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ASSOCIATION TO ADVANCE COLLEGIATE SCHOOLS OF BUSINESS ACCREDITATION: A LONG-TERM PERSPECTIVE

Yu Peng Lin, University of Detroit Mercy

ABSTRACT

In this research note, we contend that the Association to Advance Collegiate Schools of Business accreditation should be viewed and planned with a much careful and long-term perspective due to the large amount of resources committed. Schools and colleges of business should not be merely joining the wasteful race for accreditation without a careful evaluation of its strategy. We speculate that some schools have unrealistic expectations about the benefits of the Association to Advance Collegiate Schools of Business accreditation which leads to a favorable bias toward being accredited. Over the periods of 1992 ~ 1999, the Association to Advance Collegiate Schools of Business accredited member schools represent a large yet declining percentage of providers of management education as they lost market share to non-accredited schools and for-profit providers, while at the same time, a tremendous growth in the number of accredited members/programs was observed due to the change to a mission-driven accrediting policy. These two contradictory trends suggest that a timely effort of a careful and comprehensive analysis of the Association to Advance Collegiate Schools of Business accreditation is needed.

JEL: A12, A13, D50

KEYWORDS: Accreditation, AACSB

INTRODUCTION

Since the mid-1960s, the United States experienced a sustained increase in college and university enrollment. As a result of this overall increase and the popularity of "business major" since the 1980s, schools and colleges of business also saw an uptick in enrollment (Mohammad, 2000). To attract domestic and international students, schools seek and advertise their accreditations. The Association to Advance Collegiate Schools of Business (hereafter: AACSB) accreditation is perhaps the most sought after stamp of approval for schools and colleges of business.

To obtain an AACSB accreditation a school has to show that the faculty qualifications are up to date along with the time and other resources committed for management education improvements let alone with the resources it takes to be accredited. Due to the substantial direct and indirect resources associated with pursuing and maintaining AACSB status, it only makes economic sense if the benefits derived from the accreditation are larger than the costs. So the key questions become: Is it cost effective or even necessary to pursue AACSB particularly? What are the true benefits and costs of pursuing AACSB? And what would be the results or consequences of having NO accreditation?

We speculate that some schools have unrealistic expectations about the benefits of AACSB accreditation which leads to a favorable bias toward AACSB. A school's long-term reputation and the strategy to keep its management education up to date may be much more important than the accreditation stamp. For example, Harvard B-school went years without pursuing accreditation and it didn't seem to hurt them. There are a lot of top-quality and small private schools that have B-schools and have never pursued accreditation from any of the agencies. Perhaps the most contradictory, the schools which are showing the largest growth and an almost over the top amount of resources are the non-accredited for-profit places. Further, the costs of securing AACSB measured by the labor hours and other parameters can really be a burden. Therefore, a deeper understanding of the true benefits and real costs is very necessary and could be helpful from two perspectives. First, accreditation should serve the purpose of promoting more consistent quality in management education with the ultimate goal of improving student outcomes. With a clear insight of the accreditation, schools and colleges of business can further their achievement in continuous management education improvements. Otherwise, the costly accreditation may become merely a form of marketing. Second, the accreditation agency may provide more value to its members while it can truly understand the real costs to the accredited institutions. Or, in the long run, the attempt for accreditation can deliver unmeasurable harm to management education.

The major task we embark upon in this note is to provide a qualitative discussion on the benefits as well as on the costs of pursuing and maintaining AACSB using fundamental economic sense. Along with the discussions, we indicate the areas that warrant future research and are in need of systematic and quantitative analysis. This paper is organized as following. Section 2 covers the literature review. The benefits and costs of pursuing AACSB are in section 3. Section 4 provides the suggestions for business schools and the accrediting agency. Section 5 concludes.

LITERATURE REVIEW

Complex demands on management education reflect the demand on organizations and managers. The challenges are derived largely from the constant-changing and uncertain natural of the business world. In this environment, quality management education must prepare students to contribute to their organizations and most importantly, to grow professionally throughout their careers (AACSB International, 2012). In turn, how to distinguish quality management education programs/providers from the average ones becomes a critical concern of students. A parallel attempt of differentiating themselves, on the other hand, is an important strategy of colleges and schools of business.

