Counting More, Counting Less

Transformations in the Management Accounting Profession

The 1999 Practice Analysis of Management Accounting

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A research project of the Institute of Management Accountants

Research conducted by the Gary Siegel Organization

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Executive Summary

Vision and Purpose

The 1999 Practice Analysis of Management Accounting opens a window on dramatic changes that are occurring within corporate America. In the past 10 years, the characterization of management accountants in leading-edge companies has gone from "bean counter" and "corporate cop," on the periphery of business decision making, to "business partner" and valued team member, at the very center of strategic activity.

Escalating change in the profession of management accounting in the past five years continues to enhance the role of accountants in a growing number of American companies and to increase the value of their contribution to business.

The purpose of this study, a follow-up to IMA's first practice analysis, conducted in 1995, is to track the correlates of this transformation.

It is the intention and hope of the Institute of Management Accountants (IMA), which sponsored the research, and the Gary Siegel Organization (GSO), which conducted it, that benefits from this work will be derived not only by management accountants, accounting educators, and their students but by corporate America in its ongoing efforts toward process improvement and heightened productivity.

Organization of the Report

This Executive Summary presents a discussion of events surrounding the launch of this project, highlights of key results, implications and recommendations, bar charts, and verbatim comments of management accountants on key issues. More detailed information, including statistical breakdowns, are in Chapters 1-4 and Appendices A-G, which can be downloaded from IMA's web site, www.imanet.org.

The Research Imperative

For decades, most college and university accounting programs were geared toward preparing students for careers in public accounting, despite the fact that most accounting graduates took jobs in corporations, never sat for the CPA exam, and never worked in public accounting firms. Helping to sustain this educational focus were the influence of CPA firms, which each year hired many accounting graduates, and the image of CPA certification, viewed by accounting students and their parents and by many accounting professors as the "Holy Grail" of an accounting education.

Corporations, for their part, adjusted to the public accounting bias of university accounting education by providing extensive training programs for their new accounting recruits. By the early 1990s, however, business had become too competitive for financial executives to bear the cost of the 18- to 24-month tutorials often needed to make their new accountants productive in a corporate setting. Around that time, the IMA leadership became aware that a small, vocal group of members wanted to see a change in the skills and training that entry-level accountants were bringing to the job.

To meet the needs of its members, IMA, with the participation of the Financial Executives Institute (FEI), in 1994 commissioned research to determine what skills corporate executives were expecting in entry-level management accountants and what skills new recruits did, in fact, possess. Published as *What Corporate America Wants in Entry-Level Accountants,*[1] the research revealed that dissatisfaction was not confined to a small group of CFOs in a few large corporations. A significant gap had developed between the work of management accountants and the curriculum of many accounting programs. Acute and widespread, the problem was affecting companies of all sizes in all industries.

What Corporate America Wants… exposed the impact of global change on the accounting function in American companies. CFO dissatisfaction with university accounting curricula was not new. But with business becoming more international and competition becoming more intense, pressure to downsize and cut costs made it imperative that new recruits to corporate accounting be prepared in school to hit the corporate ground running.

For universities to help provide a solution, the obvious questions raised by the 1994 research had to be answered: what work activities did management accountants actually perform and what skills and competencies were necessary for success in a corporate environment?

With the participation of FEI, IMA in 1995 commissioned its first scientific study of work. *The Practice Analysis of Management Accounting*[2] documented in unprecedented detail the work activities performed by management accountants in American corporations and the knowledge, skills, and abilities (KSAs) necessary for competent performance of those work activities.

The 1995 Practice Analysis yielded an invaluable database that ultimately was used by many colleges and universities to revise curricula. Results were disseminated over a two-year period through journal publications and at some 25 international, national, and regional academic and business conferences. In addition, IMA initiated a series of corporate / academic meetings, where universities could meet with their corporate customers and gain a face-to-face understanding of their needs.

Beyond fulfilling its specific charge, the 1995 Practice Analysis revealed the emerging contours of a new management accounting in which practitioners were breaking out of staff positions, working on cross-functional teams, and becoming more involved in decision making. While they still performed the traditional role of scorekeeper, company historian, and controller, they were devoting increasing amounts of time to their new role as analyst, consultant, and business partner.

Then, in 1997, having documented a transformation in the work of management accountants, IMA began to hear from its members that change in the profession was accelerating. This

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[1] Gary Siegel and James E. Sorensen, *What Corporate America Wants in Entry-Level Accountants*, Institute of Management Accountants, Montvale, NJ: 1994. The research results were also summarized in Gary Siegel and James E. Sorensen, "What Corporate America Wants in Entry-Level Accountants," *Management Accounting*, September 1994, pp. 26–31.

[2] Gary Siegel, *The Practice Analysis of Management Accounting,* Institute of Management Accountants, Montvale, NJ: 1996. Research results were also presented in Gary Siegel and C. S. Kulesza, "The Practice Analysis of Management Accounting," *Management Accounting,* April 1996, pp. 20–28; C. S. Kulesza and Gary Siegel, "It's Not Your Father's Management Accounting!" *Management Accounting,* May 1997, pp. 56–59; Gary Siegel, C. S. Kulesza, and James E. Sorensen, "Are You Ready for the New Accounting?" *Journal of Accountancy,* August 1997, pp. 42–48.

time with the participation of the AICPA, IMA undertook the 1999 Practice Analysis to focus on the change itself. Specifically, the research set out to determine:

- How the work of management accountants and their role in their companies has changed over the past five years; and
- How the work will change over the next three years.

The 1999 Practice Analysis reveals that the changes in management accounting reflect a much broader pattern of change in the way business is done in American companies. By focusing a lens on the accounting function, the 1999 Practice Analysis, in effect, offers a view of broad changes underway in corporate America in the new information economy.

Change in the Profession

The 1995 Practice Analysis described a transition occurring in the profession. The 1999 Practice Analysis documents the transformation of management accountants from scorekeepers to business partners.

Management Accounting in the '80s

In the early 1980s management accountants were in corporate staff positions. As staff accountants, they were outsiders to the central work of their companies. They were physically separated from the operating departments and had relatively little face-to-face communication with people in line positions.

