

Counting More, Counting Less

Transformations in
the Management Accounting Profession

The 1999 Practice Analysis
of Management Accounting

August 1999

**A research project of the
Institute of Management Accountants**

Research conducted by the Gary Siegel Organization

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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 towards 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, among 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 its 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.

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.

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 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 commissioned its first scientific study of work in 1995. The Practice Analysis of Management Accounting² 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 sea change in the work of management accountants, IMA began to hear from its members that change in the profession

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.

was accelerating. This 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
- 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 memo 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 into 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 U.S. 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 non-Accountants 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 Non-Traditional Accounting Activities Up. Compared to five years ago, more time is spent performing forward-looking, non-traditional 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 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 the increased demand for their services, management accountants work long hours. This is raising concern about the balance between work and personal life.

Name of Profession Obsolescing. 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: ability to communicate well, orally and in writing; 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 Analyses 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 who is cloistered in a remote part of the organization. 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.

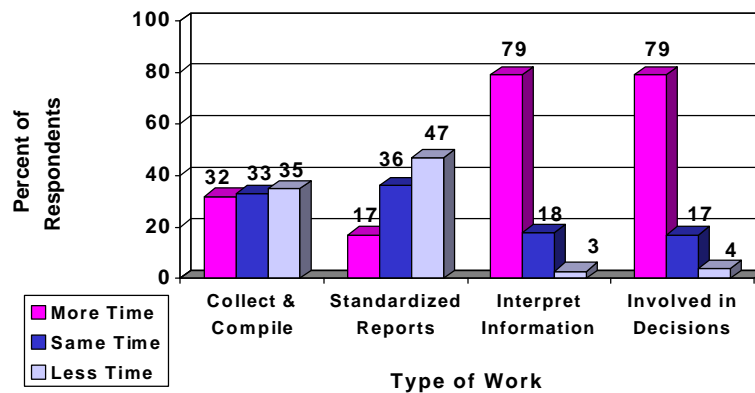
Results

Where the Profession is in 1999

The Nature of Work. Not all management accountants function as business partners. Many work in tax, treasury, or perform traditional accounting functions in their companies. But the extent and direction of change in the profession is clear:

- 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.

Change in Nature of Work Over the Past Five Years



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. (US 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. (US 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)

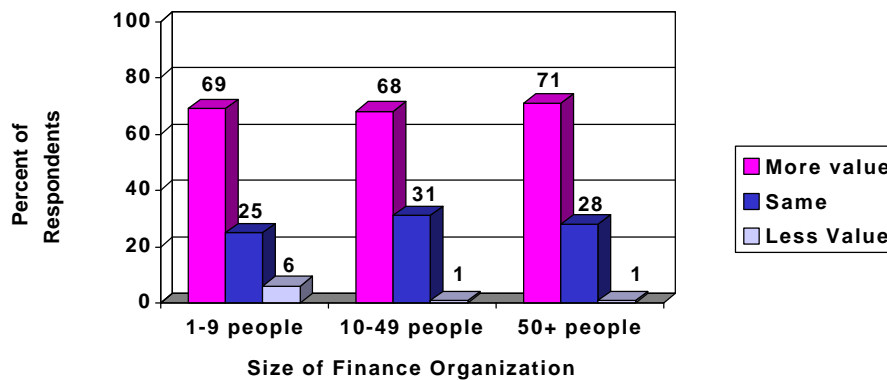
When I first came to Caterpillar, the accountant was looked more to as a historian where we would tell people the proper procedures for getting material out of the plant or making sure that an invoice gets paid and report results kind of after the fact. Over the last eight years I've seen it evolve to 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)

The Image of Management Accountants. Management accountants in companies of all sizes are increasingly being seen as providers of valuable business information.

- 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.

Change in Perceived Value of the Finance Function



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 your 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.

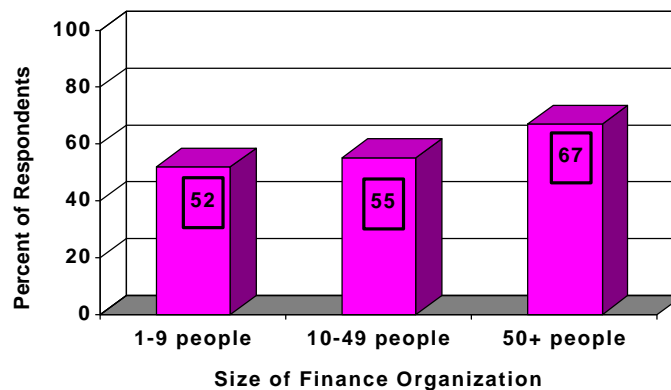
The folks that have had the opportunity in the last eight months to engage as a real business partner are really excited by it, and we are doing some really exciting things about our material organization and finance, what we call vendor cost analysis folks. (Boeing)

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. In 1999, 56% report working on teams.

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

Percent of Respondents Who 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)

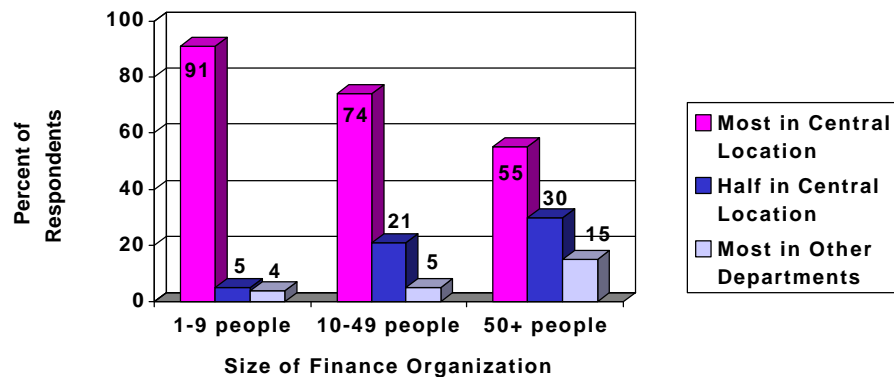
Finance has a unique ability and responsibility to see across all the functions and try and make sense of them. The common denominator is the dollar, what impact they have on the budget. So it's kind of that overall glue, I would say. They have that neat ability to be a member of all of the different 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. (US 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. (US West)

Where Management Accountants Work. Accountants traditionally worked in accounting departments that were physically isolated from the operating departments of their companies. In 1999, however, 20% of the 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.

Where Respondents Are Physically Located



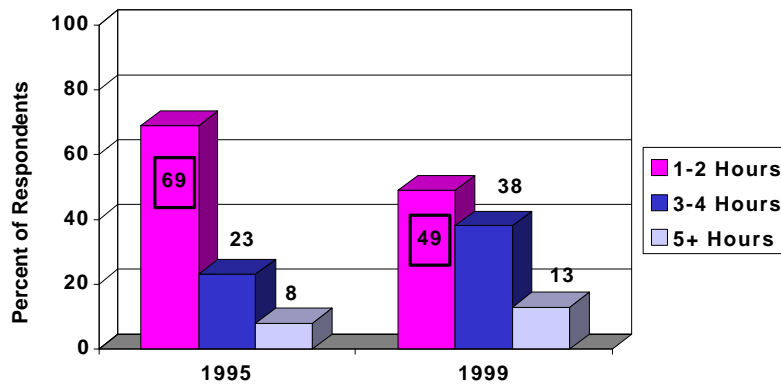
The practice of locating management accountants in the operating departments is more common in larger companies.

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. (US West)

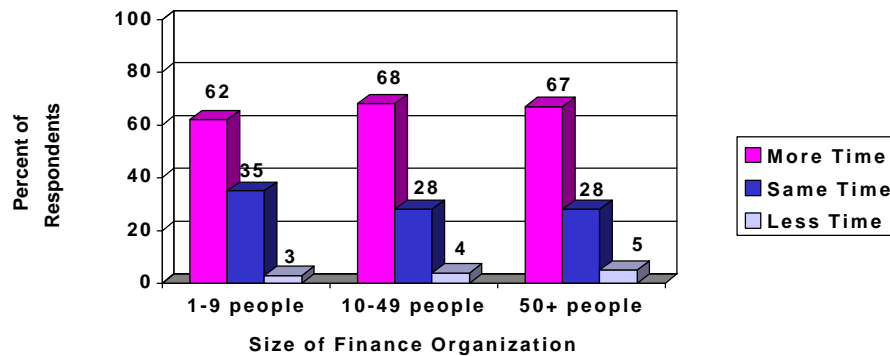
Communications. Working on teams and fulfilling the role of internal consultant or business partner means that management accountants spend more of their time communicating with others. This is demonstrated in the chart below. These data put to rest the outdated stereotype that accountants do not interact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

Hours per Day Spent Sharing Business Information 1995 - 1999



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.

Change in Time Spent Sharing Business Information 1995 - 1999



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)

Usually when a non financial 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 non-finance 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
- An 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 that 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 head count, 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)

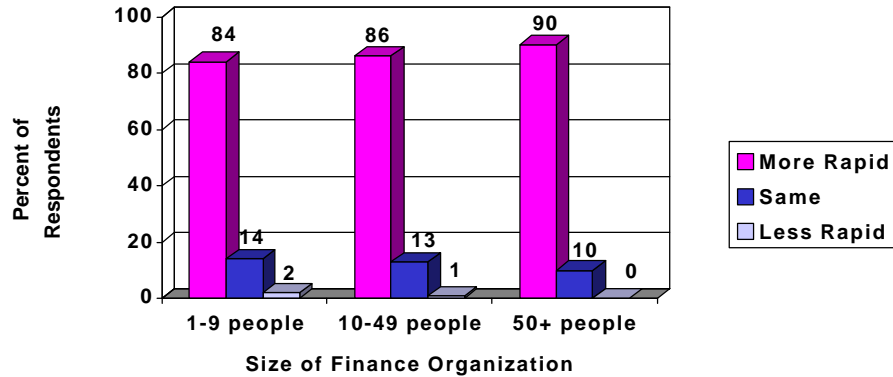
I sat my staff down and I said that business controls are paramount. What you do in your function is #1. Business controls are #1. You have to make sure that every area that you support has the proper business controls. There are no excuses for lack of business controls. So without being a cop, I made 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. Secondly 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)

The Pace of Change.

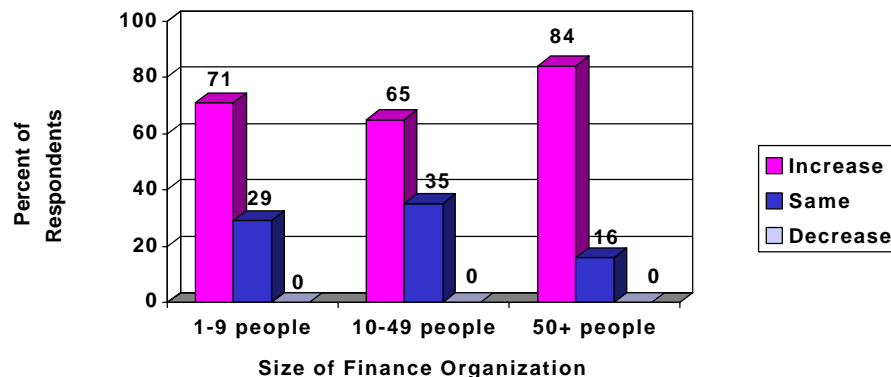
Change in the management accounting profession is ongoing and accelerating. The overwhelming majority of management accountants we interviewed told us that the rate of change in their organizational role has been more rapid over the 1995-1999 period than over the 1990-1995 period.

Rate of Change in the Finance Function Over the Past Five Years



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.

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 was probably greater than in the previous 15, and the rate of change in the next two 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 a day to read mail. I even have a screen that says if it doesn't come from these ten people, trash it before I even see it." (Hewlett-Packard)

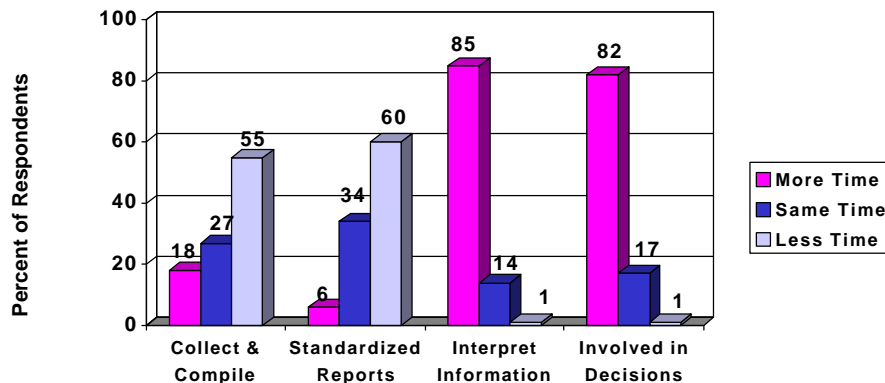
I think changes in technology clearly. If you go back 30 years to get out a payroll Abbott Labs's size, 30,000 some people in the United States, was a major clerical effort. Today it's not. Today, with all the information on the internet or otherwise, up on some sort of computer, you can query all sorts 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 non-financial 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.

- 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.

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 activities³.

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

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. These are shown in Appendix F.

