



## Towards a higher doctorate propensity in accountancy in Europe? The role of the EAA

### 1. The doctorate propensity in accountancy in Europe

The European Accounting Association (EAA) is a learned society. It should be concerned about the rate of creation of new Doctors (PhD's) in the academic area of accountancy in Europe. The doctorate propensity, in a given year in an academic area, is the number of doctorates in that area, in a country or university, divided by the number of relevant Master degrees (or Bachelor degrees in countries where doing a Master degree is not customary such as the UK and the USA).

This note shows that the doctorate propensity in accountancy in Europe is low. It argues that EAA action is needed to increase it. The note borrows text from earlier blog posts that I recently published on this issue on the EAA ARC website.

'Accountancy' is the combination of financial, management and tax accounting, and auditing.

To see the issue consider the following: focusing on the European Union. There are some 300 Schools in the EU that offer a Doctoral (PhD) degree in accountancy. Suppose each of these Schools 'produces' 2 new Doctors in Accountancy each year. That would total to 600. If we then knew the number of relevant MSc degrees in Business and Economics granted in the same year, we could calculate Europe's accountancy doctorate propensity. Masters in Business and Economics are potential candidates to do a PhD in Accountancy. To do this properly, using a lag of 3 or 4 years would be better. I do not use a lag. I do not think results would change much.

I could not find numbers for the EU. But I can do the calculation for the Netherlands as an example. The relevant seven Universities in the Netherlands produced in 2016, my estimate, 2 new Doctors in Accountancy each: in total 14. In 2016 the number of MSc degrees awarded in the Netherlands in Business and Economics was 8500. This gives 0.2% as the Dutch doctorate propensity in accountancy. Narrowing down to Accountancy MSc's does not help much. I could not find the exact number, but using an average of 200 new Masters in Accountancy for the same Schools, my estimate, gives 1400 new Masters in Accountancy in 2016. Hence, measured more narrowly, Dutch accountancy's doctorate Propensity is 1%. This gives a 0.2% - 1% range.

My guess is that in most of Europe the propensity will be a similar. In German speaking countries, which have a more Doctorate 'friendly' culture, it will be somewhat higher.

For non-European readers: since the Bologna Agreement Higher Education reforms, typically

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European students complete a 3 or 4 year Bachelor degree and then almost always (except for in the UK) continue to do a 1 or 2 year Master degree. So, students starting with a doctorate already have a Master degree and, ideally, there is no need for additional course work in the doctorate phase. All necessary research training will have taken place in the Bachelor and Master programs. I will argue below that precisely this is not true for accountancy in Europe.

## *2. The doctorate propensity in accountancy in Europe: a questionnaire study*

Because more precise data are difficult to find, I asked Philip Joos and Thorsten Sellhorn, who organized last year's PhD Forum in Valencia, to distribute a questionnaire there to arrive at a more precise estimate. The questionnaire was distributed to the 180 participants of the PhD Forum using SurveyMonkey. It was completed in usable form by 35 European accountancy doctorate students. The students were asked the average number of PhDs awarded in Accountancy (and in Finance) in their School in the most recent 3 years. They were also asked the number of MSc's graduates in the most recent year in Accountancy and in Business Administration. Accountancy can be, often is, a track in a broad Business Administration MSc program in Europe.

The doctorate propensity in accountancy based on their answers is 0.9%, using the sum of Accountancy and Business Administration MSc graduates as denominator. This is within the range similar to my earlier estimate.

## *3. Comparatively?*

Is this a low doctorate propensity for an academic area? The answer is yes. First, the questionnaire also asked to the number of Finance PhD's in the respondents' schools, as well as the number of Finance MSc Graduates. The doctorate propensity in finance (using the sum of Finance and Business Administration MSc graduates this time as denominator) based on their answers is 1.6%. Second, another comparative example, in Tilburg (where I am a Professor Emeritus) the doctorate propensity in economics in 2016 was 10%, compared to the 0.6% in accountancy. It would be interesting to have more comparative results. I will return to this issue below.

The questionnaire also asked to students to reflect on the magnitude of the doctorate propensity in accountancy versus that in finance. On a scale of 1 (far too low) to 5 (far too high): with 3 just right, the result was 2.5 for accountancy and 2.9 for finance.

## *4. Explanations*

Accountancy in Europe shows a low doctorate propensity in absolute and relative terms. What explains this and what can be done by the EAA, this is the EAA Newsletter, to increase it?

