[The Coastal Business Journal](https://digitalcommons.coastal.edu/cbj)

Volume 4 | Number 1 Article 5

May 2005

The Unintended Effects of AACSB's 2003 Accreditation Standards

John B. White
Georgia Southern University

William Levernier
Georgia Southern University

Morgan P. Miles
Georgia Southern University

THE UNINTENDED EFFECTS OF AACSB'S 2003 ACCREDITATION STANDARDS

John B. White, Georgia Southern University
William Levernier, Georgia Southern University
Morgan P. Miles, Georgia Southern University

ABSTRACT

The AACSB recently adopted new accreditation guidelines that are less restrictive regarding what constitutes "qualified faculty" for accreditation purposes. The new standards are less restrictive, with less emphasis on a terminal degree and more on faculty being "fully participating." However, the new standard may have a detrimental effect on the quality of collegiate business education. It may also reduce the standing and prestige of business schools within the university community. Finally, it may reduce the value of AACSB accreditation.

INTRODUCTION

Today, the number of doctorates produced by accredited schools is at its lowest level since 1987…Within five years, the U.S. shortage of Ph.D.s is expected to be 1,142, and in 10 years, the shortage will reach 2,419….From a school perspective many deans, department chairs, and program directors face unfilled positions after each hiring season, AACSB (2003b: 1)

The effect of the new American Assembly of Collegiate Schools of Business Standards for Business Accreditation (AACSB April 2003) on the labor market in schools of business is a topic of great professional and personal significance to both business school administrators and their faculty. The previous standard required at least 75% of the student credit hours be taught by full-time faculty, with most expected to possess a terminal degree, either a Ph.D. or D.B.A. (AACSB 2001). Some adjuncts and part-time instructors were permitted, but the bulk of instruction was required to be taught by doctorally qualified faculty. The new standard dramatically changes the emphasis from "doctorally qualified" faculty to "participating" faculty. Participation is defined not in terms of degree held, but rather by active involvement in teaching and non-teaching activities. Thus, an instructor with a masters degree who holds office hours, advises students, and serves on committees within the business school and/or university would be counted as participating faculty. Mangan (2003) suggests that the 2003 AACSB standards will allow schools to maintain AACSB accreditation while filling the faculty with lower cost instructors that would not have been considered qualified under the old standards.

This relaxation of the standard is driven by the current shortage of new doctorates in business. A recent study by AACSB, *Sustaining Scholarship in Business Schools* (2003), estimates the present difference between the number of new doctorates and positions available for new entrants to be over 500. That figure is projected to grow to 1,142 by 2007 and 2,419 by 2012. Ironically, the chapter "Demand Outstrips Supply," includes an error often made by students in their first economics class. In the chapter AACSB argues that the demand for businesses school professors exceed the supply of professors. However, as all students of the dismal science know, demand can never exceed supply. Rather, at the current wage, the *quantity demanded* exceeds the *quantity supplied*, resulting in a shortage of professors. In an open market, this shortage would drive the salaries for new hires upward, as we have witnessed during the past few years. In Figure 1, the supply (S) and demand (D) curves intersect above the current wage, producing the shortage, AB. The less rigorous 2003 AACSB standards have the effect of shifting the supply curve to the right (S'), reducing both the shortage and the equilibrium wage rate.

A higher wage would attract new entrants on the supply side, reducing the shortage. Higher academic salaries might induce some MBA students to pursue a business doctorate instead of opting for attractive positions in industry or cause current students in non-business fields to shift their degree programs into closely related business fields. A higher academic wage for doctorally qualified business faculty sets the self-correcting free-market process in motion. Correspondingly, any action (such as the 2003 AACSB standards) that reduces the starting salary prevents the necessary market correction. Figure 2 illustrates how the 2003 AACSB standards will only serve to exacerbate the business faculty shortage.