There are many strategies a school of business can adopt to differentiate itself. Those include long-term as well as short-term. A school's attempt to establish reputation and hence its own "brand", for example, requires long-term strategic thinking and hence needs a substantial long-term effort. Students are attracted to a particular school mainly due to its academic reputation (Zimmerman, 2001). The labor market also differentiates job applicants by the reputation of their graduating schools. According to the AACSB Management Education at Risk report (2002), employers discriminate by offering drastically different rewards to degree-holders depending on the reputation of the school from which they graduated. On the other hand, obtaining well-regarded accreditations such as the AACSB or improving rankings compiled by some major media such as U.S. News would belong to the spectrum of relatively short-term strategies. Unfortunately, the short-term effort does not necessarily lead to the long-term results. However, due to some long-term uncertainties such as the growing trend of professional administrators (Ginsberg, 2013) or short-term needs such as improving student recruitment, colleges and schools of business seem to prefer pursuing and achieving those short-term strategies and targets.

While colleges and schools of business place a very significant amount of resources toward securing AACSB accreditation or improving rankings, the association between the accreditation or ranking and the quality of management education is becoming unclear. Zimmerman (2001) argues that U.S. business schools are locked in a dysfunctional competition for media rankings. This ranking race has caused schools to divert resources form investment in knowledge creation to some short-term strategies aimed at improving rankings. Further, according to Everard, Edmonds, and Pierre (2013), the credibility of AACSB and its value to those who use its brand to determine high quality in the "market" for business schools has been diminished. The current status of accreditation may be leading us into a situation where the users of the "brand" can no longer determine high quality programs from those with lesser quality. This is encored by Yunker (2000, p.349) - "As long as only a small fraction of operating business schools possessed AACSB accreditation, there was no significant stigma attached to not being AACSB-accredited. But once the proportion of AACSB-accredited business schools reached a certain critical minimum, non-accredited schools began to regard AACSB accreditation as extremely important to their prosperity and even survival." The AACSB accreditation may merely provide a "mark" of quality especially when a school does not have established reputation (Romero, 2008). This is further intensified by the unclear-purposed accreditation standards. In a 2009 article, Lowrie and Willmott argue that the AACSB standards are built for expansionist purposes and not on sound pedagogical considerations resulting in a simple increase in the number of schools being accredited. This is particularly true while AACSB changed its accrediting policy from a more objective set of standards to a mission-driven focus in 1991 which leads to a tremendous growth in accredited schools/programs in the U.S. (Everard et. al,, 2013). As a result, the number of AACSB-accredited institutions has increased by over 75% since 1996 (Francisco, Noland, and Sinclair, 2008). Many of the schools would not have met the standards for accreditation prior to the change to the mission-driven philosophy (Orwig and Finney, 2007).

The official position has always been that the changing of the accreditation standards in 1991 was a timely response to the trend that the consumers of business degrees are increasingly heterogeneous in their needs and preferences. Yet, a number of speculations continue to circulate. Yunker (2000) theorized that such standard changing was due to the attempt of the accrediting agency to avoid the legal liability of unwarranted denial of accreditation. He further suggested that the AACSB's main incentive was to increase the number of dues-paying member institutions. Regardless of the true reasons, the accreditation would help to assure continuous improvement in the management education assuming that many institutions which might otherwise have been content to carry on at a relatively mediocre level of effectiveness, would instead, inspired by the AACSB accreditation, spur themselves onward to a higher level of effectiveness. Yet this assumption is at best premature in the context of the mission-driven standards. The switch may instead largely erode the core value of management education due to the very short-term perspective it implies. Under the mission-driven AACSB standards, schools and colleges of business may designate teaching as their primary mission. Yet, it is considerably more difficult and less reliably to assess teaching effectiveness than it is to access research productivity (Yunker, 2000). This could lead to a dis-association of the accreditation and the quality of management education. Indeed, by examining all accredited U.S. programs, Everard et. al. (2013) shows that since the move to a mission-driven focus in 1991, the AACSB has not achieved its own mission and may have damaged its credibility in the process. According to an AACSB report (2002), in the United States over the periods of 1992 ~ 1999, AACSB member schools represent a large but declining percentage of providers of management education as they lost market share to non-AACSB schools and for-profit providers. Yet, the controversy surfaces while over the same periods, a tremendous growth in the accredited programs was observed due to the change to a mission-driven focus. Hence, although AACSB is still interpreted as the gold standard for business schools, it is losing popularity at least on the consumer side of the market. The reason, we believe, could be that the business-major graduates from AACSB accredited institutions do not deliver the expected premium in their professional qualifications/performance while comparing to those from non-AACSB schools in the job market. The potential employers do not value the AACSB stamp as much as many would expect is a very warning sign.