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
- 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 are work activities that management accountants perform today but were not part of the accounting vocabulary ten 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:

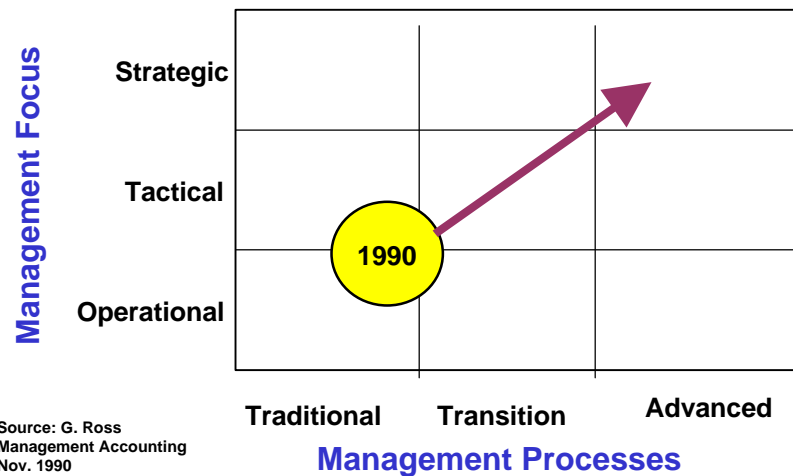
- Long-term, strategic planning
- Perform financial and economic analyses
- Customer & Product Profitability
- Computer systems and operations
- Process Improvement

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
- More involvement in decision making

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.

WHERE THE PROFESSION IS HEADED



The 1999 Practice Analysis demonstrates that Ross' prediction was on target. Where does the profession go from here?

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. They 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, 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 they are 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 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 Management Accounting*. GSO clients include 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.

Laura Appelbaum, Ph.D. is senior research associate at the Center for Public-Private Sector Cooperation, University of Colorado at Denver. She has conducted many national and international research projects. She consulted for the *Practice Analysis of the CPA Profession* and was a member of the research team for *What Corporate America Wants in Entry-Level Accountants* and the *1995 Practice Analysis of Management Accounting*.

Gary Siegel, Ph.D., CPA is associate professor at the School of Accountancy, DePaul University in Chicago. Dr. Siegel's work is rooted in an unusual academic synthesis. With a Bachelor's degree in accountancy, his CPA certificate and an MBA, Siegel began intensive training in attitude measurement and opinion research at the nationally esteemed University of Illinois Survey Research Laboratory. He earned his Ph.D. in organizational sociology, specializing in decision and policy making in professional and trade associations. His two fields of study, accountancy and sociology, came to fruition in behavioral accounting. He is co-author of *Behavioral Accounting*, the first textbook in the field that explores the bisociation of accounting and social science. Based on his behavioral research, he has published many articles in professional journals and made presentations to business, university, and professional groups around the world. His most recent book is *Applying Activity-based Costing in Healthcare* (1999).

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

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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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Chapter 1

The Work Environment

Where management accountants work. About four-fifths of the respondents are physically located in a central finance area. Nearly one-fifth work exclusively in operating departments or divide their time between operating departments and the central finance area.

The work environment is quite similar for management accountants who work in larger and smaller organizations. That is, the tendency to work in operating departments does not differ significantly by the number of people employed in the finance function.

TABLE 1

WHERE RESPONDENT IS PHYSICALLY LOCATED

		WHERE RESPONDENT WORKS		
		Central area	Operating department	Equal
ALL RESPONDENTS		79%	12%	10%
NUMBER OF	1 - 9 people	78%	11%	11%
PEOPLE IN THE	10 - 49 people	80%	14%	6%
FINANCE FUNCTION	50 or more people	77%	11%	11%

When asked about their company as a whole, slightly more than half report that all management accountants are physically located in a central finance area. Another quarter report that most management accountants work in central area. For the remaining quarter, at least half the management accountants in their organization works in other departments. See Table 2.

TABLE 2

WHERE PEOPLE IN COMPANY ARE PHYSICALLY LOCATED

		WHERE PEOPLE WORK				
		All work in central finance area.	Most work in central finance area.	Half work in central area/ half in other depts.	Most work in other depts.	All work in other depts.
ALL RESPONDENTS		53%	26%	14%	4%	2%
NUMBER OF	1 - 9 people	72%	19%	5%	2%	2%
PEOPLE IN THE	10 - 49 people	39%	35%	21%	1%	4%
FINANCE FUNCTION	50 or more people	23%	33%	30%	15%	

The results in Table 2 differ by the size of the finance organization. Management accountants employed in larger finance organizations are much more likely to work in operating departments.

There has been little change in the physical location of management accountants since 1995. As in 1995, about 20% of respondents work in organizations where half or more of the management accountants are physically located in the departments they service. See Table 3.

TABLE 3
WHERE PEOPLE IN COMPANY ARE PHYSICALLY LOCATED

	Percent in 1995	Percent in 1999
All work in the one central finance area	53.1%	52.3%
Most work in one central finance area	27.6%	26.7%
Half work in central finance area/ half work in other departments	8.8%	14.3%
Most work in other departments	7.6%	4.3%
All work in other departments	2.9%	2.3%

More than half the respondents see no trend in the physical location of management accountants. Of those who report a trend, twice as many see a trend toward locating management accountants in a central area as opposed to in other departments. Management accountants in larger organizations are more likely to report a trend toward working in other departments.

For organizations with a very small number of management accountants, the question about physical location may not be relevant.

TABLE 4
TRENDS IN WORK LOCATION

		TRENDS IN WORK LOCATION		
		One central area	Other departments	No trend
ALL RESPONDENTS		29%	14%	58%
NUMBER OF	1 - 9 people	25%	9%	66%
PEOPLE IN THE	10 - 49 people	28%	16%	56%
FINANCE FUNCTION	50 or more people	38%	23%	38%

Participation on cross-functional teams. A cross-functional team has specific work-related tasks and is made up of people from various company departments. Over the past five years participation on teams has increased. Respondents expect to become even more involved with teams in the future.

Slightly more than half of the respondents are members of cross-functional teams. The larger the finance organization, the more likely are management accountants to work on cross-functional teams.

TABLE 5
WORK ON CROSS FUNCTIONAL TEAM

		WORK ON CROSS-FUNCTIONAL TEAM	
		Yes	No
ALL RESPONDENTS		56%	44%
NUMBER OF	1 - 9 people	52%	48%
PEOPLE IN THE	10 - 49 people	55%	45%
FINANCE FUNCTION	50 or more people	67%	33%

Of the 44% who are not a member of a team, 40% report that other management accountants in their company are members of teams. Thus, about 73% (56% plus 40% times 44%) of all respondents work in a company where at least one management accountant is a member of a cross-functional team.

TABLE 6
DO OTHERS WORK ON CROSS FUNCTIONAL TEAMS?

		DO OTHERS WORK ON TEAMS?	
		Yes	No
ALL RESPONDENTS		40%	60%
NUMBER OF	1 - 9 people	33%	67%
PEOPLE IN THE	10 - 49 people	49%	51%
FINANCE FUNCTION	50 or more people	50%	50%

Over the past five years, participation on teams has increased. As shown above, 56% of the respondents work on cross-functional teams. In contrast, 48% of the respondents to the 1995 Practice Analysis report working on teams.

More than three-fourths of the respondents say that they spend more time on teams now than they did five years ago. See Table 7.

TABLE 7
CHANGE IN AMOUNT OF TIME SPENT ON TEAMS
1995 vs. 1999

		Number	Percent
CHANGE IN TIME SPENT WORKING ON TEAMS	More time	127	78.4%
	Same time	22	13.6%
	Less time	13	8.0%

The role of management accountants on cross-functional teams. Of the respondents who work on teams, about two-thirds say that the role of management accountants on these teams has changed. The larger the finance organization, the more likely respondents are to report that their role has changed.

TABLE 8
CHANGE IN THE ROLE OF FINANCE ON TEAMS

		CHANGE IN FINANCE'S ROLE ON TEAMS	
		Yes	No
ALL RESPONDENTS		65%	35%
NUMBER OF	1 - 9 people	59%	41%
PEOPLE IN THE	10 - 49 people	64%	36%
FINANCE FUNCTION	50 or more people	78%	23%

When asked to describe the nature of the change, the most frequent responses refer to the greater involvement of management accountants in running the business. See Table 9.

TABLE 9
REASONS FOR CHANGE IN ROLE ON TEAMS

	Number	Percent
Finance people more involved in decisions/ leadership	94	90.4%
People in finance play more roles	14	13.5%
Focus on interpretation of information rather than mechanics	14	13.5%
More operations oriented	14	13.5%
More active in consulting/ planning roles	10	9.6%
Need for more information	6	5.8%
Other	3	2.9%
More involved in evaluating company efficiency	3	2.9%
More centralized	2	1.9%
More involved in information systems	2	1.9%
TOTAL CASES	104	100.0%

Communications. Management accountants devote a significant portion of each day communicating with people inside and outside the organization. Over the past five years, more time has been devoted to exchanging business information with others.

TABLE 10
TIME SPENT SHARING BUSINESS INFORMATION
WITH PEOPLE INSIDE & OUTSIDE THE COMPANY

	Percent in 1995	Percent in 1999
Less than 1 hour	29.8%	13.8%
1 - 2 hours	39.5%	34.9%
3 - 4 hours	23.3%	38.4%
5 - 6 hours	6.4%	10.4%
7 or more hours	1.0%	2.7%

TABLE 11
TIME SPENT SHARING BUSINESS INFORMATION WITH CO-WORKERS

		TIME SPENT SHARING BUSINESS INFORMATION - INSIDE COMPANY ONLY		
		More time	Same time	Less time
ALL RESPONDENTS		65%	31%	4%
NUMBER OF	1 - 9 people	62%	34%	3%
PEOPLE IN THE	10 - 49 people	68%	28%	4%
FINANCE FUNCTION	50 or more people	67%	28%	5%

Chapter 2

What Management Accountants Do

Work activities are the functions performed by people in their role as management accountants. Duties and tasks are subsets of work activities. Twenty-nine work activities were identified in the 1995 Practice Analysis. These are shown in Appendix E.

Knowledge, skills, and abilities (KSAs) are the *competencies*, or proficiency areas, required for successful performance of the work activities. Examples of these competencies include being able to understand technical information and apply it, the ability to recognize problems, make sound decisions, get along with people, and express ideas both orally and in writing.

Work Activities Performed. Of 29 work activities presented to them, respondents named the five that occupy most of their time. Table 12 shows the percentage of respondents who named each work activity. The percentages sum to more than 100 because each respondent could name up to five work activities.

The table shows that 62% named a traditional accounting work activity (accounting systems and financial reporting) as the activity that currently occupies most of their time. This same work activity is performed less frequently than it was five years ago, and respondents expect to be spending less time on this work activity three years from now.

The next three most frequently performed work activities - managing the accounting/finance function, internal consulting, and short term budgeting – are mentioned by approximately 40% of the respondents. Internal consulting is a relatively new, non-traditional work activity for management accountants and a strong indicator of the emerging importance of the role of business partner.

Other work activities performed by 20-25% of respondents are long-term strategic planning, financial and economic analysis, computer systems and operations, and process improvement. All of these work activities represent a change in the traditional functions of management accountants.

TABLE 12

WORK ACTIVITIES THAT OCCUPY THE MOST TIME

	Number	Percent
Accounting systems and financial reporting	185	61.9%
Managing the accounting/ finance function	126	42.1%
Internal Consulting	125	41.8%
Short-term budgeting process	109	36.5%
Long-term, strategic planning	74	24.7%
Perform financial and economic analyses	71	23.7%
Computer systems and operations.	62	20.7%
Process Improvement	60	20.1%
Performance evaluation	51	17.1%
Compliance reporting for government or regulatory agencies	50	16.7%
Tax Compliance	43	14.4%
Accounting policy	39	13.0%
Human resources and personnel	39	13.0%
External Financing	36	12.0%
Cost accounting systems	35	11.7%
Consolidations	34	11.4%
Project accounting	33	11.0%
Mergers, Acquisitions and Divestments	32	10.7%
Capital Budgeting	29	9.7%
Tax Planning and Strategy	28	9.4%
Customer & Product Profitability	27	9.0%
Internal auditing	26	8.7%
Investment of Funds	24	8.0%
Risk Management	22	7.4%
Credit and Collection	20	6.7%
Quality systems & control	19	6.4%
Resource management	18	6.0%
Educating the Organization	18	6.0%
Transfer Pricing	6	2.0%
TOTAL CASES	299	100.0%

Managing the accounting/finance function. Management accountants with seven or more years experience spend a significant portion of their day managing the work of others. Not surprisingly, respondents in larger organizations spend a greater percentage of their time managing the work of others.

TABLE 13

PERCENT OF TIME SPENT MANAGING OTHERS

		PERCENT OF TIME SPENT MANAGING OTHERS		
		Less than 20%	21% to 49%	50% or more
ALL RESPONDENTS		37%	13%	50%
NUMBER OF	1 - 9 people	42%	17%	42%
PEOPLE IN THE	10 - 49 people	28%	11%	61%
FINANCE FUNCTION	50 or more people	36%	7%	57%

How the work has changed. Not surprisingly, the most frequently performed work activity is “accounting systems and financial reporting.” But over the past five years, the pattern of work has changed. Other non-traditional work activities have taken up more of management accountants’ time, while traditional work activities like “accounting systems and financial reporting” have taken up less of management accountants time. See Tables 14 and 15.

