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STICKY COSTS IN THE CLASSROOM: RETHINKING MANAGEMENT ACCOUNTING EDUCATION FOR REAL-WORLD FINANCIAL CHALLENGES

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Abstract

In recent decades, accounting literature has expanded significantly, contributing to advancements in financial and management accounting. Traditional cost behaviour models classify costs as fixed or variable, assuming a linear and symmetric relationship with activity levels. However, recent research highlights the concept of sticky costs, which increase more with rising activity than decrease with falling activity. This asymmetry complicates cost management, affecting earnings predictability and financial stability. Factors such as managerial expectations, corporate governance, and CEO decision-making influence the degree of cost stickiness. This study, still in progress, aims to assess whether our conviction that sticky costs are insufficiently covered in management accounting curricula is supported by empirical evidence. By analysing course syllabi from higher education institutions offering management accounting modules, we will determine the extent to which sticky costs are contemplated in academic programmes. The findings will contribute to improve management accounting education, to ensure that curricula reflect contemporary research and better prepare students for the complexities of cost behaviour in practice.

Keywords: Sticky Costs, Management Accounting, Cost Behaviour, Higher Education, Curriculum Development.

1 INTRODUCTION

1.1 The Expansion of Accounting Research

Over the past few decades, the body of scientific literature on accounting has expanded significantly, with academic publications playing a pivotal role in advancing the field. The dissemination of research findings has provided new insights and developments to researchers, accounting professionals, managers, and a broader global audience.

Accounting systems generally comprise two main branches: financial accounting and management accounting. Financial accounting serves external users by providing financial statements, while management accounting focuses on internal users, offering relevant data for decision-making [1]. As highlighted by [2], financial accounting is primarily designed for stakeholders such as regulatory bodies, banks, suppliers, and customers, whereas management accounting provides managers with critical information on production processes, labour productivity, activity reports, and cost behaviour, thus enhancing decision-making.

The management of corporate costs is fundamental for business performance. Traditional management accounting theories classify costs as either fixed or variable, and this categorization continues to guide managerial decisions in many firms. However, emerging research challenges the assumption that cost behaviour follows a symmetric pattern. The concept of sticky costs, which respond asymmetrically to changes in activity, has gained prominence in the literature, raising new questions about cost management and financial stability.

1.2 Traditional Cost Behaviour Models

Conventional cost behaviour models assume a linear relationship between costs and activity levels,

categorizing costs into two main types: fixed and variable [3], [4]. In these models, total costs consist of fixed costs plus variable costs, where variable costs are calculated as unit costs multiplied by activity volume [5]. A fundamental assumption is that costs incurred in the current period depend solely on activity levels in that same period, with no influence from past fluctuations. This implies that cost behaviour is symmetric, meaning costs increase and decrease proportionally with changes in activity levels [3].

Variable costs fluctuate in direct proportion to the company's activity, making them more controllable, as they can be adjusted easily when activity decreases. Fixed costs, on the other hand, are independent of short-term activity levels and are primarily determined by the company's structural decisions. They remain stable unless significant structural changes occur, such as facility expansions or downsizing. Understanding these cost dynamics is essential for effective cost management [6].

However, recent research in management accounting has challenged the assumption of a symmetric relationship between costs and activity levels. Empirical evidence suggests that costs do not always decrease at the same rate at which they increase, leading to the recognition of sticky costs as a distinct category of cost behaviour [6].

1.3 The Concept of Sticky Costs

Emerging studies highlight that costs often exhibit asymmetric responses to activity fluctuations [3], [4], [7], [8], [9]. Specifically, sticky costs increase more when activity rises than they decrease when activity falls by an equivalent amount. This phenomenon introduces challenges in cost management, as it implies that businesses may struggle to reduce expenses in response to declining revenues, potentially impacting financial stability.

[3] was the first empirical study to demonstrate asymmetric cost behaviour using revenue as a proxy for activity levels [4], [8]. The findings revealed that sticky costs remain elevated even when activity declines, leading to greater fluctuations in earnings. Consequently, firms with high levels of cost stickiness tend to experience higher forecast errors and reduced financial predictability.

[3] and [4] define sticky costs as those that exhibit a greater magnitude of increase when activity levels rise than decrease when activity levels fall. [10] provides concrete examples, such as labour-related costs, as hiring and termination expenses, and capital expenditures, as equipment that continues to depreciate even when no longer needed. The persistence of these costs often results from managerial expectations that the activity will recover, as well as additional costs associated with downsizing, such as severance payments.

