THE ACCEPTABILITY OF ONLINE DEGREES FOR OBTAINING ENTRY-LEVEL EMPLOYMENT IN THE ACCOUNTING PROFESSION: A THEORETICAL FRAMEWORK

Cole J. Engel, Fort Hays State University

ABSTRACT

Current research shows employers at the pinnacle of the accounting profession, certified public firms, show a disinclination to hire graduates of online programs, even when they possess the Certified Public Accountant (CPA) credential. Institutional theory is ideally suited to explain the tendency of accountants to restrict hiring to graduates of traditional face-to-face programs rather than online programs because of its consideration of legitimacy concerns and normative pressures to do things in an accepted and traditional fashion. Institutional theory attempts to explain how organizations gain and keep legitimacy to survive and prosper by adhering to normative structures. However, it does not attempt to explain how institutions emerge and evolve. Therefore, the system theory of professions serves to provide a stronger theoretical framework than institutional theory can provide alone when studying the acceptability of online degrees for obtaining entry-level employment in the accounting profession.

INTRODUCTION

Current research shows that employers at the pinnacle of the accounting profession, certified public firms, show a disinclination to hire graduates of online programs, even when they possess the Certified Public Accountant (CPA) credential (Kohlmeyer et al., 2011; Tabatabaei et al., 2014). Institutional theory supports this disinclination by employers at certified public firms because it suggests the survival and success of organizations depends on adhering to the rules and norms that facilitate its interaction with other organizations and gives legitimacy to its operations (Kilfoyle & Richardson, 2011). However, employment at certified public firms is but one option for accounting graduates. The accounting profession is not homogenous, as its members are employed in public accounting, business and industry groups, government, education, and not-for-profit organizations of various sizes. Unique clients with needs distinct to their particular trades compose each of these employment settings (American Accounting Association [AAA], 2012). The system theory of professions is the structure that links professions with specific work tasks. The classic study on the system theory of professions by Abbott (1988) supports the hypothesis that there will be differentiation within any given profession, such as accounting.

Employers at certified public accounting firms may have a reluctance to hire graduates of online programs but existing research is limited given it has not addressed the full range of employment settings (Bristow et al., 2011; Metrejean & Noland, 2011) even with the increasing numbers of students pursuing online accounting degrees (Kohlmeyer et al., 2011; Sellers et al., 2012; Tabatabaei et al., 2014). While debate continues regarding the comparative quality of online and traditional learning, not enough is known about the likelihood of being recruited for entry-level employment based on education mode (Bristow et al., 2011) and whether this likelihood differs based on employment setting (Metrejean & Noland, 2011) and if any interaction exists between these two variables. Institutional theory is ideally suited to explain this tendency of accountants to restrict hiring to graduates of traditional face-to-face programs rather than online programs because of its consideration of legitimacy concerns and normative pressures to do things in an accepted and traditional fashion (Sellers, Fogarty, & Parker, 2012). Nevertheless, accountants fill a wide range of positions across all employment settings, and the desired qualifications differ across these roles (AAA, 2012). Such differences among employment settings, as supported by the system theory of professions (Abbott, 1988), may determine whether job applicants are scrutinized differently during the hiring process, particularly with regard to education mode. Due to increased demands by employers seeking accounting graduates and the continued growth of online programs, identification of the employment settings favorable to graduates with online accounting degrees is needed (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014) and can serve to examine internal differentiation within the profession.

THEORETICAL FRAMEWORK

Research in accounting is concerned with solving problems, investigating relationships, and building a body of knowledge. While the actual practice of accounting is generally of less theoretical interest, questions such as why organizations make particular choices are of theoretical interest because it is helpful to know the reasons underlying the choice (Wolk, Dodd, & Rozycki, 2013). Most theory in accounting research does not originate in the accounting literature. Rather, it emerges from economics, finance, behavioral, and sociology literatures. Accounting researchers look at developments in economics, finance, sociology, psychology, and organizational behavior for sources of testable theory applicable in an accounting environment (Smith, 2011).