TABLE 14

WORK ACTIVITIES OCCUPYING MORE TIME NOW THAN FIVE YEARS AGO

	Number	Percent
Internal Consulting	83	28.0%
Long-term, strategic planning	69	23.3%
Computer systems and operations.	65	22.0%
Managing the accounting/ finance function	54	18.2%
Process Improvement	48	16.2%
Perform financial and economic analyses	43	14.5%
Accounting systems and financial reporting	42	14.2%
Short-term budgeting process	42	14.2%
Performance evaluation	36	12.2%
Human resources and personnel	36	12.2%
Mergers, Acquisitions and Divestments	35	11.8%
External Financing	28	9.5%
Compliance reporting for government or regulatory agencies	24	8.1%
Cost accounting systems	23	7.8%
Tax Compliance	23	7.8%
Customer & Product Profitability	22	7.4%
Educating the Organization	22	7.4%
Project accounting	20	6.8%
Accounting policy	18	6.1%
Risk Management	18	6.1%
Credit and Collection	18	6.1%
Investment of Funds	17	5.7%
Tax Planning and Strategy	17	5.7%
Capital Budgeting	12	4.1%
Resource management	11	3.7%
Consolidations	10	3.4%
Quality systems & control	9	3.0%
Internal auditing	7	2.4%
Transfer Pricing	5	1.7%
TOTAL CASES	296	100.0%

TABLE 15

WORK ACTIVITIES OCCUPYING LESS TIME NOW THAN FIVE YEARS AGO

	Number	Percent
Accounting systems and financial reporting	110	38.5%
Consolidations	47	16.4%
Managing the accounting/ finance function	46	16.1%
Accounting policy	41	14.3%
Short-term budgeting process	40	14.0%
Project accounting	37	12.9%
Compliance reporting for government or regulatory agencies	35	12.2%
Cost accounting systems	33	11.5%
Tax Compliance	31	10.8%
Internal auditing	27	9.4%
Resource management	21	7.3%
Capital Budgeting	20	7.0%
Educating the Organization	18	6.3%
Computer systems and operations.	17	5.9%
Tax Planning and Strategy	16	5.6%
Human resources and personnel	14	4.9%
Performance evaluation	12	4.2%
External Financing	12	4.2%
Credit and Collection	12	4.2%
Long-term, strategic planning	11	3.8%
Perform financial and economic analyses	11	3.8%
Quality systems & control	11	3.8%
Investment of Funds	9	3.1%
Internal Consulting	8	2.8%
Risk Management	8	2.8%
Process Improvement	6	2.1%
Customer & Product Profitability	5	1.7%
Transfer Pricing	5	1.7%
Mergers, Acquisitions and Divestments	4	1.4%
TOTAL CASES	286	100.0%

Over the past five years management accountants have spent more time analyzing information and participating in business decisions, and less time preparing standardized reports. See Table 16.

TABLE 16

CHANGE OVER PAST FIVE YEARS IN TYPE OF WORK

	More time	Same time	Less time
CHANGE OVER PAST 5 YEARS: COLLECTING AND COMPILING INFORMATION	31.7%	33.0%	35.3%
CHANGE OVER PAST 5 YEARS: PREPARING STANDARDIZED FINANCIAL REPORTS	16.9%	35.8%	47.3%
CHANGE OVER PAST 5 YEARS: INTERPRETING AND ANALYZING INFORMATION	78.7%	18.0%	3.3%
CHANGE OVER PAST 5 YEARS: BEING ACTIVELY INVOLVED IN BUSINESS DECISIONS	79.0%	17.0%	4.0%

How the work is expected to change. Respondents expect continued change in the work they perform. Specifically, over the next three years they expect to spend more time doing non-traditional work activities like strategic planning, process improvement, internal consulting, etc. (see Table 17). They expect to spend less time doing traditional accounting work activities: fully 45% say they expect to spend less time on accounting systems and financial reporting (see Table 18).

TABLE 17

**WORK ACTIVITIES EXPECTED TO OCCUPY
MORE TIME THREE YEARS FROM NOW**

	Number	Percent
Long-term, strategic planning	124	41.9%
Internal Consulting	89	30.1%
Computer systems and operations.	73	24.7%
Process Improvement	67	22.6%
Perform financial and economic analyses	65	22.0%
Mergers, Acquisitions and Divestments	65	22.0%
Performance evaluation	48	16.2%
Customer & Product Profitability	43	14.5%
Tax Planning and Strategy	36	12.2%
Managing the accounting/ finance function	33	11.1%
Short-term budgeting process	28	9.5%
Compliance reporting for government or regulatory agencies	26	8.8%
Capital Budgeting	26	8.8%
External Financing	25	8.4%
Accounting systems and financial reporting	22	7.4%
Educating the Organization	22	7.4%
Quality systems & control	21	7.1%
Risk Management	20	6.8%
Project accounting	19	6.4%
Human resources and personnel	18	6.1%
Investment of Funds	17	5.7%
Accounting policy	16	5.4%
Cost accounting systems	14	4.7%
Resource management	9	3.0%
Tax Compliance	9	3.0%
Transfer Pricing	7	2.4%
Consolidations	6	2.0%
Internal auditing	6	2.0%
Credit and Collection	6	2.0%
TOTAL CASES	296	100.0%

TABLE 18

**WORK ACTIVITIES EXPECTED TO OCCUPY
 LESS TIME THREE YEARS FROM NOW**

	Number	Percent
Accounting systems and financial reporting	123	44.7%
Managing the accounting/ finance function	48	17.5%
Accounting policy	37	13.5%
Short-term budgeting process	36	13.1%
Consolidations	30	10.9%
Human resources and personnel	30	10.9%
Tax Compliance	28	10.2%
Project accounting	26	9.5%
Cost accounting systems	22	8.0%
Compliance reporting for government or regulatory agencies	19	6.9%
Computer systems and operations.	19	6.9%
Credit and Collection	19	6.9%
Capital Budgeting	14	5.1%
Internal auditing	14	5.1%
Resource management	12	4.4%
Perform financial and economic analyses	11	4.0%
Performance evaluation	10	3.6%
External Financing	9	3.3%
Transfer Pricing	8	2.9%
Investment of Funds	8	2.9%
Mergers, Acquisitions and Divestments	7	2.5%
Quality systems & control	7	2.5%
Risk Management	7	2.5%
Educating the Organization	7	2.5%
Long-term, strategic planning	6	2.2%
Internal Consulting	6	2.2%
Tax Planning and Strategy	4	1.5%
Process Improvement	4	1.5%
Customer & Product Profitability	2	.7%
TOTAL CASES	275	100.0%

Over the next three years, management accountants expect to spend more time analyzing information and participating in business decisions, and less time preparing standardized reports and collecting and compiling information.

TABLE 19
EXPECTED CHANGE OVER NEXT THREE YEARS IN TYPE OF WORK

	More time	Same time	Less time
EXPECTED CHANGE OVER NEXT 3 YEARS: COLLECTING AND COMPILING INFORMATION	18.3%	27.0%	54.7%
EXPECTED CHANGE OVER NEXT 3 YEARS: PREPARING STANDARDIZED FINANCIAL REPORTS	6.4%	34.4%	59.2%
EXPECTED CHANGE OVER NEXT 3 YEARS: INTERPRETING AND ANALYZING INFORMATION	85.3%	13.7%	1.0%
EXPECTED CHANGE OVER NEXT 3 YEARS: BEING ACTIVELY INVOLVED IN BUSINESS DECISIONS	82.3%	16.3%	1.3%

New KSAs Acquired. Given the changes that have taken place in the work activities performed, which new KSAs did respondents have to learn over the past five years? The most frequently mentioned KSAs have to do with computers. Half of all respondents said they had acquired computer skills. Other frequently named KSAs include interpersonal skills, accounting rules, and aspects of running the business.

TABLE 20

MOST IMPORTANT KSAs ACQUIRED OVER THE PAST 5 YEARS

	Number	Percent
Computer skills/ technology/ networks	146	49.7%
Accounting software	60	20.4%
Teaching/speaking/ communication	44	15.0%
Project management/ leadership	40	13.6%
New laws/ accounting rules/ SEC requirements	33	11.2%
Interpersonal skills	28	9.5%
Learn about operations ie. HR/ Marketing	25	8.5%
Evaluation of profitability/ financial analysis	22	7.5%
Other	20	6.8%
Process evaluation skills in own or other business	19	6.5%
Auditing/ tax laws	18	6.1%
Internet skills	16	5.4%
Long-range planning	16	5.4%
Mergers and acquisitions	15	5.1%
New degree/ certificate	9	3.1%
Cash management	7	2.4%
Risk management	4	1.4%
TOTAL CASES	294	100.0%

Most critical work activities in 1999. Respondents indicated which five work activities were most critical to their company's success in 1999. The list is headed by a number of non-traditional work activities. Fully half said that long-term strategic planning is most critical to their company's success.

TABLE 21

WORK ACTIVITIES MOST CRITICAL TO SUCCESS IN 1999

	Number	Percent
Long-term, strategic planning	158	53.0%
Computer systems and operations.	112	37.6%
Process Improvement	100	33.6%
Perform financial and economic analyses	97	32.6%
Customer & Product Profitability	94	31.5%
Short-term budgeting process	92	30.9%
Accounting systems and financial reporting	74	24.8%
Mergers, Acquisitions and Divestments	71	23.8%
Performance evaluation	65	21.8%
Capital Budgeting	54	18.1%
External Financing	47	15.8%
Internal Consulting	45	15.1%
Human resources and personnel	45	15.1%
Quality systems & control	37	12.4%
Cost accounting systems	35	11.7%
Risk Management	34	11.4%
Tax Planning and Strategy	32	10.7%
Project accounting	29	9.7%
Investment of Funds	29	9.7%
Educating the Organization	29	9.7%
Resource management	28	9.4%
Credit and Collection	26	8.7%
Compliance reporting for government or regulatory agencies	24	8.1%
Managing the accounting/ finance function	18	6.0%
Tax Compliance	8	2.7%
Accounting policy	7	2.3%
Internal auditing	4	1.3%
Consolidations	3	1.0%
Transfer Pricing	3	1.0%
TOTAL CASES	298	100.0%

When asked to name the single work activity that was most critical for success in 1999, the non-traditional work activities again head the list.

TABLE 22
SINGLE MOST CRITICAL WORK ACTIVITY IN 1999

		Number	Percent
SINGLE	Long-term, strategic planning	75	25.3%
MOST	Process Improvement	30	10.1%
CRITICAL	Customer & Product Profitability	27	9.1%
WORK	Accounting systems and financial reporting	16	5.4%
ACTIVITY TO	Short-term budgeting process	15	5.1%
COMPANY'S	Mergers, Acquisitions and Divestments	15	5.1%
SUCCESS	Perform financial and economic analyses	14	4.7%
IN 1999	External Financing	14	4.7%
	Computer systems and operations.	13	4.4%
	Performance evaluation	9	3.0%
	Project accounting	7	2.4%
	Internal Consulting	7	2.4%
	Tax Planning and Strategy	7	2.4%
	Capital Budgeting	6	2.0%
	Cost accounting systems	5	1.7%
	Quality systems & control	5	1.7%
	Risk Management	5	1.7%
	Investment of Funds	5	1.7%
	Credit and Collection	4	1.3%
	Educating the Organization	4	1.3%
	Managing the accounting/ finance function	4	1.3%
	Compliance reporting for government or regulatory agencies	3	1.0%
	Resource management	3	1.0%
	Consolidations	1	.3%
	Internal auditing	1	.3%
	Tax Compliance	1	.3%
	Human resources and personnel	1	.3%

Most critical work activities in three years. Respondents expect non-traditional work activities to continue to be most critical to their company's success in three years.

TABLE 23
WORK ACTIVITIES THAT WILL BE MOST CRITICAL
TO SUCCESS IN THREE YEARS

	Number	Percent
Long-term, strategic planning	209	70.6%
Perform financial and economic analyses	105	35.5%
Customer & Product Profitability	104	35.1%
Computer systems and operations.	102	34.5%
Process Improvement	99	33.4%
Mergers, Acquisitions and Divestments	78	26.4%
Performance evaluation	76	25.7%
Accounting systems and financial reporting	53	17.9%
Short-term budgeting process	51	17.2%
Capital Budgeting	51	17.2%
Internal Consulting	49	16.6%
Quality systems & control	42	14.2%
External Financing	40	13.5%
Human resources and personnel	39	13.2%
Tax Planning and Strategy	36	12.2%
Cost accounting systems	35	11.8%
Investment of Funds	31	10.5%
Risk Management	30	10.1%
Educating the Organization	28	9.5%
Resource management	27	9.1%
Project accounting	22	7.4%
Compliance reporting for government or regulatory agencies	17	5.7%
Credit and Collection	16	5.4%
Managing the accounting/ finance function	15	5.1%
Accounting policy	4	1.4%
Transfer Pricing	4	1.4%
Internal auditing	4	1.4%
Tax Compliance	3	1.0%
Consolidations	1	.3%
TOTAL CASES	296	100.0%

TABLE 24

SINGLE MOST CRITICAL WORK ACTIVITY IN 3 YEARS

		Number	Percent
SINGLE MOST CRITICAL WORK ACTIVITY IN 3 YEARS	Long-term, strategic planning	105	35.5%
	Process Improvement	28	9.5%
	Customer & Product Profitability	26	8.8%
	Mergers, Acquisitions and Divestments	22	7.4%
	Perform financial and economic analyses	19	6.4%
	Computer systems and operations.	15	5.1%
	Accounting systems and financial reporting	9	3.0%
	External Financing	8	2.7%
	Risk Management	8	2.7%
	Investment of Funds	7	2.4%
	Performance evaluation	5	1.7%
	Short-term budgeting process	5	1.7%
	Tax Planning and Strategy	5	1.7%
	Educating the Organization	5	1.7%
	Cost accounting systems	4	1.4%
	Quality systems & control	4	1.4%
	Managing the accounting/ finance function	4	1.4%
	Human resources and personnel	4	1.4%
	Internal Consulting	3	1.0%
	Resource management	3	1.0%
Compliance reporting for government or regulatory agencies	2	.7%	
Capital Budgeting	2	.7%	
Credit and Collection	2	.7%	
Project accounting	1	.3%	

Chapter 3

CHANGES IN THE ROLE OF THE FINANCE FUNCTION

Changes in the role of finance. More than half the respondents believe that the changes taking place in their work are being driven by changes in the finance function. The major change in the role of finance is that management accountants are becoming more actively involved in the decisions that run the business.

