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Bourmistrov, A.

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From Educating Agents to Change Agents: Experience of Using Foresight in Accounting Education

By Anatoli Bourmistrov

Nord University Business School

anatoli.bourmistrov@nord.no

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Abstract

Purpose: To reflect on the author's personal use of scenario planning methodology in accounting classes and how it can be useful for creating accounting graduates who are better prepared to face greater uncertainty.

Design/methodology/approach: The article is based on the author's self-ethnography.

Findings: Accounting education is criticized for its inability to educate graduates capable of advising current and future business in an extremely uncertain environment. Scenario planning as a compulsory component in accounting courses can be a potential remedy.

Originality: I encourage accounting educators to find an appropriate balance in our training programs between professional skills and the skills required of accounting graduates in order to be change agents.

Keywords: accounting education, proactivity, scenario method, uncertainty

Introduction

The COVID-19 pandemic has had a huge effect on businesses and public sector organizations. I have perceived it as an unprecedented environmental "shock" and a huge disruption to the everyday university education process, for which organizations around the world, including my university, were not prepared. We had no contingency plans and had to mass digitalize our education processes almost overnight when lockdown policies were introduced by the Norwegian government. I should admit that lack of such preparedness cannot be justified by the usual response in such situations – that we did not know. For many years, the risk of global pandemics was repeatedly raised as "a black swan" in several international forums (e.g. by Mr. Bill Gates and his Foundation). However, decision makers at different levels of our societies have chosen to ignore those risks or disregarded them as a nonsense. In my opinion, this is a sign of a bigger problem: organizations usually make the most of their strategies in a reactive way by learning from past events. On the contrary, extreme uncertainty about the future makes it difficult to learn from the past because we are usually prevented from making comparisons with something that we have experienced before. Thus, most organizations seem to be unprepared to create strategies that are proactive and based on the anticipation of potential futures.

The COVID-19 pandemic has strengthened my belief that management practices should become more anticipatory, by incorporating foresight as an institutional process. For instance,

the successful use of scenario thinking for management purposes is already well documented in the accounting literature (see e.g. Palermo, 2018) and increasingly suggested as a way out of reactive strategizing (The Economist, 2020; Scoblic, 2020). Thus, we should aim to educate accounting graduates that will be key players in advising current and future business in an extremely uncertain environment. I believe that we need to incorporate elements of foresight as compulsory components of our education programs.

This viewpoint is based on self-ethnography, as I would like to reflect on my personal use of scenario planning methodology in the accounting and management control classes that I teach. I also wish to dwell on how this tool can be useful for preparing accounting graduates to face greater uncertainty. I start by making some criticism of current accounting education and arguing that scenario-building workshops, powered by appropriate calculative practices, can potentially make a difference.

Some criticism of traditional accounting education: the agents of the past strengthening “illusion of control”?

Teaching accounting since 2001, I was uncomfortable that most of the textbooks and accounting courses’ curricula were aimed at educating accountants as professional agents supposed to represent and objectively report the economic reality. Financial accounting courses favored students memorizing and reproducing accounting techniques and rules: what Professor Stephen Zeff called “indoctrination in standards” (Zeff, 2017). Some of the same criticism is leveled at management accounting and control courses: students were supposed to learn and reproduce normative frameworks, such as the COSO framework for risk management and internal control, value-chain analysis, target costing, and forecasting, to name just a few.

I cannot deny that professional accountants and controllers should have in-depth knowledge, skills and competences related to the use of different accounting standards and management accounting and control tools. However, with time, I became increasingly aware that this teaching of accounting was based on assumptions that the world was predictable, that the business of tomorrow would be “business-as-usual”, and that we can construct future strategies and actions based on rigorous analysis of previous experiences. The use of case studies is good for developing analytical abilities but is inherently based on a set of historical analogies that presumably will help to anticipate how to act in future similar situations. But lessons learned from cases are not necessarily helpful in novel and unexpected situations (Scoblic, 2020). I recognized that our training facilitates individual cognitive biases that would maintain rather than challenge what I think many organizations are suffering from: “an illusion of control”. Research shows that many managers overestimate their own control ability, e.g. control of the risks and influence over future positive results (e.g. Schwenk, 1984). My own research shows that, in an uncertain world, annual budgets are becoming sources of managerial “comfort”, contributing to a false notion of predictability (Bourmistrov and Kaarbøe, 2013)). As educators, we should be aware that what we teach today will impact on organizational practices tomorrow (Ghoshal, 2005).