If a factory manager needed product cost information, he or she would send a memorandum to the management accountant on staff, who would fill the request as received, even though a good business decision might require other, more relevant information.

Management accountants were not participants in the decision-making process. Instead, they functioned as support staff for the decision makers and were often informed of decisions after the fact. The bulk of their time was spent in the mechanical aspects of accounting. They manually summed and balanced pages upon pages of multi-column paper spreadsheets. They prepared budgets, checked expense reports, produced inventory cost reports, and generated a variety of standardized financial statements. They were, in fact, the scorekeepers, the bean counters, the corporate cops. Fulfilling the traditional accountant role, they were the keepers of financial records, the historians of the organization.

Management Accounting in 1999

The role of management accountants is very different in 1999. Growing numbers of management accountants spend the bulk of their time as internal consultants or business analysts within their companies. Technological advances have liberated them from the mechanical aspects of accounting. They spend less time preparing standardized reports and more time analyzing and interpreting information. Many have moved from the isolation of accounting departments to be physically positioned in the operating departments with which they work. Management accountants work on cross-functional teams, have extensive face-to-face communications with people throughout their organizations, and are actively involved in decision making.

In many organizations, management accountants take on leadership roles on their teams and are sought out for the valuable information they provide. They are trusted advisors. They are "business partners."

Business Partners

In the late 1980s many corporations adopted a customer focus as part of their quality improvement programs. For management accountants, this meant they serviced their "internal customers." The underlying philosophy of this approach is that the customer is always right. Thus, if a product designer requested particular financial information, the management accountant would provide it even though the business solution may have demanded other, more appropriate information.

The role of management accountants has evolved from serving internal customers to being a business partner. A business partner is an equal member of the decision-making team. As a business partner, a management accountant has the authority and responsibility to tell an operating executive why particular types of information may or may not be relevant to the business decision at hand and is expected to suggest ways to improve the quality of the decision.

Research Goals, Methods, and Terminology

We set out to determine how the work of management accountants and their corporate roles have changed in the past five years and what further changes will occur in the next three years.

Telephone interviews were conducted with 300 practicing management accountants randomly sampled from the IMA and AICPA membership rosters. Respondents were required to have at least seven years of management accounting experience because we wanted them to be able to answer questions about change over the past five years. In addition, in-person interviews were conducted with management accountants at five companies known to be at the leading edge in management accounting practice. See Appendix A for more detailed methodological information.

To be consistent with the body of accounting literature, in this report we use the term "management accountant" to describe the respondents and "management accounting" to describe the work. We use the term "finance function" to refer to the accounting or finance departments in respondents' companies.

Highlights of Results

The 1999 Practice Analysis results provide both a snapshot of the current state of the management accounting profession in the United States and an indicator of where the profession is heading. When compared to the baseline measures established in the 1995 Practice Analysis, the current results show ongoing and escalating change in the work performed by management accountants, in their role in the organization, and in the value they bring to business decision making.

Value to organizations increasing. Winners in the technological revolution that fostered the new information economy, management accountants are in heightened demand within their organizations for their advice, expertise, and involvement. Management accountants say they are perceived by a growing number of people outside the finance function as providing greater value to the company than they did in the past.

Image improving. In many companies, management accountants believe they are shedding the number cruncher and bean counter stereotype and are being perceived as business partners.

Communication with nonaccountants increasing. Management accountants spend more time communicating with people in their company today than they did five years ago. Indeed, respondents universally agree that good interpersonal skills are essential for success. This dispels the outdated stereotype that accountants are devoid of people skills.

Business decisions improving. In corporations where management accountants function as business partners, anecdotal evidence suggests that better business decisions are being made.

Work location shifting. Accountants traditionally worked in accounting departments that were physically isolated from the operating departments of their companies. In 1999, however, 20% of all respondents report that at least half the management accountants in their company have moved out of the central accounting area and are located with the operating departments they service. In larger finance organizations, 45% of respondents say that at least half the management accountants are located with the operating departments they service.

Team participation/leadership increasing. More than 50% of management accountants now work on cross-functional teams and are increasingly likely to take on leadership roles. More than 70% work in companies in which at least some management accountants are cross-functional team members.

Work activities changing. While traditional work activities continue to occupy large blocks of management accountants' time, the trend in the profession is clear:

- *Analysis and decision making, way up.* Nearly 80% of management accountants spend more time analyzing information and participating in decision making than they did five years ago. Looking three years ahead, more than 80% anticipate that they will spend even more time in these activities.
- *Other nontraditional accounting activities up.* Compared to five years ago, more time is spent performing forward-looking, nontraditional work activities such as strategic planning, internal consulting, process improvement, and performance evaluation. In the next three years, management accountants expect to be even more involved in these work activities than they are today.
- *Traditional work activities down.* Nearly 50% say they spend less time preparing standardized financial reports now than they did five years ago. Looking ahead three years, more than 60% anticipate that they will spend less time preparing standardized financial reports than they do today. Other traditional work activities occupying less time of management accountants are accounting systems, accounting policy, and consolidations. Respondents anticipate that traditional work activities such as short-term budgeting, project accounting, and compliance reporting will become less important over the next three years.

Strategic planning and process improvement most critical for company success. Management accountants believe that strategic planning and process improvement are the two most critical work activities for the success of their companies. These work activities are rarely taught in university accounting curricula.

Work exciting/trends intensifying. Management accountants are relishing their new status. An air of excitement infuses the way they describe their involvement in running the business. They believe the trend toward business partnering will intensify in the coming years and expect to be even more involved in long-term strategic planning, financial and economic analysis, decision making, internal consulting, and process improvement than they are today.

Quality of life concerns. Because of increased demand for their services, management accountants work longer hours. This is raising concern about the balance between work and personal life.

Name of profession becoming obsolete. The term "management accountant" is prevalent in the academic accounting literature, but it is rarely used in practice. Respondents refer to themselves as working "in finance," as analysts, business partners, business managers, or controllers.

Change accelerating. The transformation of management accounting is still in process. More than 80% say change in their work was more rapid over the past five years than it was between 1990 and 1995. More than 70% expect the rate of change to accelerate over the next three years; not one respondent expects the rate of change to decrease.