TABLE 25

**ARE CHANGES IN WORK ACTIVITIES DRIVEN
BY CHANGES IN THE ROLE OF FINANCE?**

		CHANGE IN WORK ACTIVITIES DUE TO CHANGE IN ROLE OF FINANCE FUNCTION	
		Yes	No
ALL RESPONDENTS		57%	43%
NUMBER OF	1 - 9 people	55%	45%
PEOPLE IN THE	10 - 49 people	57%	43%
FINANCE FUNCTION	50 or more people	64%	36%

TABLE 26

CHANGES IN ROLE OF THE FINANCE FUNCTION

	Number	Percent
Partner/consultant in management decisions	43	25.9%
Finance is more involved with other aspects of organization	43	25.9%
More planning/ strategy	34	20.5%
More computerized/ technology	31	18.7%
More involved in team-building/ decision-making	29	17.5%
More involved in evaluating company efficiency	25	15.1%
Less reporting of information/ more interpretation	19	11.4%
Finance is used more	17	10.2%
More involved with operations	15	9.0%
More involved in computer operations and systems design	15	9.0%
Increased networking within organization	13	7.8%
Other	10	6.0%
More interest in finance from other areas	9	5.4%
More involved with mergers/ acquisitions	8	4.8%
Need for real-time information	7	4.2%
Don't know	4	2.4%
ABC technology/ cost accounting systems	4	2.4%
More selective about data	3	1.8%
Need for more information	2	1.2%
No change	2	1.2%
TOTAL CASES	166	100.0%

Respondents expect continued change in the role of finance over the next three years.

TABLE 27
ANTICIPATED CHANGES IN ROLE OF THE
FINANCE FUNCTION THREE YEARS FROM NOW

	Number	Percent
Less reporting of information and more analysis, planning	83	30.1%
More computerized/ technology/ software	73	26.4%
Partner/consultant in management decisions	68	24.6%
More involved with operations	48	17.4%
Analyze profitability/performance evaluation	20	7.2%
More group activity	18	6.5%
More skills in mergers/acquisitions	17	6.2%
Will become more automated	16	5.8%
More consolidated	12	4.3%
Individual duties will be more varied	11	4.0%
Need real-time information	10	3.6%
Other	10	3.6%
More supervisory work	9	3.3%
Less labor-intensive	5	1.8%
Need more information	4	1.4%
More dependent on regulations	3	1.1%
More selective about data	2	.7%
TOTAL CASES	276	100.0%

The vast majority of respondents, 86%, believe that the changes that have taken place in the finance function over the past five years have been more rapid than the changes that took place over the five years prior to that. This is true for respondents who work in both large and small finance organizations as well as for those who do treasury and tax work and for management accountants. See Table 28.

TABLE 28
RATE OF CHANGE IN THE FINANCE FUNCTION
OVER THE PAST FIVE YEARS

	RATE OF CHANGE IN THE FINANCE FUNCTION OVER PAST 5 YEARS		
	More rapid	Same	Less rapid
ALL RESPONDENTS	86%	13%	1%
NUMBER OF			
1 - 9 people	84%	14%	2%
PEOPLE IN THE			
10 - 49 people	86%	13%	1%
FINANCE FUNCTION			
50 or more people	90%	10%	

Most respondents (74%) think that technology is the main force driving change in the finance function. The need for more timely information, for more information, competition, and globalization are seen as propelling change. See Table 29.

TABLE 29

MAIN FACTORS DRIVING CHANGE IN FINANCE FUNCTION

	Number	Percent
Technology/ software	217	73.8%
Need for more timely reporting	46	15.6%
Need for more information	27	9.2%
Increased competition	25	8.5%
Globalization of economy	17	5.8%
Centralization/downsizing/contraction of work force	15	5.1%
Need for more accurate information	11	3.7%
Other	11	3.7%
Growth	10	3.4%
Increased value of finance	9	3.1%
Changing accounting rules/ regulations	9	3.1%
Mergers/ acquisitions	8	2.7%
Budget constraints	8	2.7%
Influence/ expectations of investors	7	2.4%
Automation	6	2.0%
Changes in the economy	5	1.7%
Demand for services	4	1.4%
More emphasis on cash flow	3	1.0%
Deregulation	3	1.0%
TOTAL CASES	294	100.0%

Expected changes. Almost three-fourths of the respondents expect the rate of change in the finance function to increase over the next three years. About one-fourth think the rate of change will stay about the same. Nobody expects the rate of change to decrease. This is true for respondents in large and small companies as well as respondents who work in treasury and management accounting. See Table 30.

TABLE 30
EXPECTED RATE OF CHANGE IN
FINANCE FUNCTION OVER NEXT THREE YEARS

		RATE OF CHANGE IN THE FINANCE FUNCTION OVER THE NEXT 3 YEARS	
		Increase	Stay the same
ALL RESPONDENTS		72%	28%
NUMBER OF	1 - 9 people	71%	29%
PEOPLE IN THE	10 - 49 people	65%	35%
FINANCE FUNCTION	50 or more people	84%	16%

Table 31 presents respondents' reasons for expecting change to continue. Technology is the number one reason.

TABLE 31
REASONS FOR COMING CHANGE IN FINANCE FUNCTION

	Number	Percent
Technology/ automation	79	26.9%
Finance is more involved in decisions/ leadership	43	14.6%
The trend will continue	34	11.6%
Other	30	10.2%
More timely information needed	29	9.9%
Has to level off because already high/ no changes	27	9.2%
More active involvement	24	8.2%
More information needed/available	22	7.5%
Increased competition	22	7.5%
More involved in overall company success	22	7.5%
Explanatory role/making sense of data	14	4.8%
Globalization of economy	12	4.1%
Finance is free to do more analysis because of technology	10	3.4%
Finance people do various, not just finance activities	9	3.1%
Non-finance participate in finance no changes	9	3.1%
More involved with operations	5	1.7%
Working more efficiently	5	1.7%
Prediction, not history	4	1.4%
TOTAL CASES	294	100.0%

Perception of the finance function. About seven in ten respondents, regardless of company size, report that people outside finance perceive the finance function as providing more value than it did five years ago. Fewer than 5% report that people outside the finance function perceive it as providing less value.

TABLE 32
PERCEIVED VALUE OF FINANCE FUNCTION

	PERCEIVED VALUE PROVIDED BY FINANCE FUNCTION		
	More value	About the same value	Less value
ALL RESPONDENTS	69%	27%	4%
NUMBER OF			
1 - 9 people	69%	25%	6%
PEOPLE IN THE			
10 - 49 people	68%	30%	1%
FINANCE FUNCTION			
50 or more people	70%	28%	2%

CHAPTER 4

WHO ARE WE?

Are we accountants, finance professionals, decision support experts, or internal consultants? The profession must make a decision on what management accountants should be called.

Half of the respondents say the term “accountant” or “accounting” in job titles or department titles has remained constant over the past five years. Three times as many respondents, however, say the use of these terms has decreased rather than increased. This is especially true in larger organizations. See Table 33.

Interestingly, of the 300-plus people we interviewed not one calls himself or herself a “management accountant.

TABLE 33
USE OF THE TERM "ACCOUNTANT" IN JOB OR DEPARTMENT TITLES

		USE OF TERM "ACCOUNTANT" IN JOB/ DEPARTMENT TITLES		
		Increased	Stayed the same	Decreased
ALL RESPONDENTS		12%	50%	38%
NUMBER OF	1 - 9 people	12%	58%	30%
PEOPLE IN THE	10 - 49 people	16%	45%	39%
FINANCE FUNCTION	50 or more people	5%	36%	59%

About one third of the respondents refer to themselves as accountants, one-third as working in finance, and one-third use a different descriptive term (see Table 34).

For those who used a different term, the various names are shown below in Table 35.

TABLE 34

HOW WORK IS DESCRIBED

		Number	Percent
TERM USED TO DESCRIBE OWN WORK	Finance	116	38.7%
	Accounting	98	32.7%
	Other	86	28.7%

TABLE 35

OTHER TITLES OR TERMS THAT DESCRIBE WORK

	Number	Percent
Tax	15	17.4%
Both	10	11.6%
Manager	9	10.5%
Controller/ CFO	8	9.3%
Internal audit/ risk management	8	9.3%
Financial analysis	7	8.1%
Other	7	8.1%
Operations	6	7.0%
Treasury	4	4.7%
Commercial support	3	3.5%
Administration	3	3.5%
Accounting support	2	2.3%
Fiscal office	2	2.3%
Information systems	1	1.2%
Strategic planning	1	1.2%
Billing	1	1.2%
Information services	1	1.2%
Plan accounting	1	1.2%
Investments	1	1.2%
Governmental compliance reporting	1	1.2%
TOTAL CASES	86	100.0%

Connotations of Accounting and Finance. Respondents who say they work in finance rather than accounting were asked for their reasons. Most believe that accounting has a negative connotation. Many prefer finance because it is broader and more forward looking.

TABLE 36
PERCEPTIONS OF "ACCOUNTING" AND "FINANCE"

	Number	Percent
Finance is broader	43	37.4%
Accountants just crunch numbers	23	20.0%
Finance involves planning/ acct. involves historical work	19	16.5%
Sounds more professional/ impressive	18	15.7%
Image: accountant has negative connotation	15	13.0%
Finance implies more responsibility	14	12.2%
Finance is more analytical	9	7.8%
Finance means financial management	7	6.1%
Official title	6	5.2%
Involved in decision-making	6	5.2%
Finance refers to fiscal activities	5	4.3%
Other	5	4.3%
TOTAL CASES	115	100.0%

Appendix A

RESEARCH METHODS

The 1999 Practice Analysis Update was designed to provide work-related information about “typical” or representative U.S. corporations, as well as information about corporations that are leading the changes in management accounting and financial management practices. To accomplish these objectives, we collected both qualitative and quantitative data.

Qualitative Data. The qualitative phase consisted of in-depth, in-person interviews with management accountants at five companies considered to be at the leading-edge in management accounting practice:

- Abbott Labs
- Boeing
- Caterpillar
- Hewlett-Packard
- U.S. West

In-person interviews were conducted at these five companies for the 1995 Practice Analysis.

These interviews, conducted in the environment where management accountants work, helped us more fully understand what people do, how work is changing, and where the profession is heading. The in-person interview guide is in Appendix C. Selected verbatim respondent comments are in Appendix E.

Quantitative Data. Telephone interviews were conducted with a random sample of 300 practicing management accountants. To ensure content validity, items in the telephone questionnaire were reviewed by the IMA Practice Analysis Project Committee. All work-related terminology and work descriptions were adapted from the 1995 Practice Analysis. The questionnaires were pretested to verify that people understood the questions and were willing to participate in the telephone interviews.

The questionnaire for the telephone interviews is in Appendix D.

Random samples of about 5,800 management accountants were drawn from the membership rosters of IMA and the American Institute of CPAs (AICPA). The number selected from each organization was in proportion to the membership in each organization. We selected 4,660 members from the AICPA and 1,109 from IMA.

Because our focus was on change over the past five years, we limited our sample to people who had at least seven years of experience working in management accounting. We achieved this in two ways. First, IMA and AICPA selected only members who were over 32 years old or had seven years experience. Second, we screened respondents before interviewing them to make sure that they had the necessary experience.

In April 1999, prior to calling to arrange for the telephone interviews, all respondents were informed about the research in a letter, on Practice Analysis letterhead, signed by Pamela Prinz Stewart, IMA president and Olivia F. Kirtley, AICPA chair. The letter emphasized the importance of the research and urged respondents to cooperate when they received a call from the GSO interviewer. The letter is shown in Appendix G.

Next, persons in the sample were contacted by telephone within 3-10 days after the letters were mailed and asked to schedule an interview. These telephone contacts were continued until 300 interviews were scheduled and completed. Our letters were sent out in batches of 2,000 so that our calls would not be made too many days after respondents received the letters. We sent out only two batches of letters; thus, we used only 4,000 of the 5,800 names in the sample.

Those who agreed to be interviewed were sent (via fax or email) a list of work activities (see Appendix F) and five questions about the work activities that we wanted them to think about before the actual interview.

The telephone interviews were conducted during April and early May, 1999. 300 interviews, 20-30 minutes in length, were completed with respondents. The number of interviews completed with AICPA and IMA members were in proportion to their ratio in the sample.

The sampling error for a sample of 300 is plus or minus 5.8%. This means that we can say with 95% confidence that the true responses for all management accountants will be within plus-or-minus 5.8% of the reported survey responses. For this Practice Analysis the sampling error was considered low enough to give us useful information.

The quality of response was excellent. People answered all the questions. Given the large number of people who responded, the diversity of their responses, the congruity between the qualitative and quantitative results, and the congruity with the 1995 Practice Analysis, we are confident that the 1999 Practice Analysis Update accurately reflects the work of management accountants in 1999.

Typically, the response rate is calculated by dividing the number of completed surveys by the total number of persons in the sample who are contacted. Attempts that reach disconnected telephones or the wrong person, as well as attempts that result in a busy signal or no answer, are not included in the base. In this case, in order to meet the deadline, the goal was to make as many contacts as possible in a short period of time.

For this project it is difficult to calculate the response rate because we used two steps to complete the interviews. First, respondents were contacted to a) be sure they had at least seven years experience in management accounting and b) to set a time for the actual telephone interview. Some calls didn't reach the individual in the sample. When the appropriate person was contacted, sometimes he or she was disqualified because they worked in public accounting or did not have the required number of years experience. Some were too busy to schedule an interview within our required time frame. Next, for the respondents who agreed to be interviewed, we attempted to call at the scheduled time. Some respondents were unable to keep the appointment and interviews had to be rescheduled. Others were not available at the scheduled time. Undoubtedly, more people would have participated in the survey if this time frame had been longer. Thus, it is difficult to calculate a response rate.