FIGURE 1
THE MARKET FOR FACULTY

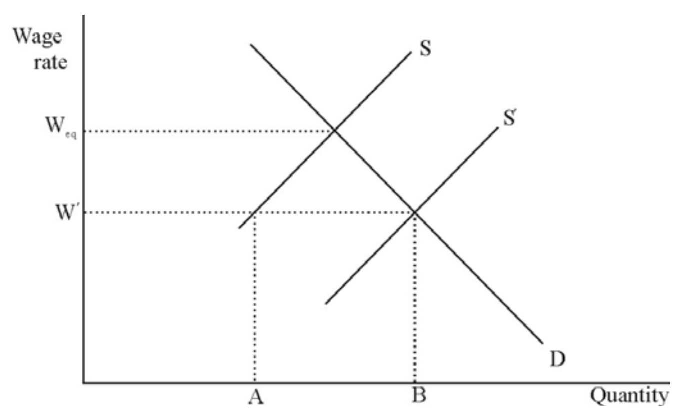
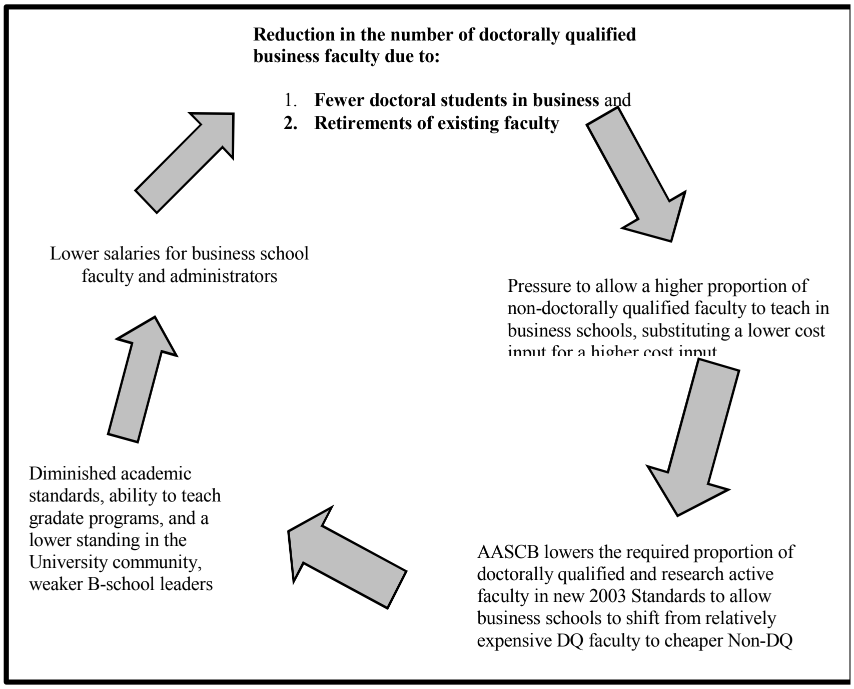


FIGURE 2
THE EFFECT OF THE 2003 AACSB STANDARDS



While obtaining and maintaining AACSB accreditation is typically a "life or death" career issue for business school deans, faculty tend to be more interested in the impact of how AACSB impacts compensation, research support, and work load requirements. Several studies that have addressed the issue suggest that there is a positive and significant "accreditation premium" in the level of compensation at AACSB accredited business schools compared to non-accredited schools of business. For example, a study by Bertin et al (1999) assessed the differences in finance faculty salary levels between accredited and non-accredited schools. The results suggest that, on average, there is a $14,000 salary premium for accreditation. Agarwal & Yochum (2000), in a multidiscipline study of compensation, found that the salary premium for accreditation has increased since 1990, and since 1995 the accreditation premium has been approximately 19.5%. Levernier, Miles, & White (1992), in a empirical assessment of AACSB's Annual Salary Surveys (AACSB 1985-1991), found additional positive support for the accreditation premium. In addition, faculty perceive that the accreditation premium tend to be associated with a superior level of resources, including: (1) more extensive library holdings and data-bases; (2) more research active colleagues; (3) lower teaching loads; and (4) greater research funding (Levernier, Miles, & White 1992).

Faculty at AASCB accredited colleges and universities have become accustomed to the "accreditation premium," the compensation premium for being affiliated with an AACSB accredited school of business. Likewise, administrators have also become accustomed to the "accreditation premium", since administrative (i.e., deans and department heads) salaries are derived by the level of academic salaries within their management unit. Deans and department heads of medical, law, engineering and business schools, for example, tend to earn higher compensation than their counterparts in the liberal arts and social sciences. Much of this difference can be attributed to the higher faculty salaries that prevail in medical, law, engineering, and business schools.

However, perhaps the most far-reaching and unanticipated effects of the 2003 changes in AACSB standards will be the effect on the business schools themselves and how they are perceived by their non-business colleagues across campus. Collegiate schools of business do not exist in a vacuum. They are part of a larger university community that values academic credentials, and the minimum criteria for acceptance in an academic community is a terminal degree combined with a history of scholarly contribution to the discipline. In the following sections we explore the potential effect that the recent changes in AACSB's business faculty qualification standards will have on the relationship between business school faculty and administrators and their non-business counterparts across campus.

ROLE OF AACSB BY TIERS OF BUSINESS SCHOOLS

One could assume that there are three tiers of business schools comprising the membership of AACSB. The top tier schools grant terminal degrees in business, and have a faculty that is both terminally degreed and extremely active in scholarly activities. Their faculty members are well known because they are quite active and hold key positions in the national professional associations. AACSB accreditation tends to have less impact on the reputation of the top tier one schools, since these schools' internal standards tend to exceed the AACSB accreditation standards.

