

Strategic Cost Management

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Empowering management accounting and finance professionals to drive business performance is the active mission of the IMA. True to its mission, the IMA has made substantial efforts to encourage disciplined practices and has publicly recognized the burden of excessive regulation. Backed by research, the IMA has successfully argued that the SEC has provided guidance to external auditors but no such guidance to inside management that allows them to conduct practical assessment of their systems of internal controls. In addition to the advocacy role, the IMA is promoting new/updated SMAs, an independently validated certification program, and new research initiatives. In summary, the IMA is doing their job. Unfortunately, they cannot achieve success alone.

The IMA has demonstrated, with Bureau of Labor Statistics (2005) that 93% of accountancy professionals work inside of organizations. Given this data, why isn't management accounting defining the profession? Why is there so much emphasis on external reporting? In practice much of the blame falls on excessive regulation. There is also a great degree of institutional inbreeding that teaches accountants to embrace public accounting—an erosive condition that diminishes the role of serving the needs of decision makers and abandons management accounting's primary customer—management. How strong is this influence? To get some idea, consider a recent quote from Steven F. Vieweg, CEO of the CMA's of Canada, the head of Canada's leading 'advocacy' group for management accounting, "Every management accountant must have his or her roots in financial accounting, specifically GAAP." At issue here is that North American controllers are expected to be concerned with both compliance and decision support—a dual role that is not present in many other countries with developed economies, and this is clearly an artifact of the institutional inbreeding referred to earlier.

In academia, the blame goes toward professors that insist on teaching traditional cost accounting to support financial reporting. Why? Because this was how they were taught. The same is true of research. The recent AAA Annual Meeting highlighted the overemphasis on financial accounting (FA) versus management accounting (MA) research. Although the AAA membership is reasonably distributed among specialty areas (FA at 18%; MA at 17%), approximately 70% of articles in the Accounting Review are on FA (13% on MA). This same pattern is evidenced in 4 of the top 5 academic accounting journals.

How can we rebalance the profession? Since the knowledge supply chain starts with academia, it seems they must lead the charge. This includes the recognition that the domination of the profession by financial accounting should be considered unacceptable and institutionally biased. Professors must be willing to be learners as much as teachers and be open to new ideas. This will not happen overnight, but recognizing the problem is a first step to a solution.

I suggest readers join the debate by subscribing to the IMA's "New Costing" Listserv E-mail exchange. I also encourage you to share your thoughts, articles, research studies, and helpful links on strategic cost management to me directly at clinton@niu.edu.