Skills for success. For entry-level management accountants to succeed in this dynamic environment, the most important skills are the ability to communicate well, orally and in writing; the ability to work on a team; analytical skills; solid understanding of accounting; and solid understanding of how a business functions.

The next plateau. Some management accountants anticipate that their role will broaden beyond business partnering and expand to strategic partnering. They will be more strategic, better visionaries, and more proactive. They will share organizational decision making with the CEO.

Implications and Recommendations

For Accounting Educators

The two most critical work activities for management accountants today are strategic planning and process improvement; neither is taught in accounting curricula. Accounting educators must be sure that their students acquire the necessary KSAs to perform these and other key work activities.

The KSAs necessary for success in a management accounting career were identified in the 1995 Practice Analysis and are still relevant in 1999.

To better meet the needs of their students and corporate customers, college and university accounting educators should obtain a better understanding of the work performed in modern corporations. This can be accomplished by meeting with practicing management accountants, visiting their companies, and referring to the original Practice Analysis database, updated by the current research. The insights gained should be used to revise management accounting courses and the management accounting curricula.

For Corporations

As corporations seek to gain greater value from the work of management accountants, the results of the Practice Analysis could be used as benchmarks against which their internal transitions can be gauged. Corporations can gain further benefit by using the Practice Analysis database for skills-based training and skills-based recruiting. Corporations should become more involved in the academic community through advisory boards, guest speaker activities, plant visits, etc. This will ensure that students and faculty are kept informed about changes in the work environment and, consequently, that the skills needed for success in Corporate America will be reflected in the curriculum.

For Professional Associations

We suggest that the professional accounting associations continue to support and perpetuate the positive changes taking place in the management accounting profession. Specifically, they should:

- Continue to develop CPE courses and benchmarks for finance organizations;

- Continue to encourage the interaction between accounting educators and management accounting practitioners;
- Use the results of this research to update professional certification examinations;
- Educate the business community about the new role of management accountants and the benefits to be derived from involving them more fully in the decision-making process;
- Enhance the image of management accountants;
- Develop a universally acceptable title for the new organizational role of management accountants;

  The term management accountant is not used in practice. Should it be discarded and replaced with another term? Many management accountants say they work in finance. But finance is not really descriptive of the work they do. Indeed, the term finance may be limiting or may be confused with the role of people who work in the treasury function.
- Communicate with accounting students to dispel the outdated stereotype of the green eye-shaded accountant cloistered in a remote part of the organization; they should let accounting students know about the changes in the profession, in the evolving role and image of management accountants, and in what will be expected of them on the job;
- Inform accounting educators about the changes that have occurred in management accounting and where the profession is heading;
- Work with accounting educators to develop changes in the accounting curriculum.

For Management Accountants

Continue to expand the boundaries of the profession and benchmark your finance organization against others.

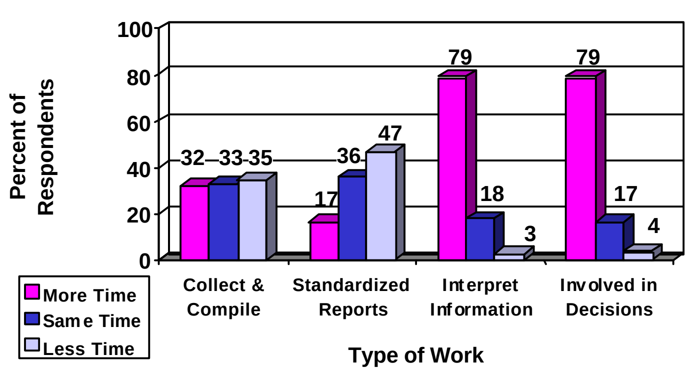
Results

Where the Profession is in 1999

The Nature of Work

Not all management accountants function as business partners. Many work in tax or treasury or perform traditional accounting functions in their companies. But the extent and direction of change in the profession is clear (see Figure 1).

Figure 1. Change in Nature of Work over the Past Five Years



- Almost half the respondents say that compared to five years ago they spend *less* time preparing standardized financial reports.
- About four out of five respondents say that compared to five years ago they spend *more* time analyzing information and being involved in the decision-making process.

The contrast with the recent past is best expressed in respondents' own words:

Accounting is changing. You're no longer sitting behind a desk just working on a computer, just crunching the numbers. You're actually getting to be a part of the day-to-day functions of the business. (Abbott Labs)

I think finance has gone from [a] historical [role] to a much more collaborative business partner, doing a lot more analysis, saying here's what we need to do in the business. A business partner. It's how do we run the business and what are the financial impacts of doing that. (U S West)

Now with the computers we're making more presentations that are seen across the division. So you have to try to summarize numbers, you can't just give numbers, you have to have people in sales understand what those numbers mean. People in marketing are going to make decisions based on your numbers. They have to understand what those numbers mean. (Abbott Labs)

We're also becoming more business people and less just accountants. I think that's important. We just can't know debits and credits. We've got to know more than just that, you know, how to account for pensions or leases or whatever. We really got to know the business and the only way to do that, you've got to get in it. Sometimes you've got to go out and work in the business units. (U S West)

Whether you are in cost or financial reporting, the accounting people are expected to do things that are much more strategic and much more forward looking than maybe the accounting people have been expected to do in the past. It goes back 20 years. Someone who is in cost accounting provided the costs and said, "These are the costs and you guys need to figure out what you want to do with them." Now we are expected to say, "Here are the costs and this is why the costs are what they are, and this is how they compare to other things, and here are some suggestions where we could possibly improve." (Caterpillar)

