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# A Comparative Review of Perceived Costs and Benefits of Business School Accreditation Options

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## **ABSTRACT**

Business schools are continually challenged with developing programs that prepare students for successful careers and meet the evolving needs of industry. An accreditation association can provide business schools with best practice guidelines that help them ensure quality in their educational programs and supporting processes. The choice of accrediting agency is an important one for each school and could impact its success in achieving its mission. This paper examines the three primary business program accreditation associations in the United States: The Association to Advance Collegiate Schools of Business (AACSB); The Accreditation Council for Business Schools & Programs (ACBSP); and The International Accreditation Council for Business Education (IACBE). An investigative study was conducted that reviewed the existing literature to identify any perceived costs and benefits of accreditation. Important factors to consider included: fit with the mission, vision, and values; faculty qualifications and scholarship expectations; financial resources; marketplace impressions; graduating student employment; teaching innovations; and online program and global reputation. The overall choice of accreditor should be made based on the fit with the school's mission, resources, core competencies, and strategic goals. Business schools and their accreditors should work together to ensure that business programs continually meet the evolving needs of modern industry.

## **Keywords**

Business education, accreditation, strategy

## **1 INTRODUCTION**

Business schools are challenged with providing state-of-the-art educational experiences for their students while ensuring that these graduates are prepared for the ever-changing industry needs. As technology and business practices have evolved, so have the necessary "future of work" knowledge, skills, and professional disposition required of graduating students. Programs of study must be continually reviewed, modified, or newly created. Program-level learning outcomes are established, assessed, and corrective actions taken when necessary. All of these efforts are supported through the efforts and expertise of administration, faculty, and staff and the institution's resources and supporting operational processes. The building of a successful business program requires an institutional commitment and should be aimed at helping it achieve its overall mission.

Accreditation associations can play an important role in helping schools provide a quality education for its students. An accreditor can provide schools with best practices in areas such as program assurance of learning, operational processes outcomes and assessment, faculty qualifications and scholarship, stakeholder management, budgeting and resource management, and educational innovations. The accreditors monitor each program periodically to ensure that it is demonstrating compliance with any specified standards or guidelines.

When a school makes the decision to pursue accreditation, it is important to consider the fit with its mission, resources, core competencies, and overall strategic goals. Seeking accreditation is a partially irreversible decision for institutions once resources are committed to a direction aligned with any one accrediting agency. This paper provides an overview of the primary business accreditation agencies in the United States and an investigative study of the current research literature regarding the associated costs and benefits of each one.

## **2 ACCREDITATION ASSOCIATIONS**

The Council for Higher Education Accreditation (CHEA) defines accreditation as "a process for external quality review created and used by higher education to scrutinize colleges, universities and programs for quality assurance and quality improvement" (Eaton, 2015; Brink and Smith, 2012; Hunt, 2015). The two primary roles of accreditation include "assuring quality" and "engendering private sector confidence" (Eaton, 2015; Brink and Smith, 2012). In order to help facilitate these roles, CHEA does not accredit programs, but instead accredits the associations that do accredit programs. CHEA has the goal of assuring "that accrediting organizations contribute to maintaining and improving quality" (Eaton, 2015; Brink and Smith, 2012). Of the three

main accreditation associations that accredit business programs in the United States, CHEA currently accredits The Accreditation Council for Business Schools & Programs (ACBSP) and The International Accreditation Council for Business Education (IACBE), and has formerly accredited The Association to Advance Collegiate Schools of Business (AACSB).

AACSB, formed in 1916, is the oldest of these organizations and widely considered a “gold standard” accreditation body both domestically and internationally. However, the historical focus of AACSB was on large schools with a strong focus on faculty research. As a result, ACBSP was founded in 1989 with standards more appropriate for teaching-oriented schools. IACBE was formed in 1997 and focused its guiding principles on accrediting programs that are mission- and outcomes-based. Both AACSB and ACBSP have become more flexible in their accreditation standards to recognize that each school has a unique mission and program evaluation should reflect these differences. To provide an approximate comparison of the number of schools accredited through each association, Brink and Smith (2012) noted that, at the time of their paper, there were 649 AACSB-accredited programs (488 in the United States), 391 ACBSP-accredited programs (322 in the United States), and 157 IACBE-accredited programs (133 in the United States). Zhao and Ferran (2016), Hunt (2015), and Brink and Smith (2012) provide a detailed history of each accreditation body.