Examples of theories borrowed from these disciplines include agency theory, signaling theory, stakeholder theory, legitimacy theory, institutional theory, and sociological and linguistic theories (Smith, 2011). Three popular theory streams exist in the accounting literature. The first is microeconomic theory, which researchers apply to financial accounting through agency theory, and to management accounting through production economics. The second is behavioral accounting theory, which researchers develop through the application of sociology, cognitive psychology, and decision theory. The third is organization theory, which researchers apply in the form of contingency theory and systems theory (Smith, 2011). Accounting researchers rarely recognize theories in accounting as “real” theories. Rather, they accept the adequacy of theories drawn from other disciplines (Malmi & Granlund, 2009).

Gong and Tse (2009) argued that researchers should not focus on developing all-purpose theories or one-size-fits-all integrative frameworks. Rather, they should acknowledge the existence of contradictions in organizations and use different theories to portray the whole picture from multiple perspectives. Therefore, this theoretical framework looks at the accounting profession through two lenses by using institutional theory and the system theory of professions from the sociology of professions literature to gain insight into the educational preparation issues facing the profession. Institutional theory and the system theory of professions provide a useful framework for studying the acceptability of online degrees for obtaining entry-level employment across various positions in the accounting profession.

Institutional Theory

Institutional theory focuses on the establishment of institutions through interactions between individuals, organizations, and society. Institutional theory is a popular theory for explaining choices based on institutional pressures experienced by organizations. This theory explains the process of institutionalization by which rules, norms, or routines became guidelines for social behavior (Gong & Tse, 2009). Institutional theory attempts to explain how firms seek legitimacy from their stakeholders (Malmi & Granlund, 2009). Institutionalism ties the practices of organization leaders (e.g., accounting practitioner hiring decisions) to social norms and their need to interact successfully with other entities in society (Guerreiro, Rodrigues, & Craig, 2012). Institutional theory supports the hypothesis that the survival and success of organizations depends on adhering to the rules and norms that facilitate its interaction with other organizations and gives legitimacy to its operations (Kilfoyle & Richardson, 2011).

Legitimacy is important to achieve and preserve because it signals that the organization is a significant and trustworthy exchange partner. Legitimacy is vital to organizations, professions, and academic disciplines. Rynes and Brown (2011) offered several benefits associated with achieving legitimacy: (a) continued existence; (b) power, influence, and resource acquisition; (c) high-status association; and (d) receipt of societal support. A high level of institutional legitimacy provides better members, leaders, partners, resources, favors, and concessions (Rynes & Brown, 2011). Institutional theory, with a focus on legitimacy, could make appropriate interpretations of business activities. Because institutional theory is a system-oriented theory, it is especially useful in social contexts (Chen & Roberts, 2010).

Institutional theory suggests that decisions may be made for many non-profit maximizing reasons, such as tradition, prestige, university attended, or style of dress (DiMaggio & Powell, 1983). Employers are likely responding to norms and traditions regarding the preferred educational background of prospective employees. Failure to uphold such norms carries risks of sanctions from other members of the accounting profession. Institutional theory contends that to interact successfully with industry peers, firms must maintain a status of legitimacy (DiMaggio & Powell, 1983). Firms may be wary of hiring online accounting graduates because of the fear that their legitimacy may experience negative affects by having graduates of online schools with little prestige representing the firm to its customers and suppliers.

Early studies using institutional theory mostly included applications grounded in the public sector, such as public schools, hospitals, and the government. More recently, institutional theory has gained attention from the professions (Sellers et al., 2012). With its consideration of legitimacy concerns and normative pressures to do things in an accepted and traditional fashion, institutional theory is ideally suited to explain the tendency of accountants to restrict hiring to graduates of traditional face-to-face programs in preference to online programs.

Despite the widespread use of institutional theory, there is a significant unanswered question surrounding it that is important to investigate. Institutional theory attempts to explain how organizations gain and keep legitimacy to survive and prosper by adhering to normative structures. However, it does not attempt to explain how institutions emerge and evolve. Institutions cannot exist without prior rules or norms and institutional theory cannot explain the elemental norms themselves (Rynes & Brown, 2011). Institutional theory has a passive conception of how organizations adopt norms and rules. Human agency and resistance to institutional change is a relatively weak area for institutional theory (Rynes & Brown, 2011). Therefore, the system theory of professions serves to provide a stronger theoretical framework than institutional theory can provide alone.