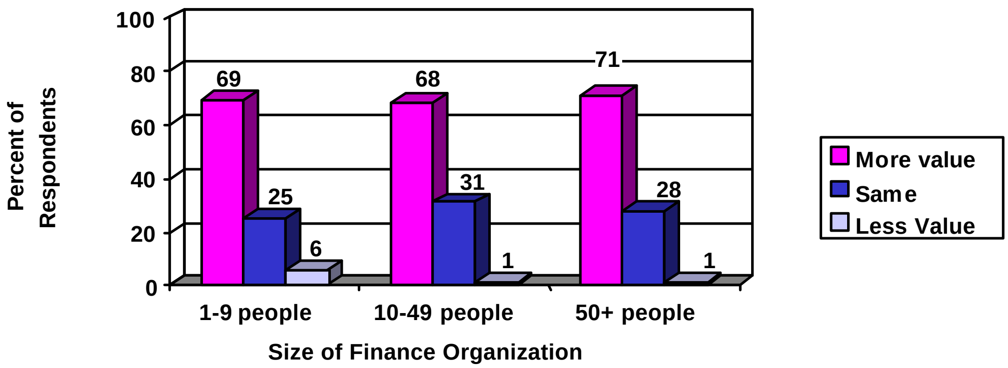
A lot more time was spent in inventory accounting, whereas today we spend more of our time analyzing and understanding our samples, understanding our margins, understanding our prices, understanding the markets in which we do business. (Caterpillar)

Well, I think that what we're seeing is less transactional and more decision-support type of work. More analytical, more... option analysis. Looking at the whole spectrum of options in helping management make decisions. (Boeing)

When I first came to Caterpillar, the accountant was looked more to as a historian where we would tell people the proper procedures for getting material out of the plant or making sure that an invoice gets paid and report results kind of after the fact. Over the last eight years, I've seen it evolve to become more of a team player and being involved in major projects and being looked to as a business advisor or consultant to help leverage our expertise on, you know, profitability of certain products or sourcing decisions and then help the team develop strategy and focus the team all the way through the recommendations and implementation. (Caterpillar)

I think we are definitely doing a lot more of the business decision support. One of the reasons for that is even five years ago, if you think about the technology changes, a lot of it we just couldn't possibly do five years ago. We didn't have access to the data that we do now. (Hewlett-Packard)

Figure 2. Change in Perceived Value of the Finance Function



The Image of Management Accountants

Management accountants in companies of all sizes are increasingly being seen as providers of valuable business information (see Figure 2).

- About 70% of respondents in all size companies say that compared to five years ago people outside the finance function believe that management accountants bring more value to the company.
- Only a handful of respondents say that people outside finance believe that management accountants bring less value to the company.

Management accountants are slowly shedding the image of the bean counter and are perceived as advisors and business partners.

> I think the finance function throughout our corporation is becoming one that we are looked upon as more business advisors than just accountants, and that has a lot to do with the additional analysis and the forward looking goals that we are setting. (Caterpillar)
>
> To some people we're still just a bunch of bean counters. They just see us as just a recorder. You're recording history and that's all you're doing. But I'd say that's the minority opinion, especially in the upper management. (Caterpillar)
>
> Most people probably see us now as a combination of team members and a little bit of a policeman type of thing, making sure they are doing things. There are still a few people, especially if you are in a factory environment, that view us as a necessary evil, but that is less and less. (Abbott Labs)
>
> People definitely see that finance is no longer a number cruncher. (Abbott Labs)
>
> I would say that they view us as business partners. (Boeing)

Exciting Work

Management accountants relish their new role as business partners. They are enthusiastic about their work, and there is an air of excitement in the way they describe their involvement in running the business.

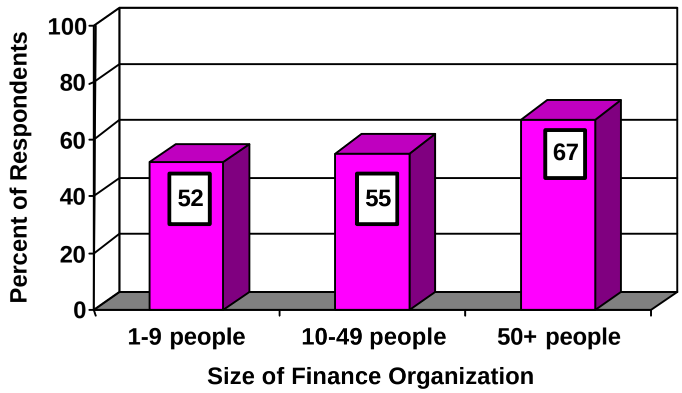
> The folks that have had the opportunity in the last eight months to engage as a real business partner are really excited by it, and we are doing some really exciting things about our material organization and finance, what we call vendor cost analysis folks. (Boeing)
>
> This idea of continuous improvement is just paramount. We've got people that are really

> pumped up about it and it's exciting to watch. People have a sense of purpose, they have a real sense of I'm adding value to the company by reducing this waste. (Caterpillar)

Teams

In 1995, 48% of management accountants worked on cross-functional teams (see Figure 3). In 1999, 56% report working on teams.

Figure 3. Percent of Respondents Who Work on Cross-Functional Teams



Work on teams is not limited only to larger companies; more than half the respondents in finance organizations with nine or fewer management accountants report that they work on cross-functional teams.

Of the 44% who do not work on teams, 40% report that other management accountants in their company work on teams. Thus, 73% of respondents work in companies where some management accountants work on cross-functional teams.

Of those who work on teams, two-thirds say that their role on teams has changed over the past five years. The most frequently cited examples of the change are that they are more involved in decision making and more likely to take on leadership positions on the teams.

> Basically the role of the financial person on the team [is] analyzing the financial impact of the business decision and providing advice. Does this make sense financially or not? (Abbott Labs)

> Business consultant basically. You're looked to for business expertise. You're looked to also [for] business perspective, pricing strategies, manufacturing strategies, to see if they make sense financially. (Caterpillar)

> Finance has a unique ability and responsibility to see across all the functions and try and make sense of them. The common denominator is the dollar, what impact they have on the budget. So it's kind of that overall glue, I would say. They have that neat ability to be a member of all of the different groups, if you will, and not be a member of any of them at the same time. I think they try and also sum up the output, if you will. (U S West)