Although each of these accreditation bodies provides value through guiding standards or principles, resources, and best practice recommendations, there are differences in overall mission, vision, and values. Any business school seeking accreditation should consider these differences and the potential benefits and resulting strategic and operational implications of the accreditation choice.

### 3 INVESTIGATIVE STUDY

A literature review was conducted to examine any perceived costs and benefits of being accredited through either AACSB, ACBSP, or IACBE. This section includes some of the key findings of these research papers.

Brink and Smith (2012) provided a detailed comparison of AACSB, ACBSP, and IACBE with respect to institutional resources and the general impressions of value that each provides. Overall benefits of achieving accreditation are to assure program accountability and quality to stakeholders. Because each of the three business accreditations have differing costs and either standards or principles, the institutional resources should be the determining factor in identifying which one is most appropriate. The overall research findings showed that AACSB-accredited schools were typically those that were public research-focused with PhD programs and possessed the highest level of resources (e.g., financial, equipment, supporting expenditures, and faculty salaries). Private schools where the highest degree was at the masters or baccalaureate level were more likely to be accredited through either ACBSP or IACBE. Of the three accreditation associations, IACBE-accredited schools typically had the lowest level of assets. Furthermore, private not-for-profit institutions with religious affiliations are typically accredited through either IACBE or ACBSP.

A key difference between AACSB, ACBSP, and IACBE is how each are evaluated to determine compliance. AACSB and ACBSP have accreditation “standards” that must be met. However, IACBE is more flexible with less rigid accreditation “principles” that should be met. The distinction between “standards” and “principles” is important and each school must determine the level of flexibility desired to achieve its overall mission. Two key areas to consider are with respect to faculty qualifications and faculty scholarship. Faculty qualifications refer to the education level of the school’s faculty, and are usually measured by the percentage of faculty that have earned a terminal degree (doctoral degree). In terms of faculty qualifications, AACSB has the most rigorous overall standard, ACBSP is most rigorous with respect to graduate-level teaching, and IACBE is the least rigorous (and is a “principle” of ensuring one full-time “doctorally-qualified” faculty member per discipline). The rigor of research and scholarly activities is most rigid for AACSB, requiring a significant portion to be peer-reviewed artifacts. ACBSP and IACBE are more flexible with respect to research, with ACBSP being slightly stricter with “standards” as opposed to IACBE’s recommended “principles”. Schools should consider its faculty make-up and the types of scholarship that are consistent with its institution’s mission prior to making an accreditation decision.

The costs of pursuing and maintaining each accreditation have significant differences and can present a major hurdle for smaller schools attempting to earn AACSB accreditation. At the time of publication, Brink and Smith (2012) noted the following direct costs:

- AACSB: \$13,000 + \$4,500 per year (5-year review cycle)
- ACBSP: \$7,400 + \$2,450 per year (10-year cycle)
- IACBE: \$7,500 + \$2,750 per year (10-year cycle<sup>1</sup>)

In addition to these direct costs, additional start-up costs include up to \$50,000-\$100,000 (workshops, Assurance of Learning, etc.) with an estimated total cost of up to \$500,000 for initial accreditation of a smaller school (including faculty hires).

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<sup>1</sup> IACBE currently has a seven-year review cycle.  
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Consequently, financial issues are often the biggest hurdle for smaller schools seeking AACSB accreditation (i.e., with these costs necessary to satisfy the faculty qualifications, faculty sufficiency, and scholarly research/intellectual contributions requirements).

