

THE END OF SPECIALIST DEPARTMENTS?

Specialist management accounting departments are facing challenges which, in the long term, could undermine their ability to attract high calibre personnel. Below, **Rick Payne** summarises the issue and some possible solutions.*

Specialist management accounting departments in business and academia face significant challenges. These result from the need for management accountants in business to work in close proximity to operational activities and for financial management skills to be widely spread throughout organisations. In academia, particularly in the US, the teaching of management accounting subjects increasingly falls within the purview of other disciplines, such as strategy. In the long term such developments could

jeopardise the ability of the management accounting profession and academic departments to attract and develop the high calibre individuals they need to thrive.

How these challenges are addressed by concerned parties may differ widely, depending on national characteristics and institutions – as became clear from chairing the panel discussion this faculty organised at a recent conference of the Management Accounting Section of the American Accounting Association.

* This topic was discussed – and various solutions suggested – in a panel discussion organised by the faculty, at a recent conference of the Management Accounting Section of the American Accounting Association (MASAAA). (See box on page 15.)

Of course it was a wide-ranging discussion and the summarising comments below are necessarily selective. But the panel – comprising professor Kari Lukka, Turku Business School; Paul Benzie, director of finance



The panel members, from left to right: Kari Lukka, Shannon Anderson, Paul Benzie, Ian Caunt and Rick Payne.

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entertainment and devices division, supply chain at Microsoft; Ian Caunt, president and CEO of CCI Learning Solutions; and associate professor Shannon Anderson, Jones Graduate School of Business, Rice University as well as myself (see picture opposite) – certainly provided many insights into the issue.

The challenges accountants face

Professor Lukka opened the discussion by highlighting the huge number of challenges that accountants face. These included the need for finance to:

- have a proactive business orientation and involvement with strategy;
- deal with differing ways of organising accounting tasks, eg centralised v decentralised departments, specialist v generalist roles, in-house v outsourced services;
- manage at a distance, as a result of globalisation; and
- manage the huge growth in data and communication volumes.

Management accountants – business oriented and close to operations

The theme of accountants needing a strong business orientation was picked up by Paul Benzie. He emphasised two broad objectives for his finance group at Microsoft: adding value; and delivering transaction processing and compliance at low cost without compromising on standards. To add value, finance needs to bring a unique perspective to decisions which enables the generation of more profit.

To do this, it needs to go beyond providing just the standard reports such as income and expense variance analysis. This might include correlating diverse data in meaningful ways in order to identify significant trends in the business – in short becoming more analytical.

Benzie emphasised that the technical depth required to mine the data and make sense of it, particularly given the growth in volumes mentioned above, should not be underestimated. However, meeting such needs would enable finance staff to take on a more consultative role and provide key advice to business managers.

Ian Caunt's key messages were not dissimilar. He argued that management accountants were at their best when they operated as closely as possible to business operations, rather than closeted away in separate departments with their professional peers. Indeed some of the best 'management accountants' he had come across were not accountants at all but were quite often engineers, production managers and even marketers, since financial management principles and knowledge need to be applied by all functions of management.

In his view there were two likely paths for management accountants to pursue. On the one hand they could develop as broad-based business professionals, albeit with deep financial knowledge, operating in cross disciplinary teams working close to the business. On the other hand there would be a need for people in management accounting departments and other parts of the finance function to deal with the growing imposition of new, externally driven reporting, compliance and financial control requirements. Although possibly not as satisfying as business-focused activities, this latter role still constitutes a valuable service in relieving regulatory pressures from business managers and enabling them to focus on strategy and operations.



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The risk is that the supply of people with a deep knowledge of management accounting will dry up

Do we risk losing depth in management accounting expertise?

In Shannon Anderson's view, management accounting is a core part of an MBA, representing a foundational course for all general management. She did agree with Caunt that management accounting principles have to be applied in every function of management but also brought a different perspective to the discussion and highlighted a cautionary warning.

In the US, academic management accounting departments are struggling to retain management accounting courses in the curriculum. Just as management accounting in firms is becoming the responsibility of 'everyone', management accounting education is falling within the purview of all, eg strategy courses teach the balanced scorecard, and business economics covers the relevant costs for decision making. At this rate, argued Anderson, maybe management accounting courses will be reduced to teaching variance analysis, job and process costing and spoilage.

Taken together with the decentralisation of management accounting in industry and the consequent loss of expertise developed by management accountants working closely together in centralised departments, the risk is that the supply of people with a deep knowledge of management accounting will dry up. This in turn may lead to a loss of depth and coherence in the performance measurement, cost analysis and control functions of the firm.

And some further fears

Fears were also expressed by other members of the panel. Benzie highlighted:

- how difficult it was to recruit financial management staff with the requisite accounting expertise, which is indicative of the concerns expressed by Anderson above;
- concerns that finance is often unable to handle the vast amounts of data available, usually due to resource constraints and technical expertise limitations; and
- doubts about whether accountants were equipped

with the skills to move into a leading role on environmental sustainability as some commentators and professional bodies have suggested they should.

