So... how is accounting different?

One distinguishing difference is accounting has a single, unified conceptual framework that integrates teaching, research, and practice and that’s endorsed by leading academic and professional organizations: the Pathways Vision Model.

Today, we’re going to highlight three insights from the Model:

• How accounting promotes a more prosperous society

• How to think critically about accounting issues, and

• How accounting can become a more learned profession.
Key to all three of today’s insights is how elements in the Vision Model affect and are affected by each other.

Notice that the arrows connecting the elements illustrate their interdependencies. There is a circular flow of cause and effect, starting at the bottom with economic activity affecting accounting judgments, which affect the usefulness of information, which affect users’ decisions, which have consequences back on economic activity and accounting judgments. Everything affects everything. This means all of the arrows can be reversed.

The consequences arrows are particularly important for understanding incentives. Insiders, that is, those inside a reporting entity responsible for economic activity and accounting decisions, are often rewarded by outsiders for achieving targets based on accounting numbers.

Anticipating these positive consequences of users’ decisions gives insiders incentives to work more efficiently and effectively. However, when insiders have NOT met their targets, they have a negative incentive to manipulate real economic activity or accounting judgments.

So how do these incentives help explain how accountants promote a prosperous society?
Accounting promotes economic activity that leads to a prosperous society.

Above all, accountants have a responsibility to serve the public interests. We do so by striving to enhance all elements of the Vision Model and thus promote economic activity that leads to a more prosperous society.

In this regard, we do three things that benefit society.

• First, as we’ve said, accountants create metrics that can be used to set targets that create positive incentives for insiders to work harder and smarter. When multiplied across the entire economy, similar incentives can lead to the efficient allocation of capital, job creation, and tremendous wealth generation. Thus, incentives are the “engine” of capitalism and accounting measures are the “fuel” for this engine.
• However, we’ve also mentioned that related negative incentives can result in greed, which leads to the second way accountants benefit society: We provide controls to curb socially undesirable behavior and scorecards that let us know if we are under control. So, not only do we provide the fuel, we also provide the “brakes”.

• Third, as we all know, accountants provide decision support that spans all the elements of the Vision Model. Increasingly this means applying the “accounting mind set” to create useful information based on Big Data and data analytics.

• Among other things, a prosperous society depends on the quality of critical thinking across the model, which we turn to next ...
The Model has implications for both the breadth and depth of critical thinking.

Regarding breadth, the Model emphasizes critical thinking by all decision makers.

As you know, accountants must think critically about accounting issues, including applying professional judgment.

But, because of the model’s interdependencies, decision makers must not only thing critically about their own decisions, but also think critically about the others’ decisions and the broader context of these decisions.

For example, accountants must think critically about the underlying economic activity, the related risks and uncertainties, as well as users’ decisions and the anticipated consequences. Similarly, non-accountants, like marketing managers, must understand accounting to make more
informed better decisions. Indeed, a measure of one’s success is how deeply you can think critically about other decision makers’ context.

Regarding depth, there’s a growing sense of urgency to embrace critical thinking in increasingly deeper complex settings to stay competitive.

Human capital based solely on the “black and white”, mechanical aspects of accounting is becoming commoditized. Those who fail to respond to this threat, risk having their jobs outsourced to technology or other countries.

Perhaps the biggest challenge will be staying ahead of automation as breakthroughs in artificial intelligence and robotics increasingly lead to situations where machines can process big data faster, cheaper, and more effectively than humans.

But there’s good news. For the foreseeable future, there will still be plenty of tasks that can NOT be automated. But, to stay ahead, we must all up our game by mastering enhanced critical thinking skills to resolve highly complex issues and a mindset and the confidence to embrace big change.

The question is how to build the enhanced critical thinking skills in an ever changing, complex world.

One way to think about complexity is a quote Oliver Wendell Holmes:
“I wouldn’t give a fig for the simplicity this side of complexity, but I’d give my life for simplicity on the far side of complexity.”

What did Holmes mean by simplicity on “this side” versus “the far side”?

Holmes was distinguishing simplicity on this side that is so simple and shallow that it does not capture reality ... versus simplicity on far side that’s still simple, but faithfully captures the underlying reality.

So, how does this help us build enhanced critical thinking skills?

The key is to find simplicity on the far side of complexity by build a sturdy foundation using robust concepts anchored in the Vision Model and rich real-world applications.

What do we mean by robust concepts?

By robust, we mean concepts that explain a broad array of phenomena and, importantly, are largely invariant to change.

Learning how to identify the concept behind phenomena, that is to apply the concept, can be quite challenging. To apply a familiar concept to a new complex situation, one needs to see through the complexity and recognize that the concept explains the situation.

This takes practice applying concepts in diverse real-world contexts. Once mastered, concepts become pathways one can follow to find simplicity on the far side of complexity.
These enhanced critical thinking skills gives one the agility to adapt to change in an ever complex world and propels us towards creating a more prosperous society.
This concept-application approach to critical thinking is bolstered by accounting being a learned profession...

How does this work?

This approach blends research, the source of concepts, with practice, the source of applications. In doing so, it unleashes synergies between academia and practice, by emphasizing areas where each party has a comparative advantage. Indeed, the strength of this concept-application approach is fortified by the increasing bonds between academia and practice.

These synergies are magnified by the Model’s inclusiveness: it provides a unified conceptual framework for teaching, research and practice related to all areas of accounting, including financial, managerial, tax, auditing, systems, and not-for-profit accounting..
Indeed, the Model is gaining acceptance across the curriculum and is incorporated into some textbooks, it is used in seminars to set the context of research and at least one major firm is using the Model professional development.

In closing ... how is accounting different?

It has the Pathways Vision Model: a single, unified conceptual framework for teaching, research, and practice that depicts accounting’s role in creating a more prosperous society through the depth and breadth of enhanced critical thinking skills.

In this regards, it is the connective glue that ties us all together.

Thank you.