Due to the multitude of resources that are required to successfully earn and maintain accreditation, a review of the literature was conducted to determine if there was any consensus as to the actual and perceived benefits. Brink and Smith (2012) noted that the deans of surveyed AACSB schools did believe that the cost of accreditation was justified, and that being accredited helped them attract resources. Hunt (2015) presented research findings that also suggested it was easier to recruit and hire quality faculty if a school was accredited through AACSB (Roberts et. al, 2006; Note, this research study was comparing the benefits of AACSB, not with respect to ACBSP or IACBE).

Hunt (2015) also discussed opposing faculty perceptions on the teaching quality of AACSB-accredited schools. In this paper, the study from Roberts et al. (2004) indicated that faculty present before and at the time of achieving AACSB accreditation believed that the new focus on research activities hurt their teaching innovations and overall classroom preparations. Conversely, the view from new faculty hired after achieving AACSB accreditation was that these same schools placed a high value in their teaching quality (Roberts et. al., 2006). These research studies did not compare the teaching quality when compared to AACSB, ACBSP, or IACBE accreditation.

Another area where accreditation impact is unclear is with respect to attracting quality students. Hunt (2015) presented studies that exhibited mixed results, with some suggesting that accreditation played no role in student decisions, and another stating that AACSB accreditation was an important factor for transfer students. The overall reputation of the school was a major factor for prospective students.

The closest study that compared potential school enrollment due to achieving AACSB accreditation was included in the paper by Zhao and Ferran (2016). In this paper, the study of Womack and Krueger (2015) was discussed that directly compared the impact of earning AACSB on enrollment at Texas A&M International University (accredited in spring of 2002) with a comparable school that did not pursue accreditation (Texas A&M University-Kingsville) and another school that was already accredited through AACSB (University of Texas-Pan American). This study looked at the enrollment patterns from the five years before and after receiving accreditation (1997-2006). The enrollment initially increased dramatically once accreditation was achieved, but these results were not sustained. There was, however, a statistically significant finding that Texas A&M International University may have experienced a higher rate of growth and a lower rate of decline than a non-AACSB accredited school. Despite this finding, there is not a lot of literature that presents a conclusive cost-benefit analysis of AACSB accreditation. This research study also focused on larger public universities, which do not have the same operating missions or constraints as smaller private institutions.

The literature was researched further to identify any studies that may refine the focus to schools that were of smaller size and exhibited a teaching-oriented mission. Bieker (2014) specifically looked at whether or not AACSB accreditation made sense for smaller schools with limited resources and a mission of primarily teaching. The conclusions of this paper were that AACSB accreditation was not beneficial for these types of schools, the graduates of AACSB schools do not have greater career success as a result of AACSB-accredited school education, and that the learning outcomes are not better than at non-AACSB schools.

The attraction of students to a business program may be impacted by the potential for achieving success when entering the job market post-graduation. Hunt (2015) summarized a study that suggested students from AACSB schools performed better at professional examinations (i.e., higher CPA pass rates) (Lindsay and Campbell, 2003). However, potential employers of graduating students are not as concerned with whether or not a school is accredited, but instead the overall prestige and image of a school was likely more important (Brink and Smith, 2015). Hunt (2015) discussed job placement and career success, and noted that AACSB accreditation is important only if the employer is aware of AACSB. An older study showed that only 36% of employers considered AACSB accreditation to be an important factor when hiring a new employee (Shiple and Johnson, 1991). Maintaining excellence in educating students and placing them in successful careers is important, and it is not clear whether or not being accredited through AACSB will lead to greater success in this area.

Bieker (2014) did discuss some research studies that provided opposing views on pursuing accreditation. Julian and Ofori-Dankwa (2006) cautioned that AACSB assumes programs should experience gradual and continuous changes and improvements. However, the state of business education does not follow this pattern and many teaching innovations are more disruptive in nature (e.g., computer and distance learning; for-profit online degree programs; corporate universities). As a result, many innovative changes come from non-AACSB accredited schools. Julian and Ofori-Dankwa (2006) admitted to being intentionally critical of what they referred to as being “accreditocracy” with respect to constraints imposed by AACSB, ACBSP, and IACBE. Similarly, whereas Cavico and Mujtaba (2010) acknowledged that AACSB is synonymous with “quality” and “legitimacy” (from the perspectives of faculty and administrators), the potential risks also existed that the institution may lose “its vibrancy or the values of innovation, creativity, and entrepreneurship”. The conclusion of those critical of accreditation bodies was that the

“marketplace is the best accreditor” (Cavico and Mujtaba, 2010).