BENEFITS AND COSTS OF AACSB ACCREDITATION

<u>The Benefits</u>

There are several benefits associated with being accredited by AACSB as claimed by its supporters. Consider, for instance (Hamilton, 2000):

(a) Increased salary levels for the faculty
(b) Higher market value of the faculty

(c) More quality pools of faculty position applicants
(d) A higher quality of students
(e) Better jobs perspectives for the graduates
(f) Improved reputation
(g) Better support by the university administration
(h) Greater support by the community in the event of fund raising

The benefits can be roughly grouped into three categories – Faculty-related (i.e. (a), (b), and (c)), Student-related (i.e. (d) and (e)), and School/program-related (i.e. (f), (g), and (h)). While the benefits look substantial, the real questions are: are those benefits realistic? Is accredited by AACSB the only way to obtain those benefits? Are those benefits even correlated with AACSB? Even if it does, is all the time and money necessary justified given it is a labor intensive and costly proposition to get and stay accredited? Most importantly, are those benefits generalizable? We believe those claimed benefits should be carefully examined by some fundamental economic principles.

In the Faculty-related benefits, the basic microeconomic principles suggest that a production factor's market value is determined by its productivity. At the general market equilibrium, the price paid to a production factor would equal to its marginal productivity. Following this line, a faculty's market value would be determined by the quality and quantity of research that she/he can deliver given the fact that the academic market greatly values scholarly contributions. In other words, the market value of a faculty depends largely upon her/his scholarship. Scholarship is the very core of collegiate business schools and institutions of higher education. Two faculty in the same field should have similar market value as long as their research efforts/outcomes are comparable regardless of the AACSB accreditation status of their associated institutions. This is implied by a standard Principal-agent model as well. The principal's (i.e. schools and colleges of business) utility/profit maximization must incorporate the agent's (i.e. faculty) participation decision. The participation condition in the model explicitly implies that the agent's utility derived from her/his decision to participate has to be at least equal to her/his reservation level (i.e. the comparable market value). Given the fact that the comparable market value of a faculty is available information in a mature academic marketplace, at equilibrium, it is of the principal's best interest to offer the faculty a salary level matches to her/his market value. Otherwise, the agents may not participate. However, if the principal choose to lower the cost by providing compensation only for faculty members' time spent in the classroom, such a strategy will build a pool of less qualified faculty which will in turn hurt its long-term revenue. Clearly, this is not a profit-maximizing solution. If we, at large, believe the efficiency of market force, it will produce an equilibrium wage truly reflecting a faculty's value conferred by the market.

Given the accrediting agency's 5-year review window, the AACSB standards merely provide a mechanism to ensure the accredited institutions to document their faculties' scholarship. Hence, the granting of accreditation, we argue, only recognizes the scholarship delivered by the faculty. Yet, a college or school of business can certainly establish those standards and expectations on their own without the AACSB stamp. In fact, most elite as well as reputed schools have their own detailed guidelines and expectations on their faculty in this regard. Those expectations greatly exceed what the AACSB would otherwise demand. Therefore, it is at best unclear to directly attribute the salary and market value of a faculty to the AACSB accreditation.

Further, producing innovative, rigorous research requires at least good colleagues and an environment that largely recognizes and rewards scholarship. Once a school can establish such a vibrant environment, it will naturally attract quality applicants applying to its faculty open positions. While AACSB may provide some assistance in this regard, it is far from clear one can attribute more quality faculty position applicants solely to the AACSB accreditation.

Secondly, in the Student and School/program-related benefits, students are attracted to a particular school mainly due to its academic reputation. This can easily be verified by the number of applicants to a reputed school against it is to a comparable but less reputed place. As afore-mentioned, the employer market is not blind to the differentiation among management education providers either. At equilibrium, the job market tend to generate dramatically different rewards according to the reputation of the schools those applicants graduated from. Moreover, it is primarily the quality of a school's research that drives its reputation (Zimmerman, 2001). Research is central to quality management education. Schools with a good research record attract the best students, top quality faculty, as well as gifts and grants that enable them to retain existing faculty and to enrich their programs. The graduates' job perspective depends largely on the school's reputation as well. A faculty's intellectual creativity and research efforts will most likely be capitalized by her/his teaching, which leads to a more satisfactory learning experience of the students (Demski and Zimmerman, 2000). To obtain a better reputation, a college and school of business needs a long term approach without treating AACSB as the final goal. Colleges of business will have to be more strategic about their research investments and more explicit about assessing the return.

