

What Do Management Accountants Do?

In previous columns I described the roles that management accountants play in their organizations, their leadership positions on cross-functional teams, and the skill sets they need to function as internal consultants and business partners. This month the focus is on what management accountants actually *do*—how they describe their own work.

The work is varied. The stereotype of accountants cloistered in their cubicles doing routine tasks simply doesn't conform to the workplace in Y2K. The descriptions of work presented below were volunteered by practicing management accountants at six leading-edge finance organizations: Abbott Labs, Boeing, Caterpillar headquarters, Caterpillar assembly, Hewlett-Packard, and US West.

Practicing management accountants can compare the work activities in their companies to those of the leading-edge companies interviewed for the Practice Analysis. Accounting educators and students can get a glimpse of work in the new world of management accounting. So what do management accountants do?

Management. "I am a supervisor in the Power Train area, which is a product group here in Aurora. What I primarily do is oversee the NPI (New Product Introduction) cost accounting. This involves working with engineers, planners, people from the manufacturing environment, and marketing people to understand a new design that may not be built for two years. We deal with all aspects of the new product introduction: design, materials procurement, manufacturing, outsourcing, pricing, marketing, and customer service. It's important to work with the actual product group so that you can understand how your targets are established. We also work with purchasing because we need to go out and quote the parts. So we're

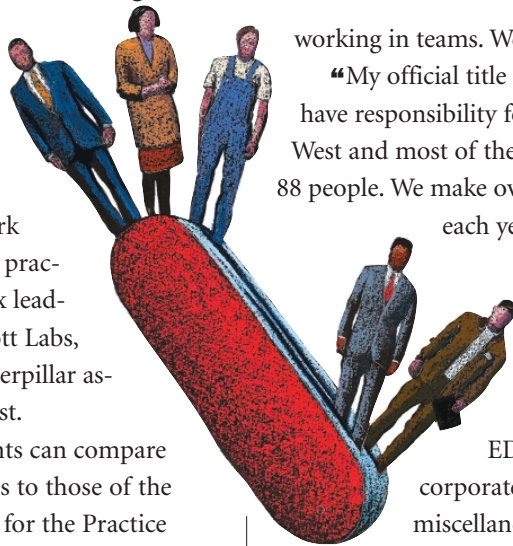
working in teams. We are very team oriented."

"My official title is director of accounts payable. I have responsibility for all of the disbursements for US West and most of the subsidiaries. I have a staff of about 88 people. We make over \$10 billion in disbursements

each year. We process a fair amount of paper invoices, but most of the transactions that come through my department are electronic. I have responsibility for unclaimed profit, account reconciliation, and EDI transactions. We administer the corporate card and handle a lot of other miscellaneous check functions. I have a group that supports systems from a business

analyst perspective and some folks that work directly with procurement to make sure that we are dealing with all the right integration issues and controls."

Modeling. "I've done a ton of this over the years. Financial modeling starts with something—like a business opportunity, a new product, or an investment decision—and tries to financially depict it. For example, I developed a model for cable modem deployment. We had to create demand analysis. This means asking key questions and projecting the answers. These questions include: What is the target population? What percentage of the people might buy this new product? What are the price points? We had to come up with revenue streams, then do all the cost analysis, estimate how many people it will take to support it, determine how many units are going to



need installation, how many customers will self-install, and so on. Then we translate all that into P&L statements and balance sheets and discount the cash flows to decide if this is something we want to do. It's basically taking something that is very general and converting it into a model that a businessperson could look at and make a decision on."

"We make medium wheel orders at Caterpillar in four different facilities. My job is to break down the cost of each of the medium wheel order costs by component. The other plants do this too. Then we look at the cost breakdown at the different plants and determine who has a better processor, who has a better supplier, who has the best practices, and who does the work in the most cost-effective ways. We use this as one tool for continuous improvement."

Business planning. "We have responsibility for budgeting at a level of detail right down to the department or section in the factory floor. On a monthly basis we revise those forecasts based on a new rolling sales forecast."

"I also do a lot of work on business strategy. Since one of our major goals is to be more profitable, we have to figure out how to sell more products and to find ways to streamline our costs. To do this, we need to understand our cost structure, keep abreast of what our competitors are doing, keep up with technology, and understand pricing strategies."

Accounting systems and financial reporting. "For example, we installed the Caterpillar corporate financial system at a company we acquired a year or so ago. Now we can integrate that operation into ours."

Internal consulting. "People ask me business questions all the time. I get a lot of customers who need to

understand the best way to perform certain processes and the impact it will have on the business. So I'm here to provide not just the financial perspective on business decisions. In many cases, people value my advice on business questions that go beyond the limits of accounting and finance."

Organizational education. "We spend a lot of time trying to teach nonaccountants what we're doing and why. One of our goals is to teach nonaccountants to think along accounting lines so that we're not just telling them what to do without an explanation of why they need to do it."

Business support. "I do product business support. This has to do with maintaining and verifying current costs, working with new product introduction teams, and working with models in the developmental stage. We do target costing and monitor the costs as the program proceeds. We also work with volume and pricing projections."

"I support the worldwide manufacturing manager. This includes IT, business systems, and manufacturing. I mostly track metrics and do analysis on cost. I extract information from databases and put it in a format that is useful and easy for people to interpret and understand."

Financial and economic analysis. "Prior to a new product's introduction or introducing some new technology in the manufacturing process, we have to perform a financial and economic analysis. How's our cash flow now, and what does it look like in the future?"

"My job is what Hewlett-Packard calls a finance manager. I have financial responsibility for product line, start-up group, and networking. It basically covers, in my mind, the full suite of accounting, controls, and ba-

sic budget management, and then really ends up being decision support."

"I'll describe the job as a controller. I work with the general manager and functional staff, marketing, R&D, field operation managers, and delivery managers. I have to ensure that there are proper business controls in the organization, that pricing is adequate, that we're using the best possible cost structure, and that I hire and develop the best staff worldwide."

"I have been involved for a number of years here in helping to come up with new ways to do certain finance functions, cost management in particular. I got involved in a major reengineering of our production and design management systems for the design and building of airplanes. I'm transitioning into a job that will figure out how we can increase the level of skill and knowledge of both finance and nonfinance people in our company."

Now What?

As you have seen, the work is varied. So what's the next step?

Practitioners: To gain the skills to do something new in your organization, look at the educational options on IMA's website. *Educators:* Take your students on a field trip to see practicing management accountants in action. *Students:* Welcome to the exciting world of management accounting! ■

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