The bottom tier business schools place little or no emphasis on scholarly activity. As such, terminal degree is not a requirement. These schools may be members of AACSB, but they do not hold AACSB accreditation nor are they candidates for accreditation.

The middle tier schools, the largest of the three tiers, are institutions that place some emphasis on scholarly output and, therefore, must value the terminal degree. However, funding constraints sometimes do not permit them to exclusively hire terminally qualified faculty. They supplement their teaching corps with instructors who may hold only a masters degree, usually an MBA. However, these are the schools where AACSB accreditation tends to be the most valued. Professional accreditation distinguishes them from the bottom tier schools. It also enhances their reputation by allowing them to claim that they have met the same accreditation standards as the top tier schools. In the next section we examine how these middle tier schools will be affected by the new accreditation standards.

EFFECTS OF NEW STANDARDS ON MIDDLE TIER BUSINESS SCHOOLS

Over time, the new standards may result in a serious reduction in the number of research-active, terminally qualified faculty in business schools. Indeed, the new accreditation standards require less than 40% of the faculty have terminal degrees and be involved in scholarly activity (AACSB 2001, 2003b). (The previous standard required 80% be research active.) Since doctorally qualified faculty command a higher salary than instructors without doctorates, basic economic theory predicts that lower priced inputs will be rapidly substituted for more expensive inputs. This substitution was resisted in the past since it would endanger accreditation. However, under the 2003 AACSB standards that constraint is relaxed considerably.

An immediate consequence of this reduction in academic standards for the faculty is a simultaneous reduction in the quality of instruction. Edward Deming, the well-known proponent of quality in manufacturing, stated “the primary requirement for good teaching is to have something to teach” (Deming, 2000). An instructor that possesses a master’s degree does not typically have the depth of learning and scholarship to match someone who has completed a doctoral program. Also, they typically do not possess the requisite skills that would enable them to engage in publishable research in the field. While they may be entertaining in the classroom, less expensive to employ, and easier to manage, the quality of instruction will suffer from their proliferation in the faculty.

As the terminally qualified, research active faculty become a smaller and smaller minority, they will have less influence on the business school. As their presence becomes less, their influence on key committees, such as promotion and tenure, will decline. Standards for promotion and tenure may decline as well, further weakening the business faculty. They will also become less influential in the selection of key positions, such as department chairs, deans and endowed chairs. Scholarship and contribution to the discipline will become less and less important, as committees become populated by those who are not actively engaged in research. Business school deans will be marginalized in their interactions with other administrators, as they will also be perceived as holding academic credentials of a lower quality.

As the number and proportion of terminally qualified, research active faculty decline in business schools, the schools will witness a reduction in their ability to generate research funding and grants. Grant funding agencies are much more likely to fund projects proposed by someone with a terminal degree and a record of successful scholarship, since there is a higher chance that the project will be pursued to a successful conclusion. Thus, in an era where external funding is becoming more critical, the new AACSB accreditation standards will allow a school to have a faculty that cannot effectively compete for these grants.

THE NEW STANDARDS AND THE BUSINESS SCHOOLS’S PLACE IN THE LARGER UNIVERSITY COMMUNITY

It is important to realize that any professional school such as a business school does not exist by itself but in the context of a larger university committee. Colleagues across campus already resent the salary differential that exists between business and other faculty. Faculty from all schools are expected to participate in numerous university-wide committees. As the business faculty becomes less terminally qualified, it will send representatives to these committees that do not possess a doctorate. In many cases, this will not be allowed. For instance, if the graduate curriculum committee is responsible for conferring graduate faculty status, it is unlikely that an MBA instructor from business would be allowed to sit on such a committee, since a doctorate is nearly a universal requirement across campus for membership in the graduate faculty. It is easy to imagine a similar conflict on the undergraduate curriculum committee. How can you claim to understand the field fully without the terminal degree?

Even on committees where educational background is not germane, such as the parking committee or calendar committee, the lack of a terminal degree will make a member less effective. Liberal arts or science professors will resent the fact that a terminal degree, which required years of sacrifice to obtain, was required for their position but not for a similar position in business. How can business deans claim that a faculty member with an MBA is a peer with a history professor with a Ph.D.? A claim is often made that “real-world” business experience substitutes for academic credentials. However, this merely perpetuates the belief across campus that business schools are simply trade schools on a university campus, teaching the white-collar equivalent of carpentry, plumbing or dry wall installation.

The reduced numbers of traditional, terminally qualified business faculty will have a disproportionately large effect in schools that offer an undergraduate curriculum as well as an MBA. Since the MBA typically requires doctorally qualified faculty for its instructors, these faculty members will be unavailable for the undergraduate courses. Thus, the majority of the courses in the undergraduate program will be staffed by those participating faculty members without a terminal degree. This will undoubtedly cause a decline in the quality of undergraduate business education. If it is allowed to persist, then it may have an effect on enrollment numbers. For example, knowledgeable parents may not be willing to pay for programs where a majority of the instructors do not possess a terminal degree.