Unlike traditional cost behaviour models, which assume that costs in a given period depend only on current activity levels, the sticky cost framework acknowledges that costs are influenced by both current and past activity levels [5]. Several factors contribute to cost stickiness, including adjustment costs, managerial expectations, previous sales trends, and agency considerations [11]. Additionally, corporate governance structures [12], labour market conditions [13], [14], and cost structures [7] influence the degree of cost stickiness. Research also suggests that overconfident CEOs and aggressive bidding strategies can amplify cost stickiness, as managers may be reluctant to reduce costs due to optimistic growth expectations [15], [16].

From an investor perspective, cost stickiness can serve as an indicator of a firm's efficiency in managing market fluctuations. Companies with higher levels of sticky costs tend to experience greater earnings forecast errors due to managers' inability to predict the full implications of cost asymmetry [4]. Overestimation of earnings can erode investor trust, leading to financial instability [17].

Given the increasing relevance of cost stickiness in corporate management, its study is crucial for improving financial decision-making and risk management. However, despite the growing body of literature, empirical research on sticky costs remains limited [4].

1.4 Sticky Costs in Higher Education Curricula

The study of cost behaviour is a fundamental component of management accounting courses in higher education, particularly in accounting, management, and economics programs. However, empirical research has not yet provided evidence that the study of sticky costs is integrated into the curricula of management accounting courses.

A study conducted in industrial firms found that while cost specialists are well-versed in traditional cost classifications, even experienced managers often lack awareness of sticky costs and their financial

implications [18]. Similarly, [19] examined final-year accounting students, expecting them to demonstrate competence in cost behaviour analysis. While students successfully answered conventional cost behaviour questions, only 7.04% were familiar with the concept of sticky costs. Notably, those who had encountered the concept reported learning about it through independent online research rather than formal coursework.

The relationship between academic research and teaching is a widely debated topic in educational literature [20]. However, this issue has received limited attention in management accounting education. The integration of research findings into curricula varies across disciplines, and the adoption of new theories in management accounting courses remains a challenge.

Given the importance of cost behaviour in corporate decision-making, including both traditional and contemporary perspectives, it is our belief that sticky costs should be more systematically incorporated into higher education curricula. This study seeks to assess whether management accounting programs include content on sticky costs, as we hypothesize that their presence in curricula is currently insufficient.

1.5 Research Objectives and Contributions

Despite the growing recognition of sticky costs in academic research and corporate finance, their presence in higher education curricula remains unclear. This study aims to evaluate whether management accounting courses in higher education institutions adequately address sticky costs. Our primary objective is to determine if our assumption — that sticky costs are not sufficiently covered in management accounting programs — is accurate.

To achieve this, we will conduct an analysis of course syllabi from institutions offering management accounting as a core subject. By identifying whether sticky costs are explicitly included in course content, we aim to contribute to the academic discussion on the relevance of contemporary cost theories in accounting education.

This research seeks to bridge the gap between theoretical advancements and practical education by emphasizing the need for curriculum updates that reflect modern cost behaviour theories. Enhancing students' understanding of sticky costs can improve their preparedness for real-world financial decision-making, benefiting both academia and industry. By shedding light on the current state of accounting education, this study aligns with broader efforts to promote quality education and sustainable economic growth, in accordance with the United Nations Sustainable Development Goals.

2 METHODOLOGY

2.1 Research Question

This study seeks to address the following central research question: “To what extent is the concept of sticky costs included in the curricula of Management Accounting courses in higher education, either explicitly or implicitly?”

This question is grounded in the premise that traditional cost behaviour models, which focus on fixed and variable costs, may still dominate accounting education, potentially limiting exposure to more recent concepts like sticky costs. Given the growing importance of sticky costs in managerial decision-making and financial stability, understanding whether these concepts are reflected in university curricula is essential. By exploring this research question, the study aims to assess whether contemporary research in cost behaviour is being adequately incorporated into accounting education and whether students are equipped with the knowledge needed to manage cost asymmetries in real-world business environments.

2.2 Methodology

The methodology for this study will be carried out in two phases.

The first phase will involve a documentary analysis of the curricula for Management Accounting courses in undergraduate and postgraduate degree programs in Accounting and Management at Portuguese higher education institutions. The goal is to determine whether sticky costs are addressed in course syllabi, either explicitly or implicitly, by examining official course descriptions. This will help identify whether the topic is integrated into formal academic structures or addressed in an informal capacity through related subjects.