System Theory of Professions

The sociology of professions literature is characterized by well-developed theory supported by extensive research (e.g. Caplow, 1954; Hughes, 1958; Van Maanen & Barley, 1984; Abbott, 1988) distilled into a system theory of professions that captures the essence of professional work (as cited in Somers, 2010). The system theory of professions is the structure that links professions with specific work tasks. Professions are exclusive occupational groups applying somewhat abstract knowledge to particular cases. The distinguishing characteristic of a profession is that its members possess a body of knowledge that establishes them as qualified to control a particular area of work tasks (Abbott, 1988). Accounting is a reputable profession with well-established regulatory bodies that sanction entry criteria. These criteria include passage of the standardized national uniform CPA examination, preceded by completion of a prescribed set of accounting coursework as well as other post-secondary coursework totaling 150 credit hours in most jurisdictions. The state boards of accountancy, charged with protecting the public interest in licensing CPA candidates, are responsible for deciding if students' education, experience, and examination success are sufficient for licensure (Mastracchio, 2008).

The classic study on the system theory of professions by Abbott (1988) supports the hypothesis there will be differentiation within any given profession, such as accounting. The development of internal differences is bound directly to the development of professionalism. Differentiation within the professions means that members of a profession do different things in different workplaces for different clients. The careers of professionals sorted in such ways follow different paths. Thus, the consequences of internal differentiation embody differences in status, clients served, work structure, and career paths. An example of differentiation within a profession based upon a training setting arose early in the twentieth century within the American bar. Night and non-elite day law school graduates dealt with individual matters of land and property jurisdiction. Elite full-time law school graduates, and the large legal firms who hired them, controlled the areas of big business practice as well as extensive areas of governmental practice (Abbott, 1988).

Abbott's (1988) approach directly focuses on differentiation within the professions as a source of occupational change over time, suggesting that the common simplifying assumption of internal homogeneity is problematic. The accounting profession is not homogenous, as its members are employed in public accounting, business and industry groups, government, education, and not-for-profit organizations of various sizes. Unique clients with needs distinct to their particular trades compose each of these employment sectors. Accountants employed in each of these settings must respond to different challenges as they work to meet the needs of their unique clients, while continuously maintaining regulatory compliance in place for each specific trade (AAA, 2012). Such differences among employment settings, theoretically, would lead to other differences not yet fully studied in the accounting profession, such as whether job applicants are scrutinized differently during the hiring process.

Given the findings in previous studies (e.g. Adams & DeFleur, 2006; Columbaro & Monaghan, 2009; Jeancola, 2011; Kohlmeyer et al., 2011; Tabatabaei et al., 2014; Toppin & Pullens, 2010), it is possible that completion of traditional versus online degree programs constitutes a differentiation within the accounting profession. Varying levels of willingness to hire traditional versus online degree program graduates can establish evidence of this differentiation. The results of existing research (Kohlmeyer et al., 2011; Tabatabaei et al., 2014) inform online degree program graduates that their applications for employment at certified public firms are not likely to be as well received as applications from traditional degree program graduates. However, previous research has not surveyed a larger range of employers, such as those working in private business and industry organizations. Systems are dynamic and existing biases may eventually disappear. Therefore, it is important to test if differentiation exists within the accounting profession.

As online learning continues to experience strong growth, an opportunity exists to use the system theory of professions to examine internal differentiation within the accounting profession. Applying the system theory of professions to the accounting profession will lead to predictions regarding employers' attitudes and perceptions toward online learning. In accordance with the theory describing differentiation within professions as typical (Abbott, 1988), it stands to reason that employers other than certified public firms in the accounting profession may be more accepting of online degree program graduates. Practical benefits of identifying the employment settings most favorable to graduates of online accounting degree programs will be realized.