The COVID-19 pandemic has only reinforced my belief that future accounting graduates should develop skills and abilities that will be helpful to “de-illusionize” control in an increasingly uncertain world, allowing future accounting professionals to become organizational actors for proactive – not reactive – change. Since 2009, I have been lucky to be part of the ACTION research project team at the Norwegian School of Economics (NHH) which has studied the Beyond Budgeting phenomenon in the Scandinavian context. That has allowed me to introduce a new course on dynamic management control for master students. In 2014, I learned the scenario building method, by being involved in another research project (Bourmistrov *et al.*,

2015). Since then, I have been actively experimenting with the use of scenario-planning techniques for education purposes in my classes. Some of the lessons learned are described in the next section.

Scenario thinking in accounting classes: developing creativity, foresight and proactivity

I would like to make a clarification, because the concept of “scenario” can have different meanings. For engineers or security experts, the term “scenario” indicates the operational context in which different types of simulations take place, such as emergency drills (Schoemaker, 1993). On the contrary, I worked with “scenarios” as described in foresight literature: credible stories or images of potential futures that are formulated as a prospective storytelling (Schoemaker, 1993; Schatzmann *et al.*, 2013). It is a process of creative interpretations of relationships between potential future events, their causes and consequences (Tillmann and Goddard, 2008; McMaster, 1996). Scenario work challenges decision-makers’ existing mental models and can take them out of their comfort zones (Schoemaker, 1993). It can also function as an early warning system for potential threats and opportunities (Cornelius *et al.*, 2005), as well as stimulate organizational and individual learning and therefore extend the boundaries of perceptions (Balarezo and Nielsen, 2017).

Inspired by both foresight literature and my personal involvement in practical scenario-building exercises, I introduced a two-day scenario-building workshop, a compulsory exercise for master students, as a part of a bigger 7.5 ECTS management control course. Students had to learn the theoretical underpinnings of foresight and the basic components of scenario-building methodologies, as well as how such foresight can be linked to the design of a management control system (MCS). I used the so-called Shell methodology of the interpretative school (see more in Amer *et al.*, 2013 and Cornelius *et al.*, 2005). During the course, students worked in groups to analyze a real-life case presented by a representative of an organization who also later functioned as external judge when the results were presented. I asked students to construct scenarios for the next 10 or 15 years.

To be sure that each student was also prepared for discussions, I asked them to carry out homework before the workshop and individually deliver a memo including a list of factors and potential events in the environment of the case organization that would potentially have an impact on its future. Following the steps in the Shell methodology, they were “locked” in groups to conduct group discussions on how the (geo)political, economic, legal, technological, environmental issues and driving forces could interact in the next 10 or 15 years. They had to conclude the workshop by making at least three scenarios, which they presented. Q&A session which followed, conducted by the faculty and the representative of the case organization, was an important part of the learning because students received feedback on both the quality of the scenario work and the scenarios themselves, in terms of their plausibility and credibility.

In the weeks following the presentation, students had to take those scenarios as their point of departure and to elaborate on the kind of management control system design that would be required in those three different scenarios. I also asked students to reflect on the similarities and differences in MCS configurations in those three scenarios and to develop contingency plans for MCS configurations. The final product of this work was a report, which was graded, with the best reports being delivered (and in some cases presented) to representatives of the case organization.

My observations of this exercise over several years tell me that students seem to have learned a lot about the dynamics in the relationships between the state of the environment, organizational strategies and the design of management control systems. In this sense, they have also discovered the performativity of accounting and management control systems and the

importance of having strategic foresight because it will enable the proactive design of management control systems. They also learned that “contingencies” matter, as the potential futures of an organization might require quite different system designs. Another perceived advantage of the exercise was that it enabled a high level of creativity among students, in addressing the potential challenges and problems of operating in uncertain environments, though brainstorming and interactions in a team. Students have also developed and demonstrated their communication skills by providing convincing arguments about how scenarios developed.