Appendix B

Characteristics of Respondents

Organizational Position. Most companies have a top financial executive to whom one or more people report. This top executive is at level one in the finance function. The people who report to the top executive are at level two. In turn, other people at level three report to the level two executive.

Respondents reported the number of professional levels in the finance function at the company where they are employed and the level at which they are employed. The table below shows respondents' organizational position: 1 of 1 indicates that the respondent is employed at the top level in a department with only one level; 1 of 2 indicates that the respondent is in the top level in a department with two levels; etc.

TABLE B1

POSITION IN COMPANY

		Number	Percent
POSITION IN COMPANY	1 of 1	20	6.8%
	1 of 2	52	17.6%
	1 of 3	57	19.3%
	2 of 2 or 3	40	13.5%
	2 of 4 or more	38	12.8%
	3 of 3 or more	89	30.1%

Organizational Structure. Compared to 1995, fewer organizations report having three or more professional levels in the finance function.

TABLE B2

NUMBER OF LEVELS IN FINANCE FUNCTION

	Percent in 1995	Percent in 1999
1 level	5.3%	6.7%
2 levels	16.0%	21.1%
3 or more levels	78.7%	72.2%

Managing Others. Respondents spend a considerable amount of time managing the work of others.

TABLE B3
PERCENT OF TIME SPENT MANAGING OTHERS

		PERCENT OF TIME SPENT MANAGING OTHERS		
		Less than 20%	21% to 49%	50% or more
ALL RESPONDENTS		37%	13%	50%
NUMBER OF	1 - 9 people	42%	17%	42%
PEOPLE IN THE	10 - 49 people	28%	11%	61%
FINANCE FUNCTION	50 or more people	36%	7%	57%

Years of Experience. In 1999 all respondents had at least seven years experience in management accounting. We selected respondents with at least seven years of management accounting experience because we wanted them to assess the changes that have taken place over the past five years.

TABLE B4
YEARS OF MANAGEMENT ACCOUNTING EXPERIENCE

	Percent in 1995	Percent in 1999
1 - 6 years	29.4%	---
7 - 12 years	26.8%	30.3%
13 - 19 years	24.8%	35.7%
20+ years	19.0%	34.0%
Mean number of years	12	17
Median number of years	11	15

Size of Accounting/Finance Department. Respondents to the 1999 Practice Analysis are somewhat more likely to be in smaller finance departments and somewhat less likely to be in larger departments than respondents to the 1995 Practice Analysis.

TABLE B5
NUMBER OF PEOPLE EMPLOYED IN FINANCE FUNCTION

	Percent in 1995	Percent in 1999
One person	4.1%	7.8%
2 to 3 people	10.9%	18.2%
4 to 9 people	26.8%	25.7%
10 to 20 people	19.1%	17.9%
21 to 50 people	19.1%	12.5%
More than 50 people	20.0%	17.9%
Mean number employed	50	62
Median number employed	12	8

Job Changes. The smaller the finance organization, the more likely respondents are to move to a different company. Fully half of the respondents who work in small finance organizations, compared to only one-fourth in the largest organizations, moved to a different company in the past five years. In contrast, those in the largest finance organizations were most likely to change jobs within their own company: 54% of respondents in the largest finance organizations, compared to only 12% in the smallest organizations did so.

TABLE B6
CHANGED COMPANIES OR POSITIONS IN LAST 5 YEARS

	CHANGED JOBS OR COMPANIES			
	Different job and different company	Different job but same company	Same job but different company	Same job and same company
ALL RESPONDENTS	13%	27%	28%	32%
NUMBER OF PEOPLE IN THE FINANCE FUNCTION	16%	12%	34%	38%
1 - 9 people	9%	34%	27%	30%
10 - 49 people	11%	54%	13%	21%
50 or more people				

Sales. Size or organization, as measured by 1998 sales, is shown below.

TABLE B7
1998 NET SALES

		Number	Percent
1998 NET SALES	Less than \$5 million	46	16.0%
	\$5 million - \$100 million	120	41.7%
	More than \$100 million	122	42.4%

Appendix C

In-Person Interview Guide

The Practice Analysis of Management Accounting
1999 UPDATE
research to advance the profession



American Institute of Certified Public Accountants

IN-PERSON INTERVIEW GUIDE
Accounting and Finance Professionals

* indicates optional question if there is a time constraint.

STRUCTURE

I'd like to start by getting some understanding of how work is structured in your organization.

*1. In your company, where are the finance people physically located? Are their desks located in the same central finance area, or do people work in different locations throughout the company?

Everybody works in the same central finance area	1
Most work in the same central finance area	2
About half work in a central area and half work in other departments	3
Most work in other departments	4
Everybody works in other departments	5

*2. In the last five years has there been a trend for the finance staff to work in one central finance area, a trend to work in different departments, or has there been no trend?

One Central area	1
Other departments	2
No trend	3

CURRENT WORK

Now I'd like to focus on your work

3. Can you describe your job and its key responsibilities?

4. How long have you had this job?

5. I'd like to get a better understanding of the details of what you actually do. **[GIVE W.A. LIST]**

- Which 5 work activities occupy most of your time?
- Can you give me some examples of the work activities that you do most often?

6. Which aspect of your work do you like best?
Which do you like least?

7. In a typical work environment, people spend their time either managing the work of others or doing the work themselves. About what percentage of your time is spent managing the work of others?

8a. How is your time divided between a) collecting information, b) analyzing or interpreting it, and c) sharing it and acting on it?

8b. You said that you spend ____ % of your time collecting information. What is typically involved in the data collection function?

- What kind of information is collected?
- What are the information sources?

9. Do you work on any cross functional teams?

- What is your role on the team?
- Compared to 5 years ago, are you spending more time, about the same amount of time, or less time working on teams?
- Thinking back over the past 5 years, has there been any change in the role of finance people on these teams?

What kinds of changes have occurred? Can you give some examples?

- Looking ahead about three years do you foresee any change in the role of finance people on these teams?

HOW WORK HAS CHANGED

Over the past 10-15 years there have been many changes in the work of people in corporate finance. I'd like to focus on changes in your work since 1995.

10a. How have your work activities changed over the past 5 years?

[REFER TO W.A. LIST]

10b. Which work activities do you do more today than you did five years ago?

10c. Which work activities do you do less today than you did five years ago?

11a. Many factors contribute to change in the work activities you perform. Three factors that may drive change are: technological advances, more work experience, and change in the role of the finance function in your company.

Are any of the changes in the work activities you perform due to changes in the role of the finance function?	Yes	1	
	No	2	→SKIP to Q12

IF YES TO 11a:

*11b. Can you give me any examples of how your work activities have changed because of changes in the role of the finance function?

12 Changes in work activities often mean that you have to acquire new knowledge and skills. Over the past five years, what are the most important skills or areas of knowledge that you had to learn in order to perform your job functions?

HOW WORK WILL CHANGE

We've talked about the work you do now, and how it has changed over the past five years. Now I'd like to switch the focus to how your work will change in the future.

13. How do you think your work activities will change in the next 3 years?

- Which work activities will occupy more of your time?

ROLE OF FINANCE

Now I'd like to shift the focus from the work you do to the role of the finance function.

14a. Have there been any significant changes in the role of the finance function over the past 5 years?

- Probe

14b. Are there new services that finance is providing that were not provided 5 years ago?

14c. Are there services that were provided 5 years ago that are no longer being provided or that have been reduced in scope?

15a. What changes do you see coming in the role and function of finance?

15b. What distinguishes a leading-edge finance organization from other finance organizations?

PERCEPTIONS OF FINANCE

Now I'd like to focus on how people in your company perceive the finance function.

- | | | | |
|-----|--|----------------------|---|
| 16. | Compared to 5 years ago, would you say that people outside the finance function view finance as providing more value, about the same value, or less value to your company? | More value | 1 |
| | | About the same value | 2 |
| | | Less value | 3 |
| | | Don't know | 4 |

- How is this demonstrated?

- 17a. How do you think people in other departments see your role in the company? Are you the "auditor," team member, technical expert, advisor or facilitator?
- 17b. Over the past 5 years, have there been any changes in how other people perceive finance?
- 17c. Looking ahead about three years, what changes do you see in how finance will be perceived?

CONNOTATIONS OF ACCOUNTING & FINANCE

- | | | | |
|-----|--|-----------------|---|
| 18. | Thinking back over the past 5 years, has the use of the term "accounting" or "accountant" in job titles or department titles increased, remained the same, or decreased? | Increased | 1 |
| | | Stayed the same | 2 |
| | | Decreased | 3 |
| | | Don't know | 4 |
-
- | | | | | |
|-----|--|------------|---|---------------------|
| 19a | In describing your work to business associates <u>outside the finance function</u> , do you say that you work in "finance," in "accounting," or in something else? | Finance | 1 | →SKIP to Q19c |
| | | Accounting | 2 | →SKIP to Q20a |
| | | Other | 3 | →Continue with Q19b |
- 19b **IF OTHER**, please specify _____ then →SKIP to Q20a
- 19c **IF "Finance"** to Q. 19a
Why do people say "finance" instead of "accounting"?
- 19d What advice do you have for university accounting departments?
Should they find a substitute for the word "accounting"?

RATE OF CHANGE

20a Many changes have occurred in the role of the finance function over the past several years.

Thinking back over your career, would you say that the <u>rate of change</u> over the past 5 years has been more rapid, about the same, or less rapid, than the rate of change that occurred in the previous 5 years?	More rapid	1
	Same	2
	Less rapid	3
	Don't know	4

20b. What are some examples of change? And how does the change affect the work people do?

20c. What do you think are the main factors that are currently driving change in the finance function?

21a Now I'd like you to look <u>three years ahead</u> . Do you think that the <u>rate of change</u> in the role of the finance function will increase, remain the same, or decrease	Increase	1
	Same	2
	Decrease	3
	Don't know	4

21b. Why do you say this?

22. What do you think about all the change that is taking place:

- Are things moving too fast, about right, or too slowly?
- Do people feel threatened by the changes?
- How do you keep up with change? How do you keep your skill set current?
- How do you personally feel about the changes:
 - Are they positive for you?
 - Are they positive for your company?

EDUCATIONAL IMPLICATIONS

23. What is your educational background?

24. Think about the students coming out of undergraduate accounting programs today. In terms of their value as entry-level employees, are there any areas of academic preparation where they are especially strong or especially weak?

*25. If you were talking to a group of undergraduate students at a university, how would you describe to them the types of skills and competencies you think are essential to doing work in a leading-edge finance organization?

26. As a final question, are there any other things you could tell me that would help me better understand how your work is changing and how the role of the finance function is changing?

Appendix D
Telephone Interview Guide

The Practice Analysis of Management Accounting
1999 UPDATE
research to advance the profession



American Institute of Certified Public Accountants

ID # _____ 1-3
Study 199 4-6

Hello, I'm calling from GSO Research on behalf of the Institute of Management Accountants and the American Institute of CPAs. Thank you very much for agreeing to participate in this research.

The interview will take only 15 minutes of your time. Before we begin, I want to be sure that you have the five questions and the list of work activities that we sent you.

IF YES: Good. Let me begin.

IF NO: I can fax or email you another copy now or I can direct you to a web site where you can view the list.

IF RESPONDENT CANNOT TALK NOW, RESCHEDULE:

What time in the next two days would be most convenient to call you back? _____

Thank you for your help.

We look forward to speaking with you again at _(TIME)_ on _(DATE)_

[**IF NECESSARY:** We can fax a letter from the AICPA and IMA presidents.]

[**IF NECESSARY:** Your name was provided by the AICPA or IMA as part of a random sample of its membership.]

Throughout the interview I'm going to use the term "finance function" to refer to the accounting or finance departments in your company.

I'd like to start by getting some understanding of how work is structured in your organization.

1. Thinking only of the finance staff at the location where you work, which of the following statements best describes where people physically perform the work? (READ OPTIONS)

- | | |
|--|---|
| Everybody works in the same central finance area | 1 |
| Most work in the same central finance area | 2 |
| About half work in a central area and half work in other departments | 3 |
| Most work in other departments | 4 |
| Everybody works in other departments | 5 |

2. In the last five years has there been a trend for the finance staff to work in one central finance area, a trend to work in different departments, or has there been no trend?
- | | |
|-------------------|---|
| One Central area | 1 |
| Other departments | 2 |
| No trend | 3 |
3. What about you? Where do you spend most of your time: in a central finance area or in an operating department?
- | | |
|----------------------|---|
| Central area | 1 |
| Operating Department | 2 |
| Equal | 3 |
- 4a. In some companies, people work on cross functional teams. A cross-functional team has specific work-related tasks and is made up of people from various company departments.
- Do you currently work as a member of a cross-functional team?
- | | |
|-----|-----------------|
| Yes | 1 |
| No | 2 → SKIP to Q4e |
- IF YES to 4a:**
- 4b. Compared to 5 years ago, are you spending more time, about the same amount of time, or less time working on teams?
- | | |
|------|---|
| More | 1 |
| Same | 2 |
| Less | 3 |
- 4c. Thinking back over the past 5 years, has there been any change in the role of finance people on these teams?
- | | |
|-----|----------------|
| Yes | 1 |
| No | 2 → SKIP to Q5 |
- IF YES to 4c**
- 4d. What kinds of changes have occurred? Can you give some examples?
- PROBE:** Any other examples?
- AFTER ANSWERING 4d, SKIP TO Q. 5**
- IF NO to 4a:**
- 4e. Do other people in the finance function work on cross-functional teams?
- | | |
|-----|---|
| Yes | 1 |
| No | 2 |
5. Please think about all of your communications with people both inside and outside your company either on the phone, in meetings, via email, or in person.
- | | |
|------------------|---|
| Less than 1 hour | 1 |
| 1-2 hours | 2 |
| 3-4 hours | 3 |
| 5-6 hours | 4 |
| 7 or more hours | 5 |
- In a typical day, how much time do you spend sharing business information with people both inside and outside your company? (READ OPTIONS)
6. Now, please think only about communications within your company.
- | | |
|------|---|
| More | 1 |
| Same | 2 |
| Less | 3 |
- Compared to 5 years ago, are you communicating with co-workers outside the finance function more frequently, about the same, or less frequently?