Technology could help counter the decline in terminally qualified faculty by using video-taped lectures or web-based classes with interactive set-ups. In either case, the professor need not be on site. In fact, it is not difficult to imagine that a web course would be taught from a low cost overseas location, such as India or China. Many credit card companies have moved their back office operations abroad to take advantage of lower wage rates. Likewise, a number of computer help lines are answered in India, where English is a common second language. University business schools need to think carefully before they go down this path. If technology makes it unnecessary for the professor to be on site, why does the student need to be at the university. Indeed, there is a plethora of online universities offering degrees in business. Traditional universities have successfully competed against the onslaught of web-based schools because consumers recognize the value of an on-site professor, accountable to a classroom of students. Traditional universities that abandon their comparative advantage in the classroom will find they cannot compete with institutions operating from the relative low cost of cyberspace.

Finally, there will also be a reluctance of other disciplines to partner with business in program creation. For instance, sports management, hotel and restaurant management, and construction management are housed outside of business schools. These students often are required to take an abbreviated “business core,” usually including classes in accounting, economics, finance, management and marketing. If these business classes are not staffed by terminally qualified faculty, then these non-business programs will likely re-evaluate the business requirements.

CONCLUSION

AACSB's stated purpose is "advancing quality in management education" (AACSB Homepage). However, the new accreditation standards are a move away from quality in response to a shortage of qualified, terminally degreed candidates. However, shortages have a market mechanism that re-establishes equilibrium: higher salaries. Only when there is interference in the market, such as in the classic case of rent controls, does the disequilibrium persist.

By lowering the accreditation standards, the AACSB accreditation is becoming a more inclusive body. However, the value of accreditation was that it was somewhat exclusive. Because of its exclusive nature, AACSB accreditation was a goal that many schools, especially the middle tier business schools, would strive for. Indeed, maintaining accreditation is the only way many of these schools kept their funding level up and their class size down.

If AACSB maintains these lower accreditation standards, it may be rational for the top tier schools and the better middle tier schools to form an alternative accrediting agency. If the new agency had more stringent standards, then its accreditation would be more prestigious and valuable to the institutions. AACSB could then find itself the victim of "Gresham's Law of Accreditation," in which low standards drives out the better schools.

However, a much more rational response is for AACSB to realize that the solution to hiring shortfalls is not found by lowering academic standards. In the 1980s, there was a labor market shortage in the quantitative analysis area. AACSB responded by offering classes whereby Ph.D.s in non-business fields, such as statistics, biostatistics, math and economics, could become certified as a qualified quantitative analysis faculty member. Another avenue to increase supply is to increase graduate student support in areas that are in short supply. These solutions will not solve the shortage overnight, but assist the labor market's return to equilibrium. And this return will have no adverse long-term effects on business programs or the role of business schools in the university setting.

REFERENCES

Agarwal, V. and G.R. Yochum. (2000) The Academic Labor Market for New Ph.D.s in Business Disciplines. *Journal of Business & Economic Studies* 6(2): 1-21.

American Assembly of Collegiate Schools of Business (1985-1991). *AACSB Annual Salary Survey.* St. Louis: MO.

American Assembly of Collegiate Schools of Business (2001). *Standards for Business Accreditation.* St. Louis: MO.

American Assembly of Collegiate Schools of Business (2003a). *Eligibility Procedures and Standards for Business Accreditation.* St. Louis: MO.

American Assembly of Collegiate Schools of Business (2003b). *Sustaining Scholarship in Business Schools,* Doctoral Faculty Commission Report, St. Louis: MO.

Bertin, W.J., L. Prather, & T.L. Zivney (1999). The New Hire Market in Finance for 1997-1998: Salaries and Other Market Factors. *Financial Practice and Education.* 9(2): 7-16.

Deming, W. Edwards (2000). *The New Economics for Industry, Government and Education*, 2nd Edition, Cambridge, MA, MIT Press.

Levernier, W., M.P. Miles, & J.B. White. (1992). Effects of AACSB Accreditation on Academic Salaries. *Journal of Education for Business.* 68(1): 55-61.

Mangan, K. (2003). New Accreditation Rules Give Business Schools More Leeway on Faculty Hiring. *The Chronicle of Higher Education.* May 9: A 15.

ABOUT THE AUTHORS

John B. White is professor of finance and holds a PhD from the University of Virginia. He has published in numerous business and finance journals.

William Levernier is professor of economics and holds a PhD from the University of West Virginia. He has published in numerous economics journals.

Morgan Miles is professor of marketing and holds a DBA from Mississippi State University. He has published in numerous marketing and entrepreneurship journals.