The second phase will involve conducting a survey with faculty members responsible for teaching Management Accounting courses. This survey will explore whether sticky costs are covered in lectures, even if not explicitly mentioned in the curriculum, and will examine faculty attitudes toward including this concept in course content. Additionally, the survey will gather insights into the perceived relevance of sticky costs for students and the challenges instructors face in integrating this topic into the curriculum.

It is important to note that this methodology will be applied in a subsequent study, as this article represents a work in progress. The full implementation of the curriculum analysis and faculty survey will take place in the near future, and the findings from this upcoming study will contribute to a deeper understanding of how sticky costs are incorporated into higher education programs.

3 RESULTS

3.1 Expected Results

The analysis of management accounting curricula aims to identify the extent to which the concept of sticky costs is addressed, both explicitly and implicitly. It is anticipated that most programmes will not include this concept directly, given its relative novelty in higher education. However, some curricula may address cost behaviour in broader terms, potentially covering aspects related to sticky costs without explicitly naming them. Advanced courses that cover topics such as cost analysis, strategic management, and financial accounting are expected to be more likely to implicitly include discussions on asymmetric cost behaviour.

Preliminary data suggest that, where cost behaviour is explicitly addressed, it tends to focus on fixed and variable costs, providing a foundation for the later introduction of the sticky costs concept. Programmes that adopt modern approaches to cost management are expected to have greater potential for integrating this concept, assuming curriculum updates are made to reflect recent developments in management accounting theory.

3.2 Preliminary Curriculum Analysis

The initial analysis of the curricula of management accounting units indicates that few courses explicitly address the asymmetric behaviour of costs or make direct reference to sticky costs. While this study is in its early stages, some units do address related topics, particularly the traditional classification of costs. This suggests that, although sticky costs are not yet widely integrated into curricula, there is potential for their inclusion as part of the broader evolution of accounting education.

3.3 Questionnaire Insights

Questionnaires administered to course instructors aim to verify whether sticky costs are taught implicitly, even if not explicitly included in the syllabus. It is expected that while instructors may not directly reference sticky costs, they may discuss related issues such as the challenges of cost predictability in fluctuating economic conditions. The responses will likely highlight gaps in instructors' familiarity with the concept, suggesting the need for curriculum updates to incorporate these emerging theories of cost behaviour more effectively.

3.4 Future Implications

These findings will inform potential revisions to the curriculum, highlighting areas where sticky costs can be integrated to enhance student learning. The research is expected to reveal the need for professional development for instructors, particularly in terms of understanding and teaching modern theories of cost behaviour. Ultimately, this study aims to propose educational strategies that align accounting curricula more closely with contemporary business practices, better preparing students for the complexities of cost management in dynamic organisational environments.

4 CONCLUSIONS

Recent advancements in cost behaviour research have introduced the concept of sticky costs, which challenges traditional cost classification models. Unlike conventional approaches that assume a symmetric relationship between costs and activity levels, sticky costs exhibit asymmetry, increasing more when activity rises than they decrease when activity declines. This dynamic complicates cost

management, affecting earnings predictability and financial stability. While this concept has gained prominence in management accounting literature, there is no clear evidence that it has been systematically integrated into higher education curricula, particularly in management accounting courses within accounting and management degrees.

This study aims to assess whether sticky costs are incorporated into university curricula by analysing the syllabi of management accounting courses in Portuguese universities. The objective is to determine whether and how the asymmetrical behaviour of costs is addressed, either explicitly or implicitly, and to propose ways to better integrate this topic into academic programs. The research will evaluate the extent to which contemporary cost behaviour theories have been adopted in teaching, comparing them with traditional cost classification models.

Beyond assessing curricular content, this study will explore the pedagogical implications of including sticky costs in management accounting education. A deeper understanding of this concept could enhance students' ability to navigate real-world financial complexities, improving their preparedness for professional challenges. Additionally, integrating this topic into the curriculum aligns with the United Nations Sustainable Development Goals (SDGs), particularly SDG 4 (quality education) and SDG 8 (economic growth and decent work). By equipping students with relevant financial knowledge, higher education institutions can contribute to more responsible business practices and sustainable economic development.

As this is a work in progress, the present article serves as a preliminary analysis, outlining the research framework and objectives. A future publication will present the empirical findings, providing concrete insights into the extent of sticky costs' integration in academic curricula and offering recommendations for curriculum development.

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