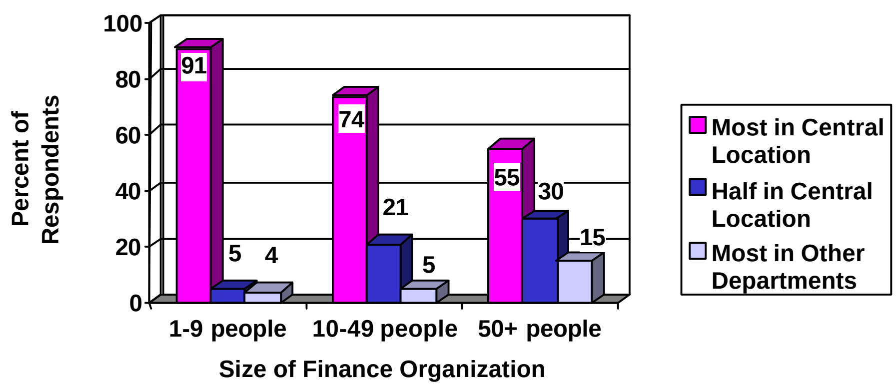
> If the accounting people don't take the lead and there's not a real strong leader in the group, it's going to flounder. (Caterpillar)

> Finance is a big player. They are a key player in the strategy decision making. Finance is a huge player. (U S West)

Where Management Accountants Work

Accountants traditionally worked in accounting departments physically isolated from the operating departments of their companies. In 1999, however, 20% of the respondents report that at least half of the management accountants in their company have moved out of the central accounting area and are located with the operating departments they service (see Figure 4).

Figure 4. Where Respondents Are Physically Located



The practice of locating management accountants in the operating departments is more common in larger companies.

> Actually, most of the people in finance and business management support are decentralized and actually are co-located with the people that they support. That's our approach and we're moving more and more toward that and less and less toward a central group that provides information. (Boeing)

> Well, in the early days with the company, the accounting organization typically ended up on one floor, not necessarily co-located anywhere close to any of the decision makers of the business. There was the accountants' floor, there was the lawyers' floor, there was the treasurer's floor, but I think over time we've physically dispersed ourselves a little bit more to get closer to the clients. I think that's primarily a function of the finance leadership recognizing that the closer we get to the client physically, the more likely it is we're going to have an opportunity to participate in what's going on in the business. The more remote you are from where the business decision makers are, the less likely they are to think about you. (U S West)

Communications

Working on teams and fulfilling the role of internal consultant or business partner means that management accountants spend more of their time communicating with others. This is demonstrated in Figure 5. These data put to rest the outdated stereotype that accountants do not interact with other people.

About two-thirds of the management accountants in all size companies report that they spend more time communicating now than they did five years ago (see Figure 6).

Here is what respondents have to say about communications:

> I spend 4-5 hours a week in video conferences, I certainly didn't do that 5-6-7 years ago. (Caterpillar)

Figure 5. Hours per Day Spent Sharing Business Information, 1995–1999

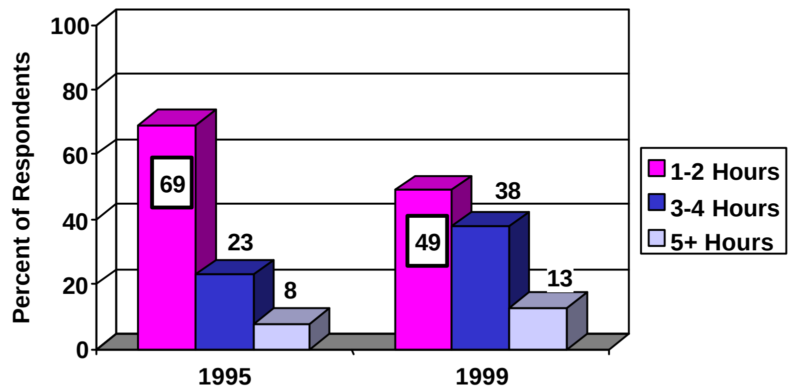
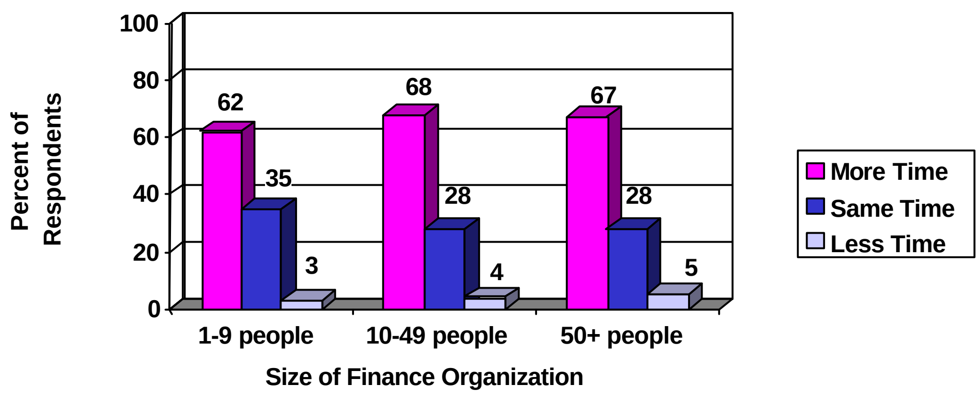


Figure 6. Change in Time Spent Sharing Business Information, 1995–1999



Usually when a nonfinancial person comes to you with financial questions, they don't really ask the right things so that you can give them the correct answer. If they ask you for cost, well you have to work with them and say "Well, do you want a total plant cost, a variable cost, an accountable cost." Then, what is the reason for those costs. Whatever they're using this cost for determines what type of cost you will provide them with. (Caterpillar)

If you can't communicate information to the individuals, then the information is never out there, it's lost. So, your communication skills are very important. (Abbott Labs)

Specifically learn how to communicate with the nonfinance people you interface with. (Boeing)

It is real important that accountants or finance people, when you get into the numbers, to be able to take a spreadsheet that has a zillion numbers on it and then turn around and present that to somebody at a high enough level in a meaningful manner that they can understand, and that is not always easy to do. I think probably in the last five years that is probably what I spent most of my time on is working on communications. (Caterpillar)

How Management Accountants Define Themselves

When asked which term they use to describe their work, 39% say finance, 33% say accounting, and 28% use a different term.

The most common reasons for people saying that they work in finance, rather than accounting, have to do with the positive connotations that respondents have of finance and the negative connotations they have of accounting:

- Finance is forward-looking, while accounting is backward-looking.
- Finance is more all-inclusive.
- Accounting refers to debits and credits.
- Accountants are number crunchers.