INSTITUTIONAL THEORY AS A CONCEPTUAL FRAMEWORK

Research in accounting is concerned with solving problems, investigating relationships, and building a body of knowledge. While the actual practice of accounting is generally of less theoretical interest, questions such as why organizations make particular choices are of theoretical interest because it is helpful to know the reasons underlying the choice (Wolk, Dodd, & Rozycki, 2013). Collin, Tagesson, Andersson, Cato, and Hansson (2009) documented two theories in the literature that explained both financial and nonfinancial decisions made by accounting professionals. First, positive accounting theory, which affects the wealth of stakeholders and has connections to agency theory, is a popular theory for explaining and predicting accounting choices intended to enhance efficiency. Second, institutional theory, a sociological theory focused on the establishment of institutions through interactions between individuals, organizations, and society. Institutional theory is a popular theory for explaining choices based on institutional pressures experienced by organizations. This theory explains the process of institutionalization by which rules, norms, or routines become guidelines for social behavior (Gong & Tse, 2009). Institutional theory attempts to explain how firms seek legitimacy from their stakeholders (Malmi & Granlund, 2009).

Institutional theory focuses on the establishment of institutions through interactions between individuals, organizations, and society. Institutional theory is a popular theory for explaining choices based on institutional pressures experienced by organizations. This theory explains the process of institutionalization by which rules, norms, or routines became guidelines for social behavior (Gong & Tse, 2009). Frandsen and Johansen (2013) describe institutional theory as "a theory about the relationship between organizations and their social environment, and about how this environment in the shape of institutions penetrates, constrains, and changes the organizations" (p. 207). Scott (2008) defines institutions as follows: "Institutions are comprised of regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life" (p. 48).

Institutionalism ties the practices of organization leaders (e.g., accounting practitioner hiring decisions) to social norms and their need to interact successfully with other entities in society (Guerreiro, Rodriguez, & Craig, 2012). Institutional theory hypothesizes that the survival and success of organizations depends on adhering to the rules and norms that facilitate its interaction with other organizations and gives legitimacy to its operations (Kilfoyle & Richardson, 2011). Suchman (1995) defined legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574).

Legitimacy is important to achieve and preserve because it signals that the organization is a significant and trustworthy exchange partner. Legitimacy is vital to organizations, professions, and academic disciplines. Rynes and Brown (2011) offered several benefits associated with achieving legitimacy: (a) continued existence; (b) power, influence, and resource acquisition; (c) high-status association; and (d) receipt of societal support. A high level of institutional legitimacy provides better members, leaders, partners, resources, favors, and concessions (Rynes & Brown, 2011). Yi, Davey, and Eggleton (2011) suggested that legitimacy theory explains the relationship between the organization and society in terms of a "social contract." For social and environment accounting purposes, Chen and Roberts (2010) suggested that institutional theory, with a focus on legitimacy, could make appropriate interpretations of business activities. Ultimately, the choice of theory is dependent on the study's focus. However, because institutional theory is a system-oriented theory, it is especially useful in social contexts (Chen & Roberts, 2010).

Institutional theory aims to explain important features of organizational life. One feature is the tendency for organizations to possess homogeneity of structure (DiMaggio & Powell, 1983). DiMaggio and Powell (1983) describe homogeneity of structure using the term *isomorphism*, borrowed from biology. Isomorphism posits that organizations working within a given environment (i.e., organizational field) tend to resemble other organizations working within the same environment. That is, organizations in similar fields begin to resemble one another over time (DiMaggio & Powell, 1983).

Scholars identified three mechanisms through which institutions influence decision-makers (DiMaggio and Powell, 1983; Collin et al., 2009). First, the *coercive mechanism* operates when entities outside the organization, such as government agencies or suppliers of key resources, force the organization to adopt certain behaviors. If decision-makers in a target organization fail to structure themselves in a certain way, the organization may not have access to the resources it needs or may face other sanctions. The force exerted may be formal or less explicit and subtle. Second, the *mimetic mechanism* occurs when organizations are operating in an environment of uncertainty. Organizations will imitate other organizations that they perceive as successful and possessing legitimacy. The imitating organization adds to its repertoire behaviors seen as effective and acceptable. Third, the *normative mechanism* is effective primarily through the professions. Professions are subject to the same coercive and mimetic influences as organizations. In addition, professional knowledge can be a basis for organizational action. Professions have norms, which influence the behavior of members of the profession. Norms create obligations, provide a basis for evaluation, and engender feelings of obligation. While the criticisms of a profession are classic examples of the normative mechanism, institutional theory also includes all normative pressures on individuals as well (DiMaggio and Powell, 1983; Collin et al., 2009).