Now I'd like to focus on the work you do.

7. In a typical work environment, people spend their time either managing the work of others or doing the work themselves. About what percentage of your time is spent managing the work of others? ENTER PERCENTAGE _____ %

8. For the next few questions, please refer to the work activity list that we sent you.

8a. Which FIVE work activities do you spend the most time doing? _____

[INTERVIEWER: CONFIRM WORK ACTIVITY NAME & NUMBER] _____

8b. Thinking back over the past 5 years, which work activities do you spend more time doing now than you did 5 years ago? _____

8c. Thinking back over the past 5 years, which activities do you spend less time doing now than you did 5 years ago? _____

9. Changes in work activities often mean that you have to acquire new knowledge and skills. Over the past five years, what are the most important skills or areas of knowledge that you had to learn in order to perform your job functions?

10a. Many factors contribute to change in the work activities you perform. Three factors that may drive change are: technological advances, more work experience, and change in the role of the finance function in your company.

Are any of the changes in the work activities you perform due to changes in the role of the finance function? Yes 1 No 2 →SKIP to Q11a

IF YES TO 10a:

10b. Can you give me any examples of how the role of the finance function has changed over the past 5 years?

IF RESPONDENT ANSWERS 10b:

10c. Do you have any other examples?

11a. Now I'd like you to look about 3 years into the future.
How do you think the role of the finance function will change?

11b. Still looking ahead about 3 years, which work activities, from the list we sent you, do you think will occupy more of your time? _____

 (REFER TO WORK ACTIVITY LIST) _____

11c. Which work activities do you think will occupy less of your time? _____
 (REFER TO WORK ACTIVITY LIST) _____

Now I'd like to ask a few questions about the role of the finance function.

12a. Compared to 5 years ago, are people in the finance function currently spending more time, about the same amount of time, or less time on each of the following:

	<u>More Time</u>	<u>Same Time</u>	<u>Less Time</u>
a. Collecting and compiling information	1	2	3
b. Preparing standardized financial reports	1	2	3
c. Interpreting and analyzing information	1	2	3
d. Being actively involved in business decisions	1	2	3

12b. Looking ahead three years, do you think people in the finance function will be spending more time, about the same amount of time, or less time on each of the following:

	<u>More Time</u>	<u>Same Time</u>	<u>Less Time</u>
a. Collecting and compiling information	1	2	3
b. Preparing standardized financial reports	1	2	3
c. Interpreting and analyzing information	1	2	3
d. Being actively involved in business decisions	1	2	3

13. Compared to 5 years ago, would you say that people outside the finance function view finance as providing more value, about the same value, or less value to your company?

More value	1
About the same value	2
Less value	3
Don't know	4

14. Thinking back over the past 5 years. Has the use of the term "accounting" or "accountant" in job titles or department titles increased, remained the same, or decreased?

Increased	1
Stayed the same	2
Decreased	3
Don't know	4

15a. In describing your work to business associates outside the finance function, do you say that you work in "finance," in "accounting," or in something else?

Finance	1	→SKIP to Q15c
Accounting	2	→SKIP to Q16a
Other	3	→Continue with Q15b

15b. IF OTHER, please specify _____ then →SKIP to Q16a

15c. IF "Finance" to Q. 15a:
Why do people say "finance" instead of "accounting"?

16a. Many changes occurred in the role of the finance function over the past several years.

Thinking back over your career, would you say that the <u>rate of change</u> over the past 5 years has been more rapid, about the same, or less rapid, than the rate of change that occurred in the previous 5 years?	More rapid	1
	Same	2
	Less rapid	3
	Don't know	4→SKIP to Q17a

16b. What do you think are the main factors that are currently driving change in the finance function?

17a. Now I'd like you to look <u>three years ahead</u> . Do you think that the <u>rate of change</u> in the role of the finance function will increase, remain the same, or decrease	Increase	1
	Same	2
	Decrease	3
	Don't know	4→SKIP to Q18a

17b. Why do you say this?

Now I'd like to ask a few general questions about your firm. This will take only two more minutes, then we'll be done.

18a. Please refer to the list of work activities that we sent you. Of all the work activities listed, which five are the most critical to your company's success in 1999?

[INTERVIEWER: CONFIRM WORK ACTIVITY NAME & NUMBER]

18b. Of the work activities you just mentioned, which single activity is most critical?

19a. Which five work activities will be most critical to your company's success three years from now?

19b. Of the work activities you just mentioned, which single activity will be most critical?

20. Does your company currently use, plan to use, or have no plans to use enterprise-wide software? Currently use 1
Plan to use 2
No plans to use 3
Don't know 4
- [IF NECESSARY: Examples of enterprise-wide software are SAP and Peoplesoft.]
21. Most companies have a top financial executive to whom one or more people report. This top executive is at level one in the finance function. The people who report to the top executive are at level two. In turn, other people at level three report to the level two executive.
- a. At the company location where you work, how many professional levels are there in the finance function? _____ Levels
- b. How many professional levels were there five years ago? _____ Levels
- c. At the company location where you work, at which level in the finance function are you employed? _____ Level number
(Level one is the top level)
- d. At which level were you five years ago? _____ Level number
22. And as the final question, what was your company's 1998 net sales? Less than \$5 million 1
\$5 million - \$100 million 2
More than \$100 million 3
- If your company is part of a larger entity, please report sales of the business unit where you work rather than for the total corporate entity.
(READ OPTIONS)

Thank you very much for your cooperation!!

23. Results of this research will be posted on IMA's web site in early June. Yes 1
If you'd like a copy of the report, we would be pleased to send you one. No 2
IF YES, ASK FOR ADDRESS.
24. In preparing materials for the publication may we call you to elaborate on some of your answers? Yes 1
No 2

Appendix E

Selected Verbatim Comments

Verbatim comments from the in-person interviews are grouped into the following categories.

- How the work has changed
- Most important skills (learned over the past five years)
- Characteristics of leading-edge finance organizations
- Advice for accounting educators
- Advice for students: necessary skills
- Role on teams
- Image of management accountants
- “Accounting” and “finance”
- Future change in the work of management accountants

HOW WORK HAS CHANGED

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 historical 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. (US 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." Then it's up to the engineers and operations people to determine if they can do that or not. But they are looking to us to make suggestions or areas or avenues the teams can go down. (Caterpillar)

In the past you collected the data and you put together the detailed numbers and you did some analysis on them, but now you are doing a lot more analysis and you are really digging down more into the detail of what you are putting together, and then going through figuring out that this is the answer that I've got, this is what the detail tells me, but what does that mean and what types of things can we do to improve upon this? I think it is going to help our organization and I'm sure other organizations will do the same thing and it will help them too. (Caterpillar)

I think as a whole, the whole financial community, all industries, has adopted this valued business partner, part of the strategic team that ensures long term decisions. (US 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. (US West)

When I first came to Caterpillar, the accountant was looked more to as a procedural and historian role 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 that I've been at Caterpillar, I've seen it evolve to becoming more of a team player and business advisor. (Caterpillar)

Well, one thing I see more and more forecasting and less time spent on what has happened. (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)

There has been increasing demands upon the finance staff to get involved with things like mergers, divestitures, product acquisitions, business reorganizations, and then the whole issue of operating plans and things like that. So there has been a lot more analytical side to it and management assistance side then there has been ... That has grown versus the static or decreasing everyday work. We have been able to mechanize it, we've been able to routinize it, in some cases we've outsourced it. (Abbott Labs)

I will give you an example of when we were supporting budgets. We would have to go out to the person and say, "What is going on in your budget? I don't understand why you are overspending or underspending." Now a person looks at their budget and comes to finance or accounting and will say, "Can you help me with this problem?" (Abbott Labs)

Very much changed from data collector to data analyzer now. (Hewlett-Packard)

A continued move from being the scorekeeper to being an active involved participant in crafting business solutions. (Boeing)

When I started in finance, we clearly were a gatekeeper. We were out here and it was basically add up the books, make sure they are in compliance, make sure they are well controlled, make sure we can report out and get management information. Where I have seen it heading over time is a move from that model to being more involved in budgeting, reporting, making sense out of data and trying to apply that data to decisions that have to be made. That is really what I've seen. More and more I've been pulled into forward-looking situations as opposed to accounting involved. (Boeing)

Well, I think a lot of times I would say ten years ago we'd create a report and we'd tell management what the numbers were. Five years ago, we'd create a report and we'd help them understand options and choices and we were getting a little more into the decision analysis part of things. Now I think we've moved to, we've educated and are partners with the people that we support such that they're expected to be able to explain their financials. So rather than having a finance person explain the financials for an organization, it's almost like the leader of that business unit is expected to understand fully how their business is operating.... (Boeing)

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)

At that point in time...It was good fundamental accounting skills was what was needed and more of a reporting aspect as opposed to a strategy role. Whereas today in the competitive environment, you have to be a business unit partner, you have to know the basic fundamentals, you have to wear a good ethic hat. Most importantly, it requires a lot of strategic creative thinking (US West)

MOST IMPORTANT SKILLS

One area would definitely be in the area of technology, because that is changing all the time. New software is coming out all the time (Caterpillar)

In addition to the technical skills that they need to have, it's some of those soft skills that we need. It's the ability to do the problem solving, to do project management, managing the performance of the people that are working for them. And also being innovative. Being able to look outside. (US West)

I have definitely had to learn a lot of things about managing people and about trying to keep people happy and how to delegate work properly so that people understand what they are doing, but so that they feel like they've got some say in what they are doing and some of those types of things. So that has been a big thing for me, just learning how to manage people and to be effective at that. (Caterpillar)

One area is understanding our competitors. I spent a lot of time, in my two jobs prior to this, really understanding in great detail one of our European competitors. (Caterpillar)

Communication ability, persuasiveness, boiling things down to a precious few as opposed to the unnecessary many. I don't care whether you are a division manager or a vice president or whether you are a staff person who has just joined an organization. Don't tell me that you are going to get it to me on time, don't tell me that it is going to be right. I expect those things, that is a given. Technical competence is really a given, whether everybody displays it or not, certainly they don't, and those are the ones that organizations eventually have to weed out. So where they need to spend their time and where they really set themselves apart from others are in all those "soft skills." (Caterpillar)

I think some of the areas outside of the internal type developed things would be more software related... Another area would be presentation skills. (Caterpillar)

But really I think the top thing is for anybody (1) you have to be a very good communicator, you have to be able to speak, stand up in front of a room with 50 people or your CEO or a team and you have to be able to lead. You have to be accurate, too. (Caterpillar)

Again computer skills, I'd say. Also I think people skills as people are moving more on their jobs lately. (Caterpillar)

For me I guess it probably would be communication skills and presentation skills. It is real important that accountants or finance people, when you get into the numbers to be able to take a spreadsheet that has got 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)

You have to have good people skills. You have to be able to communicate. You have to be able to articulate your ideas. You have to have confidence. (Hewlett-Packard)

You have to be good at problem solving and you have to know your function, because you may be helping out in a lot of different areas, but you are still finance. If someone says, "What depreciation

methodology would we use in this project, or how do you calculate the ...". They expect you to know that. (Hewlett-Packard)

But somebody who doesn't work well with people, and you are shot. We have had that situation. People just say, "The guy is really bright or the woman is really bright, but he just doesn't work with the team and the team is getting kind of fed up having the person there." That is an issue. (Hewlett-Packard)

I would say it's definitely information tools, such as query tools, how to query a database. You don't need to know that much about the database itself, but you need to know how to get the information out in a reasonable manner, (Hewlett-Packard)

The team player kind of role is really important. You've got to figure out how to get along with people and you need to be able to understand different discipline and appreciate different disciplines and what they bring to the table. (Boeing)

I think if you're looking at what kind of skill sets are needed, people need the clear fundamentals. No ifs, ands or buts about that. The second piece is they need good negotiation skills. Then the third part is just understanding economics. Are you making money at the end of the day or are you not making money? (US West)

One thing that jumps to my mind first is more people skills. (Caterpillar)

I think the one skill that is more in demand now than has ever been is the ability to present material. I think at one time it was okay for accountants that were not introverted, but who would just as soon sit in a corner with their spreadsheets and calculators and do their thing. Now people really have to be able to communicate, and they have to come up with innovative ways to do their work and then sell that or present that, in many instances, to large groups of people. That is a huge change and it is one that we encourage schools to have in mind as they present courses and educate students. The debits and credits everybody knows how to do very well, but it is really the interpersonal skills and the ability to present that really separates people as they go about their work and their career. It is really the people that can communicate better and lead better that are the people that are going to rise to the top. (Caterpillar)

CHARACTERISTICS OF LEADING EDGE FINANCE ORGANIZATIONS

Clearly it's one that spends the majority of time on a forward-looking concept than a historical one. That's the biggest thing. (US West)

I think one that is a partner with all of the other functions in the business here. We are an equal partner with our product groups, with the engineering and manufacturing cohorts in making sure this business is a success. We are equal partners, we provide fiduciary functions and financial consultant functions. (Caterpillar)

You want to be the team player, you want to be on the team, you want to be the business consultant, you want to be thought of as a value adding department versus just someone who closes the books. Because if you are that, eventually as things go along they'll outsource you. We're seeing some of that. (US West)