On this last point Anderson drew a parallel with the quality movement and the adoption worldwide of ISO 9000 standards. Some had initially argued that work in this area was a natural extension of auditors' skills, but in the end the specialty quality groups set up in accounting firms were not particularly successful. This was because it turned out that knowledge of statistical process control and engineering were more important than accounting and auditing skills.

Caunt was concerned about a tendency in management accounting departments to over-complicate matters and use opaque methods particularly with respect to cost allocations. In his experience, rather than focusing on such matters, successful management teams in both successful conglomerates and turnaround situations focused more on managing raw data such as total payroll costs, total occupancy costs and the marginal contribution from sales.

Lukka pointed out there is also the ongoing challenge for accountants, and particularly local controllers, of dealing with conflicting interests and loyalties. For example do local controllers help divisional managers negotiate achievable targets or help corporate headquarters set stretching ones?

Conclusions

Despite these issues, both Lukka, in academia, and Benzie, from the business world, continued to see heavy demand for management accounting education and services. At least in Finland, management accounting/controller issues are among the top topics that executive programme students wish to study. Also high value is attached to finance staff who can act as sparring partners for business managers. And in Microsoft there is a huge demand for the finance function to provide resources to support decision making – albeit Benzie's team has significantly more MBAs and business graduates than qualified accountants.

So what can be done to ensure a viable future for management accountants and management accounting as a discipline? Lukka pointed to the need to promote a positive image of modern business oriented management accountants/controllers to ensure that high calibre people are attracted to management accounting education and the profession. In part this is because he has noted a trend for managers to hire for attitude rather than technical competence (which can be learnt on the job). In the context of “not wasting a good crisis” Anderson remarked that high flying MBA students may now have to take up more operational roles rather than expect to walk into an investment banking job on Wall Street. Therefore learning management accounting may become more valuable than being up-to-date with the latest investment theories and models.

Anderson pointed out that she tells students to remember that “ambiguity is your friend – you do not command high rewards by doing what a computer can do better”. In a related vein, Benzie emphasised the need for accountants to develop diverse management and leadership skills. Meanwhile Caunt’s hope was for a future where management accountants seek to become multidisciplinary in their own careers while other business specialisations become better practitioners of management accounting themselves.

All of these points suggest a need to continue to attract diverse, high calibre people to the field of management accounting. In doing so, academia, business and professional bodies all have an important role to play. ■

FACULTY WEB LINKS

- ‘Finance’s role in the organisation’ – FM170
www.icaew.com/index.cfm/route/167906
- ‘Finance’s role in the organisation- Part 2’ – FM171
www.icaew.com/index.cfm/route/168529

AAA, MANAGEMENT ACCOUNTING SECTION

The American Accounting Association (AAA) promotes worldwide excellence in accounting education, research and practice. Founded in 1916 as the American Association of University Instructors in Accounting, its present name was adopted in 1936. The Association is a voluntary organisation of persons interested in accounting education and research. Its mission is to ‘bring together the academic community to further accounting education and to advance the discipline and profession of accounting’.

The Management Accounting Section of the AAA builds on this mission with a focus on accounting which assists in the effective and efficient management of entities. The goals of the section include the following:

- improving the effectiveness of instruction in management accounting;
- encouraging research in management accounting;
- increasing the opportunities for the interchange of ideas among the members of the academic community; and
- encouraging capable and promising accounting students to pursue careers in management accounting.

The Finance and Management Faculty engages with the AAA as its goals align with those of the ICAEW. The mutual exchange of ideas helps us to communicate the latest thinking in management accounting to our members. Our participation in their activities and conferences also helps us promote international awareness of the value of the ACA qualification.

FMF THOUGHT LEADERSHIP WORK

The Finance and Management Faculty’s thought leadership work remains focused on the role of the finance function. Our initial thinking was summarised in two articles in *F&M* (October and November 2009). These articles have been combined into a stand alone document for a broader distribution (available on request). We raised a number of questions in the articles concerning the relationships between finance and other functions and the future challenges that finance faces.

Our thought leadership work is not just about research and writing but also about developing relationships, convening debates (such as the one documented here) and presenting at conferences.

Our work to date has already borne fruit. Examples include:

- presenting to HM Treasury’s careers fair for accountants;
- informing some of the questions in the recently published ICAEW 2010 career benchmarking survey;
- obtaining research funding from the ICAEW’s charitable trusts to examine the factors driving the success of management accounting departments and their impact on organisational performance; and
- articles in *F&M* by leading accounting academics.

If you would like to get involved, for example by commenting on the articles or meeting to discuss the role of the finance function please email me – rick.payne@icaew.com.