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INSTITUTIONAL THEORY IN PRACTICE

Institutional theory adds to the understanding of the acceptability of online degrees for obtaining entry-level employment in the accounting profession in that it helps to explain choices made by accountants. More specifically, institutional theory helps to explain hiring decisions. The practice of rarely hiring graduates of online accounting programs may cause hiring officials to overlook candidates who could make the most significant economic contributions to the firm. Institutional theory holds that decisions (e.g., hiring) may be made for many non-profit maximizing reasons, such as tradition, prestige, university attended, or style of dress (DiMaggio & Powell, 1983). When making hiring decisions, employers may be responding to norms and traditions regarding the preferred educational background of prospective employees. Failure to uphold such norms carries risks of sanctions from other members of the accounting profession.

Institutional theory contends that to interact successfully with industry peers; firms must maintain a status of legitimacy (DiMaggio & Powell, 1983). Firms may be wary of hiring online accounting graduates because of the fear that their legitimacy may experience negative affects by having graduates of online schools with little prestige representing the firm to its customers and suppliers. With its consideration of legitimacy concerns and normative pressures to do things in an accepted and traditional fashion, institutional theory is ideally suited to explain the tendency of accountants to restrict hiring to graduates of traditional face-to-face programs in preference to online programs. In addition to its contribution to understanding the research topic of hiring decisions in accounting, institutional theory has added much to our understanding of other accounting decisions. The following studies demonstrate an addition to the literature regarding a better understanding of various accounting decisions.

When regulatory authorities mandate an accounting standards change, firms may not be prepared to adopt the new standards. In Portugal, when International Financial Reporting Standards were first required for unlisted companies, a study of a firm's readiness to adopt the new standards utilized the theoretical framework of institutionalism (Guerreiro, Rodrigues, & Craig, 2012). A descriptive study of the Swedish municipal accounting system used an institutional theory approach to explain the failure of audits to expose poor compliance with standards (Tagesson & Eriksson, 2011). Accountants employed by Swedish municipalities have largely ignored newer laws prescribing compliance with upgraded standards in the preparation of financial statements. The researchers attributed this failure to adhere to new standards to the institutional reluctance to change assumption in institutional theory.

Scholars explored the accounting decision of when to recognize asset impairment from the perspective of institutional theory and positive accounting theory (Broberg, Collin, Tagesson, Axelsson, & Schele, 2011). The study related profitability reducing asset impairments to independent variables suggested either by institutional theory or by positive accounting theory. A different study analyzed new accounting standards issued by The International Public Sector Accounting Standards Board (IPSASB) for use by public sector organizations worldwide in 2010. These new standards incorporated fair values for assets and liabilities along with the use of accrual accounting. The approaches were inconsistent with the existing public-sector accounting standards in Finland. A case study of the lack of acceptance of the IPSASB standards in Finland utilized the conceptual framework of institutional theory (Oulasvirta, 2012). This case study described how institutional forces in Finland stood against the acceptance of the IPSASB standards.

Scholars also applied institutional theory to help understand budgeting systems (Kilfoyle & Richardson, 2011). This study points out that, as with other institutional characteristics, the budgeting process is isomorphic (i.e., similar) across organizations. The scholars viewed budgeting as a means of securing organizational acceptance by external parties and conforming to societal norms, which institutional theory anticipates for elements of the accounting system. Institutional and positive accounting theory were compared in their ability to explain which of two accounting standards were selected by Swedish municipal corporations in a study by Collin, Tagesson, Andersson, Cato, and Hansson (2009). These corporations had a choice between a more conservative Swedish standard and accounting standards harmonized with the International Accounting Standards Board. Frequently, both theories predicted similar accounting standard choices. The researchers found institutional theory to be more accurate than positive accounting theory in predicting the accounting choices of Swedish municipalities.

Sellers, Fogarty, and Parker (2012) employed institutional theory to study the unique organizational events surrounding the demise of the Arthur Andersen accounting firm. In 2002, the firm voluntarily surrendered its licenses to practice as Certified Public Accountants in the United States after being found guilty of criminal charges relating to the firm's handling of the auditing of Enron. Enron, an energy corporation based in Texas, filed for bankruptcy in 2001 and later went out of business. Although the Supreme Court of the United States later reversed the conviction, the impact of the scandal combined with the findings of criminal involvement ultimately destroyed the firm. Arthur Andersen failed to maintain the legitimacy that institutional theory recognizes as a prerequisite for organizational survival. Organizational success, in accordance with institutional theory, involves maintaining “social fitness” beyond mere economic success (Sellers et al., 2012).