The most common reason for using the term accountant is simply that only accountants have the training to understand financial information and the analytical skills to explicate the financial implications of alternative business initiatives. Not one of the respondents used the term management accountant to describe themselves.

Skills Needed for Success

The 1995 Practice Analysis includes a database with information about 162 KSAs (knowledge, skills, and abilities) necessary for success in management accounting. 1999 Practice Analysis respondents were asked how they would describe, to undergraduate accounting majors, the skills and competencies necessary for success in a leading-edge finance organization. They singled out the following skills:

- Communication (oral, written, and presentation) skills;
- Ability to work on a team;
- Analytical skills;
- Solid understanding of accounting; and
- Understanding of how a business functions.

These skills were also identified as among the most important in the 1995 Practice Analysis. See the verbatim comments about necessary skills in Appendix E.

Coping with Change

Respondents say there is an increasing demand for their services and advice. In many companies, the demand outpaces the supply, and management accounting executives have to ration the services.

> The functions come and get my team. In fact, we have more requests for analysts than we have analysts. So what we end up having to do is set priorities as every organization does, and there are a lot of things we just can't get to. (Hewlett-Packard)
>
> I'm continually shorthanded. There are two sets of pressures, one is you've got to do more, and the second is you've got to figure out how to do it for less. It's coming from the same people. My boss is putting all kinds of heat on me to reduce my headcount, just like everybody else is, and I'm doing that. But at the same time I'm getting a lot more requests. (Boeing)

Quality of Life

Because of the increased demand for their services, management accountants work long hours. This is raising concern about the balance between work and personal life.

> In the last couple of years especially, we have just been burning people out. They've been

working incredible hours trying to get information out faster than they've ever gotten information out before. (Boeing)

I think one of the real issues is work / life balance. I don't think you find work / life balance in most finance jobs….Frankly I think people are feeling that they are running and they are giving up family life. We are recognizing it, we are concerned. (Hewlett-Packard)

One of my jobs is to make sure my people aren't killing themselves. I've got someone who won't go home before 7:30 at night, and I am finally kicking him out and saying, "Look, you put in 13 hours today. Go home." I see that as my responsibility, so that they see that as the right thing, that they are not being penalized for leaving early. Where I fall short in the job is they know I work 14 hours a day. (Hewlett-Packard)

Conflicting Roles?

While management accountants have taken on the role of business partner, they still have the responsibility for safeguarding company assets. How are these roles reconciled?

First you have to have them understand that both are expected, and I don't think the two are in conflict, by the way. I think decision support is the best way to help us safeguard the assets as opposed to secretively managing data, which was the role we had fallen into. I would tell you that as we have moved in that direction, we have increased the rigor of our fiduciary responsibility and at the same time became a more proactive partner with the business. So I don't think the roles are in conflict, though I think we have tended to talk ourselves into believing they were. (Boeing)

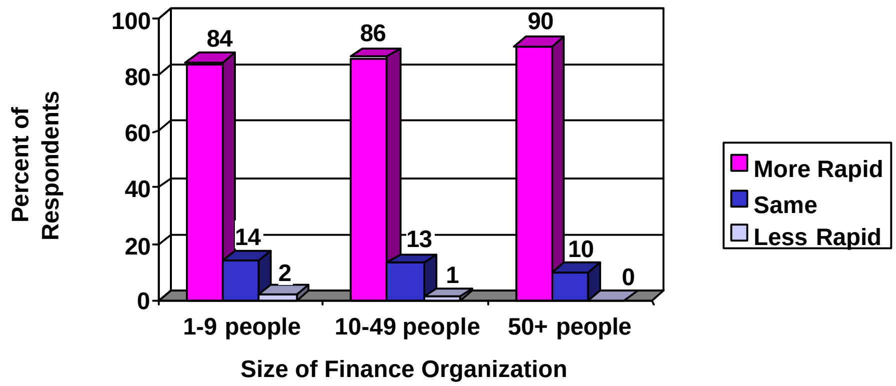
I call it wearing two hats. But you have to wear the hat of the management team you are on to help them achieve the goals. You also have to wear the corporate finance hat to recognize that you have a duty, an overall duty to the corporate finance function to do things right and do them correctly, to stand up for what has to be done, and to say no when no is the appropriate thing to say. (Abbott Labs)

I sat my staff down and I said that business controls are paramount. What you do in your function is #1. Business controls are #1. You have to make sure that every area that you support has the proper business controls. There are no excuses for lack of business controls. So without being a cop, I made it very clear that there are no exceptions to this. I went to the functional team and I said, "You need to understand something. Business controls are #1 and you need to support it. It's not my job to make sure business controls are there. It is, but it's your job. I'm going to talk about it and you are going to talk about it." Then what I did is I went back and I gave examples of when they [controls] weren't in place. When we didn't have business controls and two engineers signed a contract with another company that accidentally gave our technology away. That is a problem. (Hewlett-Packard)

You ask the stickiest question we face, and it's one we try and deal with every day. It comes down to intellectual honesty. The way we train [our people] is that first and foremost we have to protect the assets of the company. We have a fiduciary responsibility to the corporation, that we do not do anything illegal or unjust. Secondarily, they are there to work with the program or the team and come up with the best or the most creative solutions they can. Then, of course, professional ethics. How do you train people to do that? A lot of counseling sessions and trial and error as you go forward. We try and push program service and creativity, but at the end of the day we come back to controller enterprise solutions. At the end of the day we go through review processes at the functional level to make sure that we still have well controlled processes and financial controls. (Boeing)

Change in the management accounting profession is ongoing and accelerating. The over-

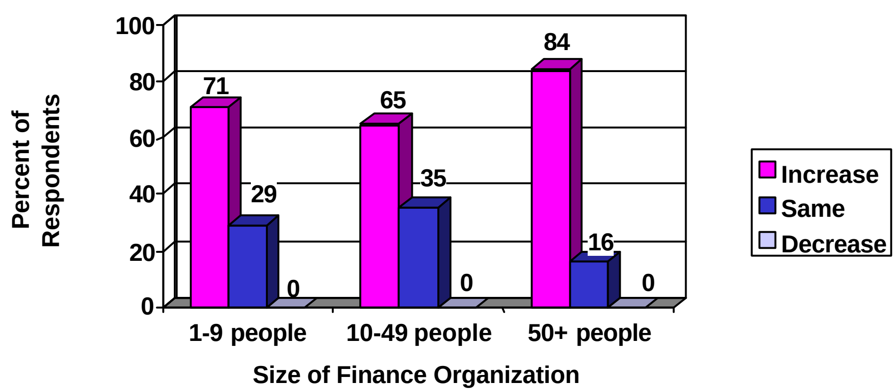
Figure 7. Rate of Change in the Finance Function over the Past Five Years



whelming majority of management accountants we interviewed told us that the rate of change in their organizational role has been more rapid over the 1995-1999 period than over the 1990-1995 period (see Figure 7).