The quality of its people, I guess I'd have to say. We all could go out and buy software packages. We all could go out and spend the money, if it makes sense, to develop capabilities internally for financial accounting, for analysis, for cost accounting, for anything that you want to bring up. As long as the organization has the resource to afford it doesn't matter where you are around the world. You can get that technology today...So when you boil all that down and you say that everybody can have the same tools, the same capability, I think what differentiates or what becomes very important is strictly the quality of the people. (Caterpillar)

A leading edge finance organization should be efficient, effective and creative. What we ought to be doing is throwing critical thinking into situations, trying to bring those situations to the floor, understand opportunities for improvement on ongoing projects while still focusing on new business opportunities and what we can do as an advisor in that role. (Boeing)

Well, I think they need to be strongly partnered with the line management. I think that they need to be proactive. I think that the finance organization needs to be a learning organization and kept current on world events as well as accounting tools and methods. They need to have a broad sense of business. It's not strictly accounting, it's looking at the full spectrum and range of business. (Boeing)

I think the real difference is the ability to convince a manager he is about to make a mistake, or "Here are some things he hadn't considered." I think playing the role of consultant rather than bean counter, where the manager comes to him and says, "How do I get there from here?" Often they are short tempered, because they want to make things happen, otherwise they wouldn't have gotten to this position. The accountant's ability to say, "I hear you, I know you want to do this, but let me explain the dangers here or let me explain the problems, or let me tell you how you are going to get there. It's not the way you think, but some other ways." The ability to stand your ground and tell somebody they are wrong when they are wrong, or help them understand a better way to do things, that kind of confidence and ability to challenge people when they need challenging ... We are team players and we need to be part of a team, but we can't just fall in line and be yes men, we have to be able to give good advice, (Caterpillar)

Clearly people, well trained, dedicated people. (Caterpillar)

ADVICE FOR ACCOUNTING EDUCATORS

I don't need accountants. I need people who understand accounting, but who are really business focused in my job. (US West)

What I generally find is kids come out of school and they have book knowledge in and around things like net present value and internal rates of return. It's exactly that, it's book knowledge. They don't know how to apply it. They know how to do the math, which we can all do on an Excel spreadsheet anyway. It is really the fundamentals underneath it and how you set up a model, what things ought to be included in a costing model and a pricing model that goes forward. There are unique estimating tools that I personally don't have a great deal of knowledge in. This is another area where there doesn't appear to be much of a curriculum out there in the estimating disciplines. That would be helpful. There are some programs that started with that, but not something that has gone to any breadth across the country. (Boeing)

This has got to be the real dilemma for university programs just because you've got to get to that technical background. You've got to have the base. But the base isn't enough anymore. And so I still think you need to teach the technical, but I think what we were talking about earlier is more of the softer skills that people need to come in with. (US West)

We learn process. We learn rules. We learned those sorts of activities as to how to do something. What we don't learn is kind of a real live aspect of what those things mean. (US West)

If you are looking at accountants, they tend to know financial accounting. They are weak in cost accounting, and when I say cost accounting I mean good solid activity based accounting, managerial accounting. It has been getting better, but there is still not a focus. The glamour organization is still the CPA firm. But the bulk of the people we employ work here in industry, and what we need is somebody who can go in down on the floor and talk with the management, understand what is going on and craft an accounting solution around that. So good solid cost accounting skills are more in demand. (Boeing)

We want a collaborative engineering/business school sciences program graduate activity focused on honor students with a joint senior project, because these people must know how to work together and must know how to translate the language they use to a common language. (Boeing)

Well, I think that their computing skills are just wonderful, are great. It's amazing what they're able to do. I think that their written skills and their verbal skills maybe are weaker than they could be. Their accounting skills seem to be very good and their overall business skills but I think written and oral, I think language, English is just extremely important to communicate. Extremely. (Boeing)

I would say there's a little bit of weakness in the basics of accounting. Again I'm pulling people with more finance and economic degrees. So the basics of accounting is a little bit weak so one of my recommendations is if you're coming out of finance or economics, corporate accounting needs to make sure that they understand some good solid accounting and that they can work through it. The second piece part would be to understand returns, payback periods, cash flows. People have different theories, but just understanding the basics of the cash flows and returns. The other piece part would be negotiations. (US West)

I think you see accountants are reading Harvard Business Review more than we used to. There are probably more accountants at Caterpillar that subscribe to Harvard Business Review than the Journal of Accountancy, probably on a 3 to 1 basis, I would guess. (Caterpillar)

I haven't had to write a 60 page paper since I got out of school, in business writing has to be succinct. You take your English writing, they're teaching you how to write expository and that's not what business wants. The quicker you can get to the point, the better you'll be. (US West)

The real challenge is to find people that have good business acumen, good communication skills and also are good accountants. So I think that's one of the big challenges for the educators, because I can remember back to when I went to accounting classes and it was typically just teaching the core accounting curriculum -- so you went through the introductory accounting classes and then you went through cost accounting and intermediate and consolidations and tax, and you learned a lot about accounting, but you didn't develop much of the what I would call "soft skills" that are really the differentiating items for me at my level now of finding people that can become business partners. If they can't communicate well, it doesn't matter if they're a brilliant businessperson or a good accountant, nobody wants to be around them. So I think the real challenge for the accounting curriculums is to try to develop people from a communication skills point of view better, both in terms of writing.... but I think writing is to a lesser degree maybe than oral type communication skills. The people that tend to excel in the corporate environment tend to be ones with real good communication skills, very personable, but also have good business acumen. The ones that tend to remain sort of the grinded type accountants are ones that just don't have those skills. (US West)

So I think we have to do something in our universities. I could spend a whole hour on the subject, but I wish we could find a way to convince people that integrity is everything if you want to be a management consultant, because sooner or later people are going to figure you out if you are not. Believe me, as I go around this company and other companies now, the people who make it to the top are the people with the highest integrity, because the others, sooner or later, stub their toe. Sooner or later they get caught. If I had to pick one attribute of an accountant that wants to be a first class businessman in the future, be that consultant, be that confident, and ultimately be that manager, he has to have unquestionable integrity. And I think the business schools have to start teaching it, not just give it lip service. I have studied the subject a little bit, and I have talked to university professors and it is lip service at best. You ask the top guys in this company how important is integrity in their accountants, and they will say absolutely the #1 thing. You are not going to be anybody's advisor if they can't trust you. There is an old saying, "Anybody who cheats with you will cheat against you." People all understand that in their gut. They may never articulate it quite that way, but everybody understands that if you and I team up to cheat on something, then you will never know if I'm going to cheat against you or not. If you know that I would never cheat, then you can always trust me. You may not be happy with me, but you will always trust me. I think that is something the business schools have to work on. (Caterpillar)

The thing they're doing in class today are astronomical compared to what we did. These are 300 level classes and they're doing Harvard business reviews and everything else and it's an accounting class. I think back and we didn't do any of that. It seems like it's evolved a lot in the past 10, 12 years. From that prospective, I think that's great. (Caterpillar)

ADVICE FOR STUDENTS: NECESSARY SKILLS

The first piece of advice I would give them is to learn the basics, so don't forget those accounting classes. I would ask them to learn the basics and be very competent in a spreadsheet and tools, plus other things like OLAP, S-based products or other ... (Hewlett-Packard)

It's not enough to just be a good student and to get good grades and to get A's. You've got to know how to talk to people, express yourself and that's oral and written. You also have to be able to understand a lot of different areas, not necessarily just accounting, you've got to understand the business itself which means you may have to understand some engineering stuff or manufacturing stuff or service industry type information. You're going to have to understand the business. It's an exciting time. (US West)

I can tell you the biggest, and it's the same weakness I had to I kind of laugh when I see them because it's exactly like how I was my first day at Price Waterhouse. They are so timid and scared. They're not very assertive and it's really funny because once they've been around for a couple of years they find out they were really pretty assertive all along but they were just afraid to assert themselves when they got here. The few that stick out as real stars immediately are the ones that have that assertiveness to disagree with your manager. (Hewlett-Packard)

I think having a good business understanding or being able to look at a business and really understand what drives that business and what are the key factors that make that business go well or not go so well. Also looking to be able to do projections and to set goals and determine a path when you get to that goal. I think those are some things that are going to be very important and you are going to have to have it if you want to rise to the top in accounting and if you want to be a good accountant in a leading edge company. (Caterpillar)

The skills that I particularly find the hardest to get into people are analytical and just thought processes and critical thinking. Nine out of ten people that I see bringing here can be wizards at spreadsheets, can manipulate data effectively, but they aren't very good at all at figuring out whether the information that is in front of them is reasonable or realistic or not. They are experts at making formulas, they are experts at deriving calculations and saying, "Here is the answer, here is the number," but when you stop and say, "Is that reasonable?" the critical thinking aspect, I guess, is just not there. (Caterpillar)

One that I always think about, not just in the work environment, but even at home, is the confidence factor. It is natural for people new to a situation to question not only their ability, but question should they speak up and say something? Should they do anything? Maybe there is a fine line between confidence and going overboard that everybody has to learn, but I really think that schools could better prepare people for the work environment anywhere by helping them work on some of those soft skills, on knowing how to talk to individuals and not step on their feet, but at the same time not just be a mouse in the corner who is just there listening and not saying anything or not picking anything up. Those aren't easy skills necessarily to learn, but there are ways they can be developed. Presentation skills is another one most people are quite weak at. (Caterpillar)

I think it's accuracy. The supervisor expects, it's part of your job and your responsibility, you have checked every number or you have set up some system where you know that this is correct. (Caterpillar)

I think initiative is a big one. Initiative, organization skills, teamwork, leadership. I think all those really help. You really need to be taking an intuitive role in a lot of your jobs because in a lot of cases the

supervisors aren't going to baby-sit you. When you're hired in they're going to baby-sit you a little more than they would later on, but you have to take the initiative to maybe go out there and hey, if you don't know anything, either ask your supervisor or ask a co-worker. They're not going to come to you and say, "Do you need training in this?" You have to be initiative, you have to be a team member to work on teams. (Caterpillar)

For them to succeed personally, I'd say the biggest one is communication. (Caterpillar)

Problem solving skills are really key, creativity in problem solving. Being able to step back and look at something out of the box. We hear all the terms that people are begging for people to have a different perspective and to be able to use multiple frames. Be able to look at a problem from this direction and then pull out and look at it from another direction and see what happens. To solve the problem and then work backwards, what would it take to do that? Now where am I? I know in my university we didn't focus as much on problem solving. (Hewlett-Packard)

If you can't communicate that information to the individuals, then the information is never out there, it's lost. So, your communication skills are very important and the ability to transfer information to all types of individuals is also important. (Abbott Labs)

Communicate and specifically learn how to communicate with non-finance people you interface with. I think as far as finance skills, the analytic skills, and the ability to interpret analysis is really high in importance. (Boeing)

They really need to ground themselves on their technical foundation skills. So know your cost accounting, know your general accounting or your financial statement analysis. Know what a business control is. (Hewlett-Packard)

They need to be patient enough to work in a bureaucracy and impatient enough to be willing to change it. They have to be willing to take risk, because that is the only way to grow. They have to be willing to make mistakes and not let them devastate them. They have to be smart enough not to make the same mistake twice. (Boeing)

Accountants have to have high energy, a positive attitude. They have to be very proactive type of people. At the end of the day, the #1 thing they have to have is high integrity. I don't want to say anything against our manufacture brethren or our marketing brethren or engineers or anything like that, but if you are going to become the confident of the top management people, if you are going to be the advisor, they've got to trust you implicitly. I think integrity is a word we tend to lose in our university stay. (Caterpillar)

First and foremost, you've got have the technical background. It may not be all glamour, it may not be all exciting, or whatever, but you've got to have that understanding to be able to perform the functions that you're going to be required to perform. And beyond that, you've got to have a passion for the business. Don't go work for some company you're not going to have the least bit of interest in what it is they do, because you're going to be required to strategically influence that business. If it doesn't excite you at all to make big yellow things that go and move dirt, don't go work for Caterpillar. (Caterpillar)

ROLE ON TEAMS

Business consultant basically. You're looked to for business expertise. A lot of times the focus is on the cost side to make sure we're going to maintain a certain profitability or return on investment or return on sales on a certain investment or project; but you're looked to also from a business perspective, sometimes the rationalized pricing strategies, manufacturing strategies, to see if they make sense financially in commercial strategy. (Caterpillar)

To lead and to guide and to cost. (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. (US 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)

Another key role I think finance plays is the integration. R&D may throw a good idea on the table, marketing, in their excitement, will throw another idea. We make sure that the ideas that are on the table are properly addressed. (Hewlett-Packard)

I think it is getting people to see that you have pure motives. We are trying to make the business grow. In that we are going to challenge you. You can challenge somebody by leaning over the table and saying, "I think that is bull shit and I don't think you know what you are talking about." Then you are going to get that kind of environment. Or you could sit there and say, "I am trying to make this successful. Explain to me now in this circumstance if we were to do what you were proposing, how would it play out?" You try to get them to say that it plays out this way, but if you can walk them through a thought process, which is also a training process, where they come back and say, "That is not going to work. I think you are right. What would you suggest? How about if we did this?" The key, and I keep mentioning this, to make people successful you've got a friend for life, because the people I want around me are the people who want to make me successful, and the people I support are the ones I am trying to make successful. (Hewlett-Packard)

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 advisor. (Boeing)

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

IMAGE

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)

I think there is a mindset and it is very deeply ingrained, especially in operations people, that accountants are the enemy and accountants will tell you that your budget is too high and then they will tell you that you are over your budget during the year, and they will come ask you how you can cut your cost. That is basically their role as the bad guys all the time. So I think that is a hard stereotype to break, and I think it is going to take a long time (Caterpillar)

