomores			Seniors		
	<u>Business Sophomore</u>	<u>Accounting Sophomore</u>	<u>p-value</u>	<u>Business Senior</u>	<u>Accounting Senior</u>	<u>p-value</u>
1. A company's financial statement disclosures should include major business risks even if it makes it more difficult for the company to survive.	4.750 <sup>c</sup>	5.111	0.415	4.359 <sup>c</sup>	4.833	0.772
5. If I thought that other companies could use a company's required information from a company's financial statements to gain an unfair advantage, that information should be omitted.	4.438	4.778	0.722	4.231	3.833	0.664
7. Management compensation should NOT be compared with the public.	3.813	3.556	1.000	3.436	3.500	0.234
9. In order to save the jobs of MY employees, I would purposely alter the financial statements as long as it is not material.	2.375	2.111	0.308	2.333	2.417	0.918
<b>Total Misstatement Score</b>	<b>15.375</b>	<b>15.556</b>	<b>0.913</b>	<b>14.359</b>	<b>14.583</b>	<b>0.244</b>
4. Investors need more financial disclosures in order to make better decisions.	5.500	6.111	0.269	5.105	5.167	0.186
8. Operating Budgets and earnings forecasts should be disclosed in the financial statements	5.063 <sup>c</sup>	4.778 <sup>b</sup>	0.095	4.763 <sup>c</sup>	5.083 <sup>b</sup>	0.128
11. Maintenance expenses, advertising expenses, and other discretionary expenditures that are reduced at the end of the year should be reported in the financial statements.	5.313	5.556	0.756	4.769	5.000	0.397
<b>Total Disclosure Score</b>	<b>15.875</b>	<b>16.444</b>	<b>0.476</b>	<b>14.568</b>	<b>15.250</b>	<b>0.157</b>
3. Companies have too many complex accounting standards and too many requirements for publishing their financial statements.	3.000	3.778 <sup>b</sup>	0.260	3.923	2.917 <sup>b</sup>	0.814
6. Investors are overloaded with information due to current accounting rules forcing companies to reveal more information than is really needed by investors.	3.1875	3.778	0.417	4.1026	4.417	0.694
<b>Total Cost-Benefit Score</b>	<b>6.188</b>	<b>7.556</b>	<b>0.883</b>	<b>8.026</b>	<b>7.333</b>	<b>0.527</b>
2. Company executives have more responsibilities to shareholders than to company employees.	3.3125	4.444	0.604	4.205	3.833	0.925
10. I believe that Independent Auditors (CPAs) are responsible for protecting the interests of outside investors, NOT managers.	4.625 <sup>c</sup>	2.147 <sup>b</sup>	0.434	3.718 <sup>c</sup>	1.193 <sup>b</sup>	0.104
<b>Total Responsibility Score</b>	<b>7.938</b>	<b>8.556</b>	<b>0.381</b>	<b>7.923</b>	<b>8.000</b>	<b>0.244</b>

<sup>a</sup> Negatively worded questions 3, 5, 6, 7, 9, and 10 were reverse coded

<sup>b</sup> Mean response of sophomore and senior accounting students is different from zero ( $p < 0.09$ )

<sup>c</sup> Mean response of sophomore and senior non accounting students is different from zero ( $p < 0.10$ )