One area where there seemed to be the most consensus in terms of the value of accreditation, was with respect to the perception of online programs and the global marketplace. Hunt (2015) discussed a study that shows AACSB accreditation was a significant factor for prospective students when comparing online programs (Rydzewski et al., 2010). Kathawala et. al (2002) researched the global online MBA programs and acknowledged that AACSB accreditation is especially important for online/distance education. In this paper, the authors referred to the following quote by Charlotte Thomas (career and education editor of Peterson’s Publishing): “Accreditation is the number one verification of the quality of a higher education distance education provider” (Abernathy, 2001; Kathawala et. al, 2002). These studies suggest that, whereas a local and regional reputation may supersede any formal accreditation, prospective students from greater geographical distances or pursuing online programs may be more influenced by the accreditation status of a school.

Zhao and Ferran (2016) performed a comparative study pertaining to business school accreditation in the global marketplace, and looked at all three business accreditation bodies: AACSB, ACBSP, and IACBE. Through this research, the authors stated that: “Accreditation is no longer a luxury but a requirement for business schools, but they have to make an informed decision on which agency to pursue to assure an appropriate fit” (Zhao and Ferran, 2016). Whereas ACBSP and IACBE may be sufficient for regional competitiveness, AACSB is most reputable globally. Some schools even attempt to improve their brand name with multiple accreditations (e.g., ACBSP/IACBE and then AACSB). Approximately 10% of all business schools worldwide have at least one level of accreditation (Zhao and Ferran, 2016). These authors also noted the different strategies of each accreditation body, including that ACBSP has had a recent focus on global expansion (United States; Latin America; South Asia) and expanded to include two-year and for-profit schools. Whereas previous research focused on cost-benefit analyses, other benefits of accreditation include: the assurance that the mission and strategy are practiced within the school; a long-term commitment of institutional resources to the business program; the encouragement of continuous improvement efforts; and improved faculty and student recruitment (especially international students) (Zhao and Ferran, 2016).

#### 4 SUMMARY & CONCLUSIONS

This paper presented the three business program accreditation options for schools in the United States, and then a review of literature with the goal of helping identify a consensus regarding the potential costs and benefits of achieving accreditation. Despite the long history of AACSB and the growing presence of ACBSP and IACBE, there is not a clear consensus to the benefits that an institution could expect with any of these accreditations.

Accreditation would provide a school with access to resources and best practices through affiliated schools, along with guidelines and incentives to continually improve the business programs and supporting operational processes. Whereas improvements in attracting local students may not be increased, the success of an online program and the recruitment of national and international students may require accreditation.

Due to the significant cost of achieving and maintaining accreditation (especially through AACSB), it is important to select the appropriate accreditation body for any particular school. The consensus in the research literature is that AACSB is both nationally and globally considered to be the “gold standard” accreditation body. However, most of the research studies were performed with AACSB as the accreditation level, but the newer options of ACBSP and IACBE were not extensively studied. Due to the relative newness of the ACBSP and IACBE accreditation bodies, it is unclear if any benefits of accreditation were specifically due to AACSB, or if they would apply to any business accrediting association. It is suggested that more comparative studies are made to determine the impact of each accreditation association against each other.

Although there was not a clear answer in the literature suggesting the benefits of pursuing accreditation, Hunt (2015) did include this quote:

*David Thomas (former Dean at Georgetown University’s School of Business): “The presence of accreditation doesn’t differentiate you [as an elite school], but the absence of it does cause more noise and questions”.*

The decision to pursue an accreditor is important and should be based on the institution’s mission, resources, and overall strategic plan.

A final reflection concerns the ever changing future of work requirements and how these may impact what business schools need from their accreditors. This is an exciting challenge for both business schools and accreditation bodies to ensure our students obtain the knowledge, skills, and disposition necessary to be successful in the next generation of industry.

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