Respondents expect the rate of change to continue to increase over the next three years. Not one respondent expects a decrease in the pace of change (see Figure 8).

Figure 8. Anticipated Rate of Change in the Finance Function over the Next Three Years



Management accountants believe that the change is driven by technology, the need for more rapid information, globalization, and the competitive environment.

> Senior management wants to know yesterday. So the pace has quickened and there's more pressure to get information much sooner and at the same time there is so much more information there. (US West)
>
> I think a lot of it comes back to the technology. The pace of change in technology is becoming much faster, and accounting and finance people are very heavy users of technology, more so than a lot of the other functions. (Hewlett-Packard)
>
> The biggest driver is increased profitability. (Caterpillar)
>
> Simply from the advances in information and technology. (Caterpillar)

> We are managing change on top of change on top of change all the time. That means new processes and having to try to improve the efficiency of the old processes. (Caterpillar)

> What I rapidly discovered is that technology was rolling over in months rather than years, maybe even in weeks, and decision processes that affected what we were doing were measured in hours and days rather than long protracted cycles that we are used to. It changes the way you think about what is possible, and now we see that same effect coming into heavy manufacturing like we do. I would say the rate of change in the last five years was probably greater than in the previous 15, and the rate of change in the next two years will be greater than the last five. (Boeing)

> I went to a meeting two years ago and someone said, "I only read about half my electronic mail. I was appalled that anyone would even think that.... [Today] I get 75 messages a day. There are a good 25 I don't read either. I look at the title. Some of them I may open up. I just don't have four hours per day to read mail. I even have a screen that says if it doesn't come from these 10 people, trash it before I even see it." (Hewlett-Packard)

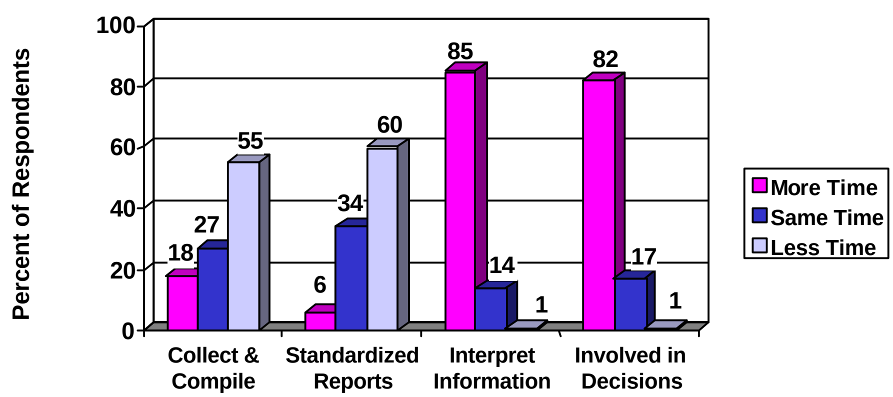
> I think changes in technology clearly. If you go back 30 years, to get out a payroll for Abbott Labs's size, 30,000 some people in the United States, was a major clerical effort. Today it's not. Today, with all the information on the Internet or otherwise, up on some sort of computer, you can query all sorts of databases and find out all sorts of information fairly rapidly, whereas 20 years ago you had to send somebody off to a library and start pulling annual reports or going through magazines or whatever you wanted to do. So technology, I think, has had a significant impact. I don't know whether you can separate technology from changing demands on the finance function, because I think the technology in some ways has caused that, because there is more information available. The nonfinancial managers are more aware of the information that is available, want more information. So those all are new demands or maybe increased demands upon finance. But I think they are technology driven. (Abbott Labs)

Where the Profession Is Going

Respondents report a shift over the past five years from traditional accounting work activities to newer work activities. This trend is expected to continue (see Figure 9).

- More than 80% of the respondents expect that in three years they will spend *more* time interpreting and analyzing information and being involved in decision making.
- About 60% believe that in three years they will spend *less* time collecting and compiling information and preparing standardized reports.

Figure 9. Anticipated Change in Nature of Work over the Next Three Years



Respondents report that compared to five years ago, they spend less time performing the following work activities:[3]

- Accounting systems and financial reporting;
- Consolidations;
- Accounting policy;
- Short-term budgeting;
- Project accounting; and
- Compliance reporting.

Looking ahead three years, they expect to spend less time on these same work activities. Interestingly, these are the traditional accounting work activities.

Compared to five years ago, respondents say that they spend more time performing the following work activities.

- Internal consulting;
- Long-term strategic planning;
- Computer systems and operations;
- Process improvement; and
- Financial and economic analysis.

Looking ahead three years, they expect to spend more time on these same work activities.

Internal consulting, long-term strategic planning, and process improvement were introduced relatively recently to the profession. Indeed, these work activities that management accountants perform today were not part of the accounting vocabulary 10 years ago.

Most Critical Work Activities

An indicator of coming change is that management accountants think that the following work activities will be most critical to their company's success in three years:

- Long-term strategic planning;
- Financial and economic analyses;
- Customer and product profitability;
- Computer systems and operations; and
- Process improvement.

Outlook for the Next Three Years

Management accountants believe that the trend toward business partnering will continue. They expect the following changes over the next three years:

- Less reporting of information, more planning and analysis;
- More partnering and consulting;
- More involvement with operations; and
- More involvement in decision making.