While schools compete for quality students and faculty, the basic competition theory tells us that schools will have to meaningfully strategize to improve their own reputation which serves as the differentiation strategy. However, it is a rather long-term path with un-promised perspective of success. Faced with a prisoner's dilemma, we speculate that many schools select the short-term strategy of pursuing AACSB based on a confusing rationality which attributes a school's reputation and quality solely to the accreditation. It further generates a spurious correlation between the accreditation and the various benefits outlined above. Many schools and colleges of business believe securing AACSB improves their reputation. Yet it is only reputation generating those benefits and the accreditation is merely the by-product. The accreditation observes and recognizes but not necessary motivates educational quality created within an institution (AACSB International, 2012). Indeed, according to Romero (2008), the AACSB accreditation may serve as a mark of quality for the schools and colleges of business that are lack of established reputation.

Finally, it is very probable that in some resource-constrained schools, AACSB serves as the bargaining chip to secure resource allocation commitment from the university level. Hence, the status of accreditation from an internal perspective, namely status and resource allocation within a university, is still valuable. Given this expectation, the faculty job seekers in the marketplace may interpret AACSB as the resource stamp and hence much prefer a school with confirmed accreditation status. In turn, AACSB serves as the marketing spear not only for recruiting students but also for faculty recruitment.

<u>The Costs</u>

The costs of pursuing and maintain AACSB can be substantial as well. Since it is a labor intensive and costly proposition to get and stay accredited, there is a significant amount of nominal cost measured by the time and money necessary for the process. However, we contend that there are also some hidden costs of pursuing AACSB that are not fully understood.

Any forms of accreditation should serve the purpose of promoting more consistent quality in management education with the ultimate goal of improving student outcomes such as job perspectives. Although this purpose is always incorporated in the mission statement of many AACSB accredited schools of business, it is far from clear on how to achieve this goal by merely following the AACSB mission-driven guidelines with a simple and short-term attempt to maintain the accreditation. For instance, it appears to the author that some schools in the process of pursuing AACSB or already obtained the stamp have very questionable course structures/offerings to their students. To the knowledge of the author, there is one school that is pursuing AACSB very hardly offers only fundamental Economics courses (i.e. ECON 101 – Microeconomics and Macroeconomics) to their business-major and MBA students. This is further compounded by the fact that the university itself does not have an Economics department. Hence, a student would have no opportunity of building up more solid ground that has been proven to be necessary, useful, and valuable in many fields in Business. It is not the author's intention to claim that Economics is superior to other fields in Business. However, it is generally agreed that Economics does offer students some necessary and advance foundation to further their accomplishments in their chosen fields, let it be Finance, Accounting, Management, or others. Without some higher level Economics trainings and exposures, students' foundation would be at best fragile let alone the promotion of more effective business practices, and, most importantly, the delivery of better outcomes for their future clients. This scenario largely analogues to a high school student in a math class trying to learn Calculus. Yet, while the student is very familiar with the basic math operations (e.g. addition, subtraction…), she/he has very limited background in linear algebra. There is no doubt that the student will have great difficulty down the road.

Further, even though AACSB ensures the faculty qualification (AQ or PQ) in its accredited institutions up to date, it does not necessary mean the institution will produce graduates with needed quality. It still depends on how the institution structures its general purpose and long-term goal of management education. Unfortunately, the AACSB guidelines do not offer any clarity for this purpose. This is further intensified by the fact that the accrediting agency switched the accrediting policy from a more objective set of standards to a more subjective mission-driven focus in 1991. As mentioned previously, this transformation results in a tremendous growth in the numbers of accredited institutions/programs but may have damaged its credibility in the process (AACSB, 2002; Everard et. al., 2013). In the previous example, even though all the faculty in that college of business have all the required qualifications and eventually earned the accreditation, their graduates will much likely deliver questionable performance to their future employers and clients due to this very reason. In other words, while schools employ short-term perspective on pursuing and maintaining AACSB, the nominal costs will most surely be transferred to their students but unfortunately without too much long-term promising outcomes. The multi-task principal-agent model (Holmstrom and Milgrom, 1991) also implies that with the emphasis being placed on pursuing AACSB, more resources are being devoted to the process and less resource goes to some long-term tasks such as better-structured course design. The outcome would be a management education that seemingly corresponds to the market demand; yet it produces students who are lack of fundamental basics to comprehend the complexity of the business world.