Early studies using institutional theory mostly included applications grounded in the public sector, such as public schools, hospitals, and the government. More recently, institutional theory has gained attention from the professions (Sellers et al., 2012) and other business settings. Stephan, Uhlaner, and Stride (2015) studied institutions and social entrepreneurship with a focus on the role of institutional voids, institutional support, and institutional configurations. By applying institutional theory to social entrepreneurship, the authors attempted to develop new insights for both social entrepreneurship and institutional theory. The study contributed to institutional theory by advancing an integrative, configurational view of formal and informal institutions, and by clarifying the role of institutional voids versus institutional support. It was one of the first multilevel studies to examine the contextual drivers of social entrepreneurship and to provide an empirical test comparing the institutional void perspective to the institutional support perspective. The authors found strong support for the institutional support perspective, which purports that access to tangible and intangible resources from both government and private organizations is a key enabler of entrepreneurial activity (Stephan et al., 2015).

Researchers also used institutional theory as a theoretical framework to predict international market selection for the direct selling industry (Ragland, Brouthers, & Widmier, 2015). The purpose of the study was to use institutional theory to theorize and empirically examine how host country environments influence international market selection. The researchers selected elements of a country’s formal and informal institutional environments to predict which international markets produce more successful performance outcomes in the direct selling industry. It was one of the first international market selection studies to use a theory to predict international market attractiveness for a given industry. Based on their theoretical approach, they found that the direct selling industry performs best in countries with certain institutional characteristics. The results provided empirical support for the notion that a theoretical approach can apply to international market selection research (Ragland et al., 2015).

Rottig (2016) examined the role of institutions in emerging markets by exploring the effects and implications of institutions for multinational corporations that are operating in the unique context of these markets. The study was conceptual in nature and provided an examination and interrelation of some of the key developments of institution-based research in the context of emerging market studies. Institutional voids, the relative importance of informal compared to formal institutions, institutional pressures by local governments, as well as institutional change and transitions were examined. The paper discussed key effects and implications of the unique institutional environments of emerging markets for managers of multinational corporations, such as the relevance and importance of context, political, economic and social adaptability, as well as institutional arbitrage. The paper also discussed institutional legitimacy pressures in emerging markets for social performance, the relevance and importance of social institutions in these markets, as well as the need for social adaptation in order to successfully do business in emerging markets (Rottig, 2016).

In the tourism industry, researchers showed that institutional theory is still underused and they developed a series of propositions on how it can be helpful for analyzing destination image and the fit between destination image for tourists and for the local population. The central institutional concepts of legitimacy, isomorphism, hybridization, and categorization were studied to show how they influence the image strategies of destinations. The researchers used a bibliometric analysis to investigate the influence of institutional theory in tourism studies. Their main contribution was to propose a new field of study to further develop institutional theory (Falaster, Luis, & Guerrazzi, 2017).

RECOMMENDATIONS FOR FUTURE RESEARCH

As online course offerings and degree programs continue to grow in higher education, it only makes sense to continue investigating aspects of the delivery modality and the impact modality has on hiring decisions. Future research could investigate whether the age of the participant affects their perception of the acceptability of online degrees. The system theory of professions advocates that systems are dynamic and existing biases may eventually disappear. Therefore, online degrees may gain acceptance as older generations retire and younger generations move into upper-management positions and become responsible for hiring decisions.

To continue to further inform both institutional theory and the system theory of professions, future research could investigate differences in other professions beyond accounting. This theoretical framework addresses the accounting profession, but online degree offerings also exist for other professions (e.g., management, marketing, information systems). This theoretical framework confirms institutional theory and the system theory of professions are active in the accounting profession, but other professions may not operate under the same conditions. Therefore, institutional theory might be further extended by adding consideration of hiring decisions in other professions, and the system theory of professions might be further extended by testing if differentiation exists in other professions. The divide between the growing popularity of online degree programs and less than favorable employer perceptions of online degree recipients is an area of research that continues to be ripe for additional study.

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