I think that they look at us as business people now. I think they see that we do add value and I think they respect us for our abilities. (US West)

Accountants are bean counters. (US West)

I think honestly it probably depends on the person, depends on the group and their experiences with finance people in the past. (US West)

I think we've migrated from bean counter, even though you get called that a lot, to more of a business consultant or team member. (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 your 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)

Definitely bean counters. (Abbott Labs)

Somewhere between a number cruncher and a business partner. I think at the leadership level I would say it is clearly as a business partner. (Boeing)

It varies at the level of the organization. At the highest level, you've got this partnership... and the poor first level supervisor is trying to manage the day to day work and the entry-level financial analyst that supports him. Down at that level, you're getting scorekeeper, bean counter, policeman, too busy to really give me any insight. That's the perception down at that level. And at the highest levels, it's just what you'd hope it is, partner, leader, counselor, advisor. So, the real challenge is how do you create that environment at all levels of the organization. (Boeing)

I would say that they view us as business partners. (Boeing)

The higher up in the organization at Caterpillar, the more they are viewed as consultants, even confidants. You get down into the daily transaction stuff, we still have bean counter type images at lower levels. But at higher levels, there is no doubt we have outgrown that. (Caterpillar)

“ACCOUNTING” & “FINANCE”

I think finance is more interesting than accounting, and it gets back to the stereotype thing. If someone worked in accounting and I told them I worked in accounting, I think they would understand pretty well what my role might be. But if someone is outside of accounting and I tell them accounting, they think bean counter, crunching numbers and reporting numbers and that is about it. I think finance says that you are doing things that are more interesting, that you are looking at more strategic type things and you are looking at borrowing and managing investments and buying back stock and those type of things. So I think it's got a little bit of a better image to the general public than someone outside of accounting. (Caterpillar)

I think accounting implies more historian type (Caterpillar)

I got my CPA and CMA because I wanted to know the things that accountants know. I do not want to be called an accountant because I am by no means an accountant. But I want to understand those concepts because in many respects accountants drive the world. You can't do things because of accounting rules and I found it very frustrating not to understand all of those. (US West)

We don't have very many titles that say accountants. (US West)

I don't think I ever use the word accounting. And if I do, it's in reference to... I don't want to say demeaning, but it would be in reference to a process that is not value, not adding. So, for the most part, yes, the term financial and the term accounting I think have different meanings. (US West)

You're getting the title “analyst” more than you used to get. (US West)

I work in finance, which is kind of broader than just saying, “I do accounting.” (US West)

I never say accounting and I usually just say controller. People can relate to that (Hewlett-Packard)

I know it's terrible to say, but accounting just has that thing where okay, you're doing accounts payable, accounts receivable and fixed asset accounting (Hewlett-Packard)

When I think of accounting what I think of is processing journal vouchers and making sure things are getting in the right accounts and using T-accounts a lot...I think for me accountant is almost a negative connotation. I am a CPA by background, and my marketing manager loves to tease our department and call us bean counters. But he has a lot of respect for the department. He does that because he knows it gets a rise out of us. But I think most people associate finance with the business aspect. They associate accountants with somebody who is not completely locked into adding value to that organization. They are doing a transactional processing thing, which is I won't say demeaning, but it's not where the analysts want to be. (Hewlett-Packard)

Everybody is called a financial analyst. (Hewlett-Packard)

My personal view is if you get to the accounting and CPA exam, there's nothing the finance people do that we can't handle, obviously. I think there's still a great deal of respect given to accounting professionals with CPA type credentials. I don't think there's any drop off at that just because we call ourselves finance versus accountants. I think what finance connotes to the corporate setting though is a more generalist, business generalist, than just an accountant. I think that has been probably the

problem with the accounting groups in some corporations in the past as they're viewed as accountants, bean counters, add it up, spit out the report, keep the ledger, that's it. I think we've used the phrase finance really just to connote a business generalist than just to sort of degrade the academic and the CPA designation. (US West)

I think of the accounting people as being more of the transaction processing people. So they are the people doing the tax application, the accounts payable, the accounts receivable type of work. So it is very transaction and processing focused. But the finance people aren't really involved in that day to day transaction level of work. They are more receivers of the data and analyzing the data. (Hewlett-Packard)

There are more people who are "analysts" than there are people who are accountants. (Abbott Labs)

I think that accounting has kind of the green eye shade aura about it, and also I think a lot of people feel, myself included, that what we do is broader than just accounting. It's an accounting department that works for me, but we do more things, or my area does more things than just accounting. (Abbott Labs)

The main reason, in my opinion, is because people feel like just the connotation of the word accountant meant that you were basically doing the debits and credits, and our expectation as a person is analyzing the data more. So it has got a little bit more glamour to the person if they are an analyst, but also the expectation is that they are not just an accountant. (Abbott Labs)

I think accountant is viewed as a number cruncher and I think corporations or companies are looking not just for number crunchers, but for people who can analyze the data and provide the information that's necessary. (Abbott Labs)

When I think of the word accounting, I think of the guy who has got the little green visor and his arm sleeves are pushed up and his pencil and eraser in his mouth. So there is the connotation that accounting is more number crunching and a bean counter, where if you say financial analyst you are working with the numbers to come up with the meaning. You are analyzing it, you are coming up with an answer or a solution versus just doing that 13 column paper business. (Hewlett-Packard)

Accounting is bean counter, green eye shade. Finance is control, cost management support, interested in me, helping me, business resources, business success. (Boeing)

I guess I'm not ashamed of the term accountant, and I guess whatever you call it, at the end of the day is what is important and the service they provide and the functionality that is important. I think that if we start getting too much business management thinking and not accounting thinking, we do lose some of the discipline that accountants started with. I don't think we ever should be ashamed of our debits and credits starting point, because it is kind of like the engineer that learns calculus first and then goes from there. I think to have the discipline of debit/credit ... I haven't done a journal entry at Caterpillar for 20 years, but I still have that discipline of where does that number come from and why is this the right number? (Caterpillar)

FUTURE CHANGE

I think they will continue to see us become more and more business advisors and less just being the bean counters. But I think with the operations type people and engineers that I've been talking about here, I hope that as we become more and more business advisors and we talk more and more about strategy, that they will start seeing that we are doing more of that rather than just telling their ... I think that is going to take more time. (Caterpillar)

I have dual reporting to go to the CFO and the VP of Operations. Also, I know I'll be interacting a lot with the President of the company because he views the finance function as really being able to look at the operations and make recommendations. If we're going to optimize... this is the way we're going to go. So, I think you'd have to be incredibly versatile. Also, I think you need to have excellent people skills in order to walk through all the land mines of having dual reporting. What they may want and what the operations area may want may be two totally different things. (US West)

We are in a counseling role today. I think it is going to be more so in the future, more of a consulting role. (Caterpillar)

I think we're going to migrate to being more of a consultant than an accountant. It'll be interesting to see in three or even five years from now a lot of accountants will probably consider themselves business consultants more than accountants. (Caterpillar)

I see the partnerships getting stronger. (Hewlett-Packard)

We will be more proactive versus reactive. (Hewlett-Packard)

I think we'll do a lot more electronically. The need for systems is going to continue to increase more and more and more. I am not quite sure how it will change the industry, but I know the internet will drive a lot of change in a lot of different financial requirements. (US West)

I think the ability to do work at home or some other location is going to continue to change with the technology. I think it will move ahead so that we can have certain analysts and things like that maybe work out of their homes 2-3 days a week and work in the office 2-3 days a week. (Abbott Labs)

Work even closer with the sales and marketing folks. (Abbott Labs)

I see us becoming much more involved strategically that's what increases the part of the business planning, the forecasting. Trying to find opportunities, maybe perhaps not external opportunities, but at least internal opportunities for improvement. (Boeing)

What I'd like to see is more of a consultancy role, that the finance folks really need to get more breadth, which means staying in a rotation more than a year, so they really understand what is going on and they can put the pieces together. (Hewlett-Packard)

I think with the new tools for data collection, there is even more data to analyze. So we are going to be challenged on how to efficiently analyze the data, how to segregate the data, how to manipulate the data, and not get cut up in slicing and dicing 100 ways, but learning a meaningful way that you can do it efficiently and quickly and then come up with the answer, because we see people now getting stuck in analysis paralysis because you can cut and slide the data so many ways. (Hewlett-Packard)

I think e-commerce is going to change a lot. (Boeing)

The next decade is going to be the buzz word is going to be velocity, and I really believe that is true. (Boeing)

As a valued business partner and consultant, heavy on the valued. (Boeing)

I think accountants are going to continue to be a consultant of choice for top management. We are going to need to use balanced score cards more and really use them. (Caterpillar)

Probably more and more working in business processes (Caterpillar)

We are looking at the more sophisticated measurement tools for the organization, (Caterpillar)

Appendix F

Description of Work Activities

GENERAL ACCOUNTING

1. Accounting systems and financial reporting. Work with accounting information system. Ensure accuracy of general ledger through various accounting controls. Prepare, review or interpret monthly, quarterly and annual financial reports.
2. Accounting policy. Work with external auditors or audit committee on accounting policy issues. Respond to FASB and other regulators.
3. Consolidations. Prepare or review consolidated financial statements.
4. Compliance reporting for government or regulatory agencies. Prepare or review reports or filings with the SEC or other regulatory agencies.

MANAGEMENT AND COST ACCOUNTING

5. Cost accounting systems. Develop or use cost accounting systems, standard costs, target costs, ABC systems, quality costs, JIT programs.
6. Project accounting. Design or work with programs to track actual against budget costs for various projects.
7. Customer & Product Profitability. Design, maintain and use systems to measure customer and product profitability.
8. Performance evaluation. Contribute to the design, implementation, and review of performance measurement systems, analyze information for performance reports.

BUSINESS PLANNING

9. Short-term budgeting process. Prepare or review short term budgets, develop implementation plans for organizational goals.
10. Capital Budgeting. Participate in decisions about the need for and financing of company and plant expansion, or the acquisition of new plant or equipment.
11. Long-term, strategic planning. Participate in the policy-making, direction-setting, strategy formation or strategic planning processes of the organization.

BUSINESS ANALYSIS AND DECISION MAKING

12. Internal Consulting. Provide counsel on general business matters, obtain and interpret financial information, develop frameworks to guide decision making.
13. Perform financial and economic analyses. Analyze the expected performance of new products, supply information and advice on segment performance, etc.
14. Transfer Pricing. Participate in negotiating, setting and monitoring transfer prices.
15. Mergers, Acquisitions and Divestments. Participate in the analysis of potential mergers or acquisitions, define the strategic, financial, and behavioral implications.
16. Computer systems and operations. Evaluate and design computer systems,, network systems, and help people use the systems effectively.

CONTROL

17. Internal auditing. Design and test internal control systems, flowchart transactions, perform compliance tests of the systems, and discuss results with management.
18. Quality systems & control. Develop, implement or monitor quality control measures, develop firm policy on quality, help maintain technical competence within the firm.
19. Resource management (Fixed assets, inventory, etc.). Develop or maintain systems for production planning, scheduling, materials control; fixed asset management.

TREASURY AND CASH MANAGEMENT

20. External Financing. Participate in the process of procuring funds; maintain relationships with bankers and other sources of funds.
21. Risk Management. This work activity includes the analysis of risk, development of policies and programs to manage risk, and work with insurance brokers.
22. Investment of Funds. This work activity includes cash management, evaluation of alternative investments, working with derivatives and financial risk.
23. Credit and Collection. Develop and implement credit and collection policies.

BUSINESS TAXATION

24. Tax Compliance. Prepare or review business (corporate, partnership, etc.) income tax returns, franchise tax returns and various sales and payroll tax returns.
25. Tax Planning and Strategy. Develop and implement tax policies and strategies; investigate and advise on the tax consequences of contemplated business actions.

ORGANIZATIONAL CHANGE AND DEVELOPMENT

26. Process Improvement. Identify organizational processes, set continuous improvement goals, participate in process improvement, benchmark, etc.
27. Educating the Organization. Teach non-financial managers about economic and financial analysis; help them understand what various financial measures mean.

ADMINISTRATION

28. Managing the accounting/finance function. Office management, committee service, scheduling, assign work roles, supervising staff, etc.
29. Human resources and personnel (for the accounting/finance function). Management recruitment, human resource planning, personnel administration, team building, etc.

Appendix G

Cover Letter

The Practice Analysis of Management Accounting
research to advance the profession



American Institute of Certified Public Accountants

April, 1999

Dear Colleague:

The Institute of Management Accountants (IMA) and the American Institute of CPAs (AICPA) are conducting research to understand the changes taking place in corporate accounting and finance. The purpose of the research is to provide accounting educators with current information about our profession so that they can design courses and curricula that will better prepare people for work in companies like yours.

You have been selected as part of a scientific sample to participate in this research. Your insights are critical for developing valid benchmarks.

PLEASE TAKE THE TIME TO PARTICIPATE IN THIS RESEARCH.

The research is being conducted by the Gary Siegel Organization (GSO), an independent opinion research firm. Within the next week, GSO will call you to set a time for a 15-minute telephone interview. You will be asked about the work you do now and how it has changed over the past five years.

Research results will be released at the IMA Annual Meeting in Seattle on June 20th. The results will also be posted on IMA's web site (imanet.org) so that you can compare your perceptions of the changing nature of work to the picture that emerges from this research.

You will rarely have an opportunity to contribute so strongly to the future of your profession. We urge you to participate in this research. Thank you very much for your cooperation.

Sincerely,

Pamela Prinz Stewart
President, IMA

Olivia F. Kirtley
Chair, AICPA

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For information about the Practice Analysis, call the Gary Siegel Organization, 847-982-2000.