SUGGESTIONS FOR BUSINESS SCHOOLS AND THE ACCREDITING AGENCY

We contend that AACSB accreditation should be viewed and planned with a much careful and long-term perspective due to the large amount of resources committed. Schools and colleges of business should not be merely joining the wasteful race for accreditation without a careful evaluation of its strategy. A better reputed school can attract quality students, faculty, and hence build up a vibrant environment for its stakeholders. Only in such a productive environment, faculty members can exchange ideas and co-author research. The good quality professors want to work in such environments because it enriches their own scholarship. Likewise, students will benefit largely from the professors who extend expertise and stay very current in their respective fields. Those benefits will largely be capitalized by the institutions as well since during the process, they will be greatly recognized and highly regarded in the very competitive academic marketplace. AACSB is only a natural outcome of this great and long-term effort. The accreditation itself should not be treated as the terminal target. It is an ongoing process to establish the reputation that a school and college of business envision itself. After all, it is the reputation that truly delivers all the benefits.

The accrediting agency can add more value to its members not only by helping them become more proactive in developing strategies to deliver their educational services but also assisting schools and colleges of business formulating their long-term strategy of improving management education. To accomplish this goal, a long-term perspective needs to be greatly incorporated in the accrediting process. Any short-term attempts should be largely discouraged to ensure a continuous improvement in management education.

Further, AACSB should devise a set of reasonable and very specific accreditation standards. Those should be clearly specified to avoid confusion and creating unnecessary gray area in the accrediting process. They should also be highly related to the optimal goal of ensuring quality in the management education. While not all students of Business will become owners or managers of business firms, many will become specialists in one or another area or serve in staff and advisory capacities. Only a quality management education with a mechanism to ensure its continuous improvements can deliver students true insights of the interrelationships between the firm and society.

CONCLUDING COMMENTS

In this study, we discuss the trends in AACSB accreditation and examine the claimed-benefits of AACSB from the perspectives of fundamental economic principles. We believe that many colleges and schools of business have unrealistic expectations about the benefits of being AACSB accredited. As a result, they tend to relate the accreditation to student recruitment and reputation and hence, join the race for accreditation and treat securing AACSB as the terminal target. However, we suggest that the decision of pursuing the accreditation should be carefully weighed against the costs and it has to be planned with a long-term perspective. A school's long-term management education strategy and reputation is much more important and should be carefully formulated. AACSB is only a natural outcome of this great effort.

While the current paper is limited to a qualitative discussion, we believe it worth a great research effort to conduct a systematic analysis of the benefits of AACSB against the suggested costs of not having one. To accomplish the task, a theoretical model as well as a large scale data collection is needed. The model can be formulated using a conventional Principal-agent framework. The AACSB variable as well as a reputation variable should enter the principal's revenue and cost specifications. They should also have a position in the agent's participation condition to capture the fact that potential faculty candidates would prefer a place with good reputation and/or AACSB accreditation. This specification would also help to examine the possible substitution effect of reputation and the accreditation.

The data for the analysis should be in a longitudinal format that includes the accredited institutions along with their accrediting year and their carefully-matched non-accredited counterparts. A pre and post-AACSB analysis on the interested variables (e.g. faculty salaries, student quality, etc.) can be conducted on the accredited schools as well as on the complete panel of institutions (the accredited and their matched counterparts). A system of simultaneous equations regression model should be carefully formulated to address the possibility that AACSB may not be exogenous. There may be some self-selection behavior as well suggesting that the benefits of AASCB may not be generalizable. The model along with the data will deliver more reliable analysis on the issues related to AACSB.

Finally, we speculate the change to a mission-driven philosophy in the accrediting guidelines roots primarily on revenue purposes. While it certainly opens the possibility to be accredited to many schools, the guideline itself inevitably encourages some short-term approach. Hence, further research is needed to conduct a detailed comparison of the accrediting guidelines/standards before and after the change to the mission-driven focus.

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BIOGRAPHY

Yu Peng Lin, Department of Economics, University of Detroit Mercy, 4001 W. McNichols Road, Detroit, MI 48221-3038, PH: 586-263-6045, Email: linyp1@udmercy.edu