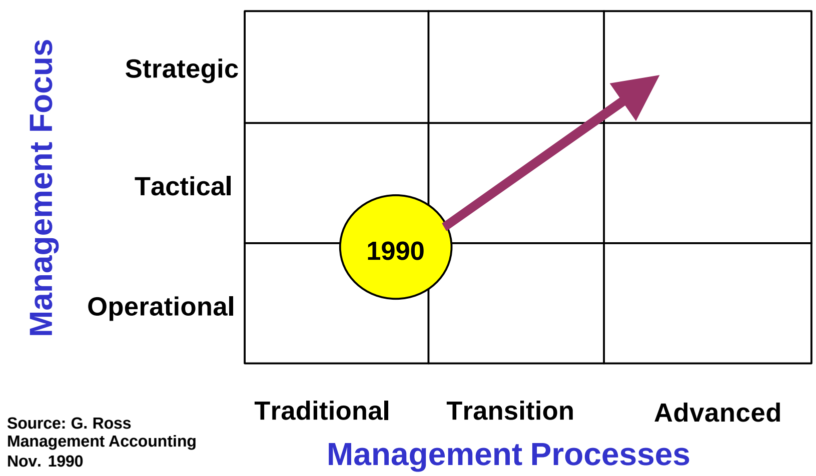
[3] Work activities are the functions performed by people in their roles as management accountants. Duties and tasks are subsets of work activities. Twenty-nine work activities were identified in the 1995 Practice Analysis and used in the 1999 Practice Analysis. They are shown in Appendix F.

The Direction of Change

The direction in which the profession is headed was predicted by Gerald Ross in a 1990 *Management Accounting*[4] article. He said that in 1990, management accountants were using traditional tools at the operational level in their companies. But to survive as a profession in a new technological world, management accountants would have to begin using more sophisticated tools and become involved at the strategic level in their companies.

The 1999 Practice Analysis demonstrates that Ross's prediction was on target. Where does the profession go from here? (see Figure 10).

Figure 10. Where the Profession Is Headed



The Next Plateau

What is the next step after business partner? Some anticipate that finance will go beyond business partnering and broaden its role to strategic partnering. Management accountants will need to be more strategic, be better visionaries, and be more proactive. They will share organizational decision making with the CEO.

> In five years [we will become] even more strategic. Instead of business partners you might need strategic partners. Really understanding the ins and outs of all the organizations, and really trying to be visionary — understanding what is happening to our business. So you have to have somebody who understands the business, that really has a commitment and interest to that. So not accountants any more, not even analysts. (Hewlett-Packard)
>
> We've got to be an integrated, expert business advisor to whoever the equivalent of the CEO is. (Boeing)

[4] Gerald H. B. Ross, "Revolution in Management Accounting," *Management Accounting*, November 1990, pp. 23–27.

Access to the Practice Analysis Database

The complete 1999 Practice Analysis report (and appendices), the report of the 1995 Practice Analysis, and the 1995 Practice Analysis database are available on the IMA web site (www.imanet.org).

Information in the Practice Analysis database can be sorted by company size (sales or number of employees), respondents' hierarchical level in the organization, age, years of management accounting experience, or type of work performed. This information can be used in a number of ways by accounting educators, CPE developers, human resource directors, corporate training directors, and professional associations.

Permission is granted to use the Practice Analysis database for educational purposes. Any publications based on Practice Analysis data should contain the appropriate citations.

Instructions on how to download the data are available on IMA's web site, or call the IMA librarian at 800-638-4427, extension 235.

Epilogue

The Practice Analysis database can be applied to a variety of academic and corporate objectives. It was not intended, however, to be used in isolation. The usefulness of the Practice Analysis data will be enhanced if supplemented with other information. For instance, curriculum designers may want to obtain the perspectives of practicing management accountants as part of the planning and development phases of their work.

The power and relevance of the Practice Analysis are limited only by users' ability to tailor the data to their university or corporate needs. We encourage users to experiment with the Practice Analysis database and develop innovative applications. Please let the IMA know how you used the Practice Analysis data, so that we can share your experience with others.

About the Researchers

The Gary Siegel Organization, Inc. (GSO) is an independent opinion research and behavioral accounting firm serving clients in a wide range of professions and industries. A global network of university-affiliated behavioral scientists and accounting professors, GSO provides executives with strategic information about what key groups of individuals think about any subject that affects organizational performance. GSO conducted the 1983 *Practice Analysis of the CPA Profession*, *What Corporate America Wants in Entry Level Accountants* (1994), and the 1995 *Practice Analysis of Mangement Accounting.* GSO clients include the Institute of Management Accountants (IMA), the American Institute of CPAs (New York), Embassy of Spain—Commercial Office (New York), the International Olive Oil Council (Madrid), Navistar (Chicago), and the American Association of Neurological Surgeons (Illinois). For this GSO project, the research team comprised Laura Appelbaum, Gary Siegel (project director), Vicki Smith; and James E. Sorensen.

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Vicki Smith, Ph.D., is Director of Survey Research at the Gary Siegel Organization. Dr. Smith earned her Ph.D. in psychology at Stanford University in 1987, specializing in the psychology of law. Before joining GSO, she was a member of the faculty at Northwestern University where she conducted research on juror and jury decision making and eyewitness testimony, and was a visiting faculty member at the University of Michigan Law School, where she taught courses on the Psychology of Litigation and Juries. Her expertise includes decision making, the psychology of evidence, persuasion and attitude change, and research methods and statistics.

James E. Sorensen, Ph.D., CPA, is professor of accountancy and university scholar / teacher at the School of Accountancy, University of Denver. With a background in accounting and sociology, he was one of the early contributors to the development of behavioral accounting. He is the author of five books (one in Spanish) and numerous articles in the areas of behavioral accounting, health-care administration, and accounting for human services. His research has appeared in several journals including the *Accounting Review*, *Administrative Science Quarterly*, *Decision Sciences* and the *Journal of Accountancy*. He has consulted with major corporations, international CPA firms, professional associations, and agencies of the federal, state, and local governments. His clients include Arthur Andersen, General Foods Corporation, the AICPA, the city of Los Angeles, and the U.S. Department of Health and Human Services. He was co-project director of *What Corporate America Wants in Entry-Level Accountants* and a member of the research team for the 1995 *Practice Analysis of Management Accounting.*

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