I think the best way to summarize experience is through the words of a student who participated in a scenario-building workshop:

I think ... practical experience in scenario building [contributed to the fact that] ... many students felt more confident about their abilities to shape the future. I guess, for most students, it was the first experience of this kind, so they felt inspired, and their attitude to the future has changed too. I think I am not the exception among the class, as I got really inspired by my participation in the course and felt surer that I can really change the future by myself... The most useful technique I have acquired thanks to the workshop is not seeing the goal first and then achieving it by small steps (achievements) but the ability to have a deep understanding of the current situation, being flexible enough to change the current state of affairs, as, with it, the future may be changed too. (From a follow up questionnaire)

Currently, my colleagues and I are carrying out follow-up research on a sample of about 350 master students who participated in scenario-building workshops. We are analyzing how the scenario-building workshop, as an intervention method, has changed the relationship between individual creativity, individual proactivity and individual foresight ability. Results of this study can be useful for discussing how the design of scenario-building workshops can be improved.

As another example of anticipatory management practices, I would like to mention a new research project that I am currently leading, titled “Transformative Capabilities of the Accounting Profession: Study of Norwegian Small and Medium Accounting Practices” (TRANSACT). This is a new research project (2020 – 2024), funded by the Norwegian Research Council, with the aim of boosting the development of new types of education programs and courses in accounting and auditing. The research project is a response to IFAC’s (2018) Global Small- and Medium-Sized Practices (SMP) Survey Report, which indicated that, currently, a significant number of SMPs worldwide (ranging from 50 to 70% of approximately 5,000 surveyed SMPs) see big challenges in accommodating transformations in digital technologies, services they can offer, ways to recruit talent and changes in regulation/regulatory institutions. Because current accounting and auditing education is criticized for being unable to produce graduates with some of the skills required by practitioners (Bromwich and Scapens, 2016; McGuigan and Kern, 2016), closer dialogue between researchers, as well as between users of research and education in the accounting profession, is required (Guthrie and Parker, 2016). There is, therefore, a related knowledge gap in understanding how to design relevant professional educational and training programs for accounting and auditing professionals for an uncertain future.

One of the work packages in the TRANSACT project aims to produce an updated knowledge base on the development trends that can affect the accounting and auditing profession. The idea is to use foresight methodology in constructing different scenarios for the alternative futures of the accounting and auditing profession, in cooperation with industry and public sector actors. Our idea is to develop so-called “Foresight 2.0” – the use of Big Data and digital technology to

improve ways of both interaction and the production of foresight, via digital platforms. I think we will be able to focus on the analysis of a large number of actors' own perceptions of the anticipatory gap between doing business-as-usual vs. potential alternative futures. The project has only just started, with a kick-off on August 17th, but I hope that we will already have some good results in 2021.

Conclusions

In my personal view, the COVID-19 pandemic has only reinforced my belief that we need to aid our programs with new types of learning tools, such as scenario-building workshops, to educate graduates to have the ability to be more anticipatory and proactive. My own experience shows that if education institutions aim to educate accounting graduates to be key players in advising current and future businesses in an extremely uncertain environment, we need to incorporate elements of foresight as compulsory components of our education programs. I am not saying that foresight should replace the professional training. I am saying that we need to strive to achieve an appropriate balance between traditional professional skills, by teaching accounting rules and management control techniques, on the one hand, and the use of teaching methods that could advance the development of accountancy professionals as proactive change agents, on the other.

There are several implications. First, we need to innovate in teaching accounting. My early supervisor, Professor Frode Mellemvik, used to say: "Accounting is Fun!" As a graduate student, this motivated me to study and perform research on accounting. Unfortunately, the traditional way we teach accounting is usually boring and not fun at all. I thank Professor Stephen Zeff for also summarizing it in such a good way: we need to educate accounting students by promoting their intellectual curiosity! I think foresight can be one way of doing that. Second, we also need to carry out more research into the effects of our own education methods on students' ability to grow into change agents. I think this is the only way to find a balance between the use of traditional and new educational methods to contribute to educating accountancy professionals as proactive change agents.

Biography

Dr Anatoli Bourmistrov is Professor in Accounting and Management Control at Nord University Business School (Norway), research coordinator at High North Center for Business and Governance and visiting professor at the Norwegian School of Economics. His research publications cover topics in public sector accounting, performance management reforms, management control innovations in public and private sector (including Beyond Budgeting), relationships between information and managerial attention, issues of long-term planning via scenarios. He received *Outstanding Paper* award in the *2018 Emerald Literati Awards* and *David Solomons Prize* for the best paper in the annual volume of *Management Accounting Research* for 2013.

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