My 'favorite' explanations for the low propensity to do a doctorate in accountancy in Europe are two; (1) a lack of research focus, academic seriousness, in BSc and MSc programs in Business Administration in Europe and MSc programs in Accountancy; (2) a 'narrow' attitude among both European accountancy academics and the European accountancy profession, regulators and oversight bodies, with regard to the doctorate. These explanations are interrelated.

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### *5. Inadequate BSc and MSc programs preparing for a doctorate in Accountancy*

My first explanation is that BSc programs in Business Administration, MSc programs in Business Administration (their Accountancy track) and MSc programs in Accountancy are not academically challenging enough. Compared, for instance, to nearby BSc and MSc programs in Economics. Compared to those programs, what is lacking is in depth teaching of theory and empirical methods. The effect is that the Accountancy BSc and MSc student have difficulty in discovering that the academic area of accountancy are intellectually challenging; that a doctorate in accountancy is possible even. I see 2 reasons for this.

One reason is that Bachelor and Master programs in Business and Accountancy are cash cows for universities. Making these program more academically challenging is risky. Student numbers may drop.

The other reason is that the accountancy profession has a tight grip, mostly handed to them by standard setters and oversight bodies, on the accountancy and other content of the BSc and MSc programs in Business and Accountancy. This grip leads to early specialization, and to mainly rules oriented courses in accountancy in these programs. If the accountancy profession would loosen its grip on the contents of BSc and MSc programs in Business, allowing a move from practical topics courses to theory and methods courses, that will spur intellectual curiosity among the students and generate a higher interest in doing an accountancy doctorate.

The EAA should engage with Accountancy regulators and oversight bodies in Europe about all this. It could do this with the newly formed CEAOB. The CEAOB groups the national accountancy oversight bodies in the EU. It could also do this with the European Commission itself. Educational requirements for statutory auditors are part of the EU Auditing Directive.

To amplify my point: as mentioned above BSc and MSc programs in Economics, this can easily be observed, indeed show much more focus on theory and research methods. Typically these programs are much smaller than the Business program, so the 'cash cow' effect does not manifest itself. Also, there is no profession that exercises strong influence on the content of economics programs. There clearly is a higher doctorate propensity in Economics.

### *6. Narrow attitude with regard to accountancy doctorates*

My second explanation for Europe's low doctorate propensity in Accountancy is a narrow attitude among many European accountancy professors and in the European accountancy profession regarding the aim of an accountancy doctorate. That also keeps the number of doctoral candidates in Accountancy low.

The aim of most accountancy professors is for all new Doctors to go into academia and to do well there. This attitude is unworldly. Why is being smart and innovative in the accountancy 'industry' less desirable? This attitude also misreads the signs of the times. An explicit EU (Horizon 2020) goal is for new Doctors in Europe to also work in industry. Smart people are expected to do great things there as well.

I see a clear role here also for the EAA. The EAA community needs to be convinced to be open

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mindful about non-academic careers for new Doctors. One way to do this could be to open the Madrid EAA Talent Workshop to non-academic recruiters.

Of course, for careers outside academia, there must be a demand for the new Doctors there. Unfortunately, accountancy practitioners tend to be strangely intellectually 'narrow minded' with regard to their own field. This is also true for accountancy standards setters and oversight bodies. I see audit firms recruit large numbers of new Doctors. But not in the area of accountancy proper. The hires are in information technology and in data science. I predict that the same will be true for oversight bodies soon.

Here also the EAA should act. It should actively work on increasing the demand for accountancy Doctors outside academia with the body, based in Brussels, that represents the accountancy profession in Europe. It recently changed its name to Accountancy Europe. It represents the 1 million strong accountancy professionals community in Europe.

### *7. Conclusion*

The doctorate propensity in the academic area of accountancy in Europe is low: in absolute and relative terms. This threatens the global position and the future of academic research in accountancy in Europe. I have suggested two explanations for this state of affairs, and also ways in which the EAA should address the problem.

In addition, I see a more immediate task for the EAA. It should organize more precise measurements of the doctorate propensity in accountancy in Europe. That requires, as a first step, the construction of a directory of accountancy doctoral degree granting universities and schools in Europe. The American Accounting Association already has such a directory on its website. It lists 140 US universities offering a doctoral program in accountancy.

A final remark: in an earlier EAA Newsletter (1/2013) I encouraged the EAA to act to improve Doctoral training in accountancy in Europe. That still lags the quality of doctoral training in North America and, increasingly, in Asia. The fact that the accountancy profession, the accountancy regulators and oversight bodies have so much say about the contents of BSc and MSc programs in the area of accountancy is a clear impediment for improvement here. For that reason also, EAA action is needed.

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