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T R A N S F O R M A T I O N S I N T H E

M A N A G E M E N T A C C O U N T I N G

P R O F E S S I O N

By Keith A. Russell, CMA; Gary H. Siegel, CPA; and C.S. “Bud” Kulesza, CMA, CFM

From bean counter, corporate cop, and financial historian to valued business partner, the role of management accountants in many firms in the last decade has evolved into the center of strategic activity. Escalating change in an increasingly competitive international business environment has provided management accountants with the opportunity to reinvent the profession and increase their value to the organization.

These changes are among the major findings of the largest continuing analysis of the management accounting and finance profession. The 1999 Practice Analysis of Management Accounting, titled *Counting More, Counting Less: Transformations in the Management Accounting Profession*, provides a snapshot of the current state of the management accounting profession in the United States, how the profession has changed, and where the profession is headed. The key events leading to this latest report are described in the sidebar on p. 33, "Why This Research Was Needed."

HIGHLIGHTS OF THE 1999 PRACTICE ANALYSIS

The 1999 Practice Analysis focuses a lens on the accounting function and offers insight into the broad changes under way in American firms in the new information economy. The 1995 Practice Analysis described a profession in transition. The 1999 Practice Analysis documents the transformation of corporate accountants from financial historians to business partners. Increasing numbers of management accountants spend most of their time as internal consultants or business ana-

lysts. Many have moved from the accounting department to be physically located in the operating departments they service. They work on cross-functional teams and are actively involved in decision making.

As firms adopted a customer focus as the key component to their quality improvement programs, management accountants focused on serving their "internal customers." Accepting the adage, "the customer is always right," management accountants work closely with their "customers" to provide the right information and help use the information to make better decisions.

The 1999 Practice Analysis results reflect the current state of the management accounting profession in the U.S. and indicate where the profession is heading.

Improved image. When compared to the baseline measures of the 1995 Practice Analysis, the 1999 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 decision making. Clear winners in the technological revolution that fostered the new information economy, management accountants are in increased demand

within their organizations for their advice, expertise, and involvement. About 70% of the respondents in all size firms say that compared to five years ago people outside the finance function believe that management accountants bring more value to the company.

Communication with nonaccountants increasing. In 1995, 48% of management accountants worked on cross-functional teams. In 1999, that has increased to 56%. Management accountants spend more time communicating with people in their firm than five years ago. Universally, respondents agree that good interpersonal skills are essential for success.

Shifts in work location. Traditionally, accountants worked in accounting departments that were physically removed 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 centrally located accounting area and are located with the operating departments they serve as part of the business team. In larger companies, 45% of respondents indicate that at least half are now located with the operating departments they service.

How management accountants define themselves. When asked which term they used to describe their work, 39% of respondents said finance, 33% said accounting, and 28% use a different term. Finance appears to be a more inclusive and acceptable term for describing all the varied activities the respondents perform. The most common reasons given for using the term finance have to do with the positive connotations associated with finance and the negative connotations connected with accounting. Interestingly, none of the respondents used the term “management accountant” to describe themselves.

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

Skills needed for success. The 1995 Practice Analysis includes a database with information about 162 knowledge, skills, and abilities (KSAs) necessary for success in the accounting profession. The 1999 Practice Analysis respondents were asked to describe, for the benefit of undergraduate accounting majors, the most important KSAs necessary for success. They are

**Table 1: 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, i.e., 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%

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

Respondents also were asked to identify the most important new KSAs they learned over the past five years. See Table 1 for their answers. It shouldn't be surprising that computer skills topped the list.

Quality of life. Due to the increased demand for their services, finance function personnel work long hours. As a result, there is increasing concern on the part of respondents about the balance between work and personal life. Two comments from the survey reflect this concern:

“In the last couple of years especially, we have just

Table 2: SINGLE MOST CRITICAL WORK
ACTIVITY IN 1999

	Number	Percent
Long-term strategic planning	75	25.3%
Process improvement	30	10.1%
Customer and product profitability	27	9.1%
Accounting systems and financial reporting	16	5.4%
Short-term budgeting process	15	5.1%
Mergers, acquisitions, and divestments	15	5.1%
Perform financial and economic analysis	14	4.7%
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 and 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%

been burning people out. They've been working incredible hours trying to get information out faster than they've ever gotten information out before."

"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."

The pace of change. Change in the profession is ongoing and accelerating. The overwhelming majority of respondents interviewed stated that the rate of change in their organizational role has been more rapid over the 1995-99 period than the 1990-95 period.

Not one respondent expects the rate of change to decrease! In fact, respondents expect the rate of change to increase over the next three years. Management accountants say that change is driven by technology, the need for more rapid information, globalization, and the increasingly competitive environment. Management accountants aren't just managing change: They are initiating change.

Where the profession is going. Financial professionals report a shift over the past five years from traditional accounting work activities to newer, more value-added activities. Compared to five years ago, respondents spend more time performing the following work activities:

- Internal consulting.
- Long-term strategic planning.
- Computer systems and operations.
- Managing the accounting/finance function.
- Process improvement.
- Performing financial and economic analysis.

Looking ahead three years, they expect to spend more time on the same work activities. Compared with five years ago, respondents say that they spend less time performing the following work activities:

- Accounting systems and financial reporting.
- Consolidations.
- Managing the accounting/finance function.
- Accounting policy.
- Short-term budgeting process.
- Project accounting.
- Compliance reporting.
- Cost accounting systems.
- Tax compliance.

Looking ahead three years, they expect to spend less time on these same critical work activities. Interestingly, these are traditional accounting work activities. Respondents were asked to identify the single most critical work activity for their firm's success in 1999. See Table 2 for their responses.

Long-term strategic planning, process improvement, and customer and product profitability were recently introduced to the profession. Indeed, these functions weren't part of the traditional accounting vocabulary 10 years ago.

MANAGEMENT ACCOUNTANTS AREN'T JUST MANAGING CHANGE: THEY ARE INITIATING CHANGE.

WHY THIS RESEARCH WAS NEEDED

IMA, in an ongoing effort to meet member needs, formed an alliance with the Financial Executives Institute (FEI) to complete a research project to determine the skills corporate executives expected from entry-level accountants and the skills entry-level accountants brought to the job. *What Corporate America Wants in Entry-Level Accountants* (IMA, 1994) revealed a significant gap between corporate expectations and entry-level skills. The gap had developed because the curricula of many accounting and business programs weren't focused on the changes occurring in corporate accounting or on the needs of the corporations that hired accounting and business graduates. (This gap was later confirmed by the American Assembly of Collegiate Schools of Business in *A Report of the AACSB Faculty Leadership Task Force*, 1995-96).

The obvious question raised by *What Corporate America Wants* was, "What knowledge, skills, and abilities (KSAs) were necessary for entry-level professionals?"

To answer this question, the IMA completed its first study of work, *The Practice Analysis of Management Accounting* (IMA, 1995). This study documented in unprecedented detail the work activities performed in U.S. companies and the KSAs necessary for competent performance of those work activities. Respondents for the study were drawn from membership rosters of the AICPA, IMA, FEI, and IIA and included management accountants at

all organizational levels, entry-level to CFO. Many colleges and universities used the Practice Analysis database to revise curricula, and businesses used it to develop skill-based training.

The 1995 Practice Analysis also revealed the emerging contours of the new management accountant: one who was working on cross-functional teams and becoming more heavily involved in strategic planning and business decision making. Less time was being spent in traditional roles because technology automated many time-consuming tasks. Instead, management accountants were spending increasing amounts of time in new roles as an internal consultant, analyst, and valued business partner.

In 1999, IMA heard from members that change in the profession was accelerating. Accordingly, the Institute, with participation and cooperation from the AICPA, undertook the 1999 Practice Analysis to focus on change in the profession. The Gary Siegel Organization completed the research on this follow-up research study as well as the two earlier studies. *Focus on the Horizon: CPA Vision Project* (AICPA, 1998) identified forces impacting their members.

Using information provided from respondents drawn from members of the IMA and AICPA, researchers set out to determine:

1. How the work of management accountants and their role in their companies have changed over the past five years, and
2. How the work will change in the next three years.

Changes in the role of the finance function.

Many respondents believe the changes taking place in their work are driven by changes in the finance function. Leading changes include:

- Partner/consultant in management decisions.
- Finance is more involved with other aspects of business.
- More planning/strategy.
- More computerized technology.
- More involved in team building/decision making.
- More involved in evaluating company efficiency.

Management accountants also believe the current trend toward business partnering will continue.

Changes expected over the next three years are:

- Less reporting of information; more planning and analysis.
- More computerized/technology/software.
- More partnering and consulting in management decisions.
- More involvement with operations.
- More analysis of profitability and performance evaluation.

IMPLICATIONS AND RECOMMENDATIONS

For accounting educators. The two most critical work activities for the success of respondents' companies in 1999 are strategic planning and process improvement; neither is taught in most accounting curricula. To better meet the needs of their students and corporate customers, college and university educators should obtain a better understanding of the work performed in modern firms. The insights gained from the 1999 Practice Analysis should be used to address needed curriculum changes.

For corporations. Corporations should become more involved in the academic community through advisory boards, participation in job fairs, faculty internships, guest speaker activities, plant visits, etc. This involvement will help ensure that the changes occurring in corporate America are shared with the academic community. Such interaction is necessary to enable students and faculty to remain abreast of the changes taking place in the profession and to identify the KSAs needed for success.

For professional associations. Professional associations need to maintain their leadership role of identifying, supporting, and perpetuating the positive changes taking place in the profession. Specifically, they should:

- Continue the development of CPE courses and

benchmarks for finance function organizations.

- Continue to encourage and support the interaction between accounting educators and practitioners.
- Compare professional certification examination contents and specifications with the results of this research.
- Develop a universally accepted title for the new organizational role of management accountants.
- Inform accounting educators about the changes that have occurred in the profession and where the profession is headed.
- Work closely with accounting educators to develop changes in the accounting curriculum consistent with the future of the profession.

BEYOND STRATEGIC PARTNERING

In a November 1990 article in *Management Accounting*, Gerald Ross, managing director of Change Lab, Toronto, Canada, predicted the changes under way for management accountants. Ross stated that the 1990 management accountant was using traditional tools at the operational level. He felt that to survive and flourish in the new technological world, management accountants would need to begin using more sophisticated tools and move from the operational level into the strategic level in their firms.

Events over the past decade have proven Ross to be prescient. Where does the profession go from here? The 1999 Practice Analysis predicts that management accountants go beyond business partnering and broaden their role to strategic partnering. Management accountants will become more involved in running the business. They will become more proactive.

Clearly, change will be the constant into the new millennium for finance function professionals. ■

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The complete 1995 and 1999 Practice Analysis studies are available on IMA's website at web.